

MAY 26, 1986

business insurance

update

Hall to pay \$45 million to settle Protective dispute

OMAHA, Neb.—Frank B. Hall & Co. Inc. has reached an agreement to pay \$45 million to settle a dispute with Protective National Insurance Co. of Omaha concerning losses connected to an insurance program written by Global Surplus Insurance Services Inc., a former Hall subsidiary.

The agreement releases Hall from further liabilities for the business. As a result, Hall's auditor, Touche, Ross

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Reporting weekly for corporate risk, employee benefit and financial executives/\$1.50 a copy; \$60 a year

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Product liability bill runs into opposition

By JERRY GEISEL

WASHINGTON—The administration-supported federal product liability bill is likely to be weakened as reform proposals head for a crucial vote next month by the Senate Commerce Committee.

Top Reagan administration officials who attended a Commerce Committee hearing last week ran into vigorous opposition from some committee members on the proposed cap on non-economic damage awards.

Attorney General Edwin Meese, flanked by Assistant Attorney General Richard K. Willard and Douglas Riggs, the Commerce Department's general counsel, urged passage of the administration product liability reform proposal introduced in the Senate earlier this month by Sen. Robert Kasten, R-Wis.

That proposal, S. 100, would:

- Place a \$100,000 cap on awards for non-economic damages.
- Virtually eliminate the doctrine of joint and several liability in product liability cases.
- Reduce product liability awards by the amount of other compensation a plaintiff receives, such as workers compensation benefits.
- Limit the contingent fees plaintiffs' attorneys could collect.

• Protect manufacturers from liability if they do not warn of obvious dangers or if a product is altered or modified in an unforeseeable way (BI, May 5).

The administration proposal "will assist those American businesses, especially small businesses, that are unable to obtain affordable insurance because of the high costs of the current liability system," Mr.

Meese told the committee.

However, the attorney general apparently didn't help his cause when he left the hearing after answering only one question.

Some committee members lashed out at the administration's proposal, especially the \$100,000 cap on non-economic damages, charging that it was unfair to consumers and thus should not be passed in current form.

"To say that \$100,000 (is adequate) for a loss of a spouse is a real injustice," said committee member Slade Gorton, R-Wash.

"I disagree with any proposal that would set caps," Sen. Gorton said, adding that the Senate should not pass any proposal with ceilings on product liability awards.

Sen. Wendell Ford, D-Ky., also attacked a liability cap, suggesting that its enactment could reduce manufacturers' incentives to produce safe products.

"I have difficulty saying in an egregious case that a \$100,000 cap is appropriate," Sen. Ford said, asking how safety-minded companies would be if their potential liability is reduced.

Mr. Willard said he could understand why some committee members would be opposed to the \$100,000 cap.

"It is hard to say that one number is better than another," the assistant attorney general said, but he added that a cap on awards is

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ISO may withdraw proposal to change defense cost cover

By CAROL CAIN and KATHRYN J. MCINTYRE

NEW YORK—The Insurance Services Office will probably modify—and may even drop—its efforts to charge defense costs against the limits of primary commercial general liability insurance policies.

In either event, no changes in defense cost coverage under CGL forms will be made by ISO's original July 1 target date for implementing its proposal.

Representatives of the insurance industry policy form and rating advisory organization will meet with a task force of insurance regulators this week to discuss its proposal to alter the current policy wording on defense costs.

ISO wants insurers to have the option to charge some or all defense costs against policy limits. Now, primary insurers are responsible for all defense costs outside of policy limits until the limit is exhausted by indemnity payments.

ISO "probably will modify" its current proposal after it receives input from the task force, an ISO spokeswoman said.

The task force will meet May 28 in Baltimore to prepare a report to be delivered at the National Assn. of Insurance Commissioners' summer meeting in Boston on June 8-12.

However, ISO may tell the task force that it will not pursue its year-old plan to file policy amendments with

state insurance departments that would allow insurers to charge some or all defense costs against the limits of commercial general liability and other miscellaneous liability policies.

"I'm reasonably certain ISO will withdraw their proposal on defense costs," said John E. Washburn, Illinois insurance director, who is a member of the task force formed by the NAIC to study the issue.

Mr. Washburn noted that he expects ISO to officially approve the decision to drop the proposal on changing defense cost coverage at its next board meeting. ISO's next regular quarterly board meeting is June 25.

However, a spokeswoman for ISO said in an interview last week: "There must be some misunderstanding," when told that sources said ISO will withdraw its proposal.

"Our proposal is on hold while the NAIC Task Force is studying the

issue," she said.

ISO is planning to discuss any recommendations from the task force at its Sept. 25 quarterly meeting, the spokeswoman said.

Also, she questioned how ISO could withdraw something that has not yet been filed in any state.

And, she added: "We are fully committed to implementing a viable and effective defense cost containment program." This does not necessarily mean the

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'I'm reasonably certain ISO will withdraw their proposal on defense costs,' says Illinois' John E. Washburn.

States step up opposition to Dyna Span's operations

By DOUGLAS McLEOD

BOCA RATON, Fla.—Dyna Span Corp., which claims to offer commercial insurance buyers liability coverage under the provisions of the federal Risk Retention Act, is facing spreading opposition by state regulators who charge it has not operated as the act requires.

Since February, seven states have ordered Boca Raton-based Dyna Span or its agents to stop selling coverage because Dyna Span may not qualify under the Risk Retention Act as a company exempt from state regulation (BI, March 3).

In addition, Florida has filed administrative complaints against Dyna Span and the company that underwrites the policies it sells, New England International Surety Co., a Panamanian company operating from Brussels, Belgium. The department may issue a cease-and-desist order after a hearing on the complaints.

Two other states that have not issued cease-and-desist orders have warned insurance buyers and brokers against coverage marketed by Dyna Span or New England International, while other state insurance departments say they are investigating Dyna Span's activities.

In addition, the Delaware Insurance Department—which had informally recognized Dyna Span as a "pur-

chasing group" under the Risk Retention Act—withdrew its recognition April 1, though sources note the withdrawal has no legal effect on Dyna Span.

Dyna Span representatives contend the company is operating legally.

Dyna Span offers product liability and completed operations insurance, insurance agents' errors and omissions coverage and liquor liability coverage. State regulators say they do not know how much business Dyna Span has written. Dyna Span President A.R. Johnson would only say premiums are "considerably more than \$1 million."

Meanwhile, insurance commissioners in three states—Alaska, New Jersey and Massachusetts—have sent letters to Congress voicing concerns about pending proposals to expand the Risk Retention Act. The letters all cite the Dyna Span case as an example of regulatory problems the Risk Retention Act can create.

Former New Jersey Commissioner Hazel Frank Gluck said in a letter to the state's two senators and 14 representatives that the Dyna Span case highlights "the potential abuse any expansion of the federal Risk Retention Act would engender."

The Senate Commerce Committee in March approved legislation, S. 2129, that would expand the 1981 Risk Retention Act to allow businesses to secure all types of commercial liability coverage, except workers compen

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Sen. Kasten

Sen. Ford

Sens. Rockefeller, Simon seek more insurer financial disclosures
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update

Hall, Protective settle

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& Co., is expected this week to issue a clean audit opinion of the broker's 1985 financial statement.

Hall previously announced it had reserved \$64 million for the contingent liability represented by the dispute (BI, April 7).

Earlier this year, Protective voluntarily placed itself under the supervision of the Nebraska Insurance Department because it said it was unable to recover from some of reinsurers on a book of business written by Global through a managing general agency agreement with Protective (BI, Jan. 27).

Protective had charged that Global did not honor its responsibilities as an MGA, including notifying reinsurers of claims. Protective alleged that some reinsurers said they did not pay claims because they were never informed.

Pools have immunity, court says

SPRINGFIELD, Ill.—Illinois public entities that join a self-insurance pool do not lose statutory immunity from some liability claims, the Illinois Supreme Court ruled last week.

At issue in last week's ruling was whether a pool of public entities constitutes an insurance company. Under the state's Local Governmental and Governmental Employees Tort Immunity Act, public agencies are immune from some liability claims unless they buy insurance.

The court found that a pool is not an insurance company and statutory immunity should apply for many liability claims excluding, among others, willful and wanton acts.

The high court ruling upheld an appellate decision reversing a \$9,800 award by a Cook County Circuit Court jury to a girl whose leg was impaled on a piece of wood in a sledding accident in Hillside, a western Chicago suburb (BI, Aug. 26, 1985).

The ruling gives self-insurance pools another "strong weapon" in their arsenal to provide the most cost-effective insurance protection for public agencies, said Edward Hansen, manager of the Intergovernmental Risk Management Agency of Downers Grove, Ill.

IRMA, a pool of 40 public entities including Hillside, pursued the case after seven years of conflicting court rulings about the pool's immunity status.

While the decision applies only in Illinois, it may be used as a precedent in several other states where confusion exists about pools' immunity status, said IRMA's Chicago-based attorney, Stewart Diamond of Ancel, Glink, Diamond, Murphy & Cope P.C.

Ralph Hruby, the Wheaton, Ill., attorney for the injured girl, said he is "seriously considering" asking the high court for a rehearing by a June 11 deadline.

Panel OKs nuclear liability bill

WASHINGTON—The House Interior and Insular Affairs Committee last week approved legislation, H.R. 3653, that would raise the maximum liability of the nuclear power industry for an accident to \$6.5 billion from the current \$660 million.

The legislation, which still could be considered by three other House committees, would amend the Price-Anderson Act, the federal law that limits the liability of the nuclear power industry for accidents. That law is due to expire next year.

The committee's bill would extend the act for another 10 years. Somewhat different legislation is being considered by the Senate.

Jardine-Emett merger finalized

LOS ANGELES—Jardine Insurance Brokers Inc., the nation's 12th-largest broker based on 1984 gross revenues, has completed its acquisition of broker Emett & Chandler Cos. Inc., the 13th-largest U.S. broker, to form Jardine Emett & Chandler Inc.

The merger was completed after Emett & Chandler shareholders approved the sale of the Los Angeles-based broker to Jardine, the U.S. brokerage unit of Jardine Matheson & Co. Ltd.

Lloyd's new building to open

LONDON—Lloyd's of London will move into its new steel-structured building this week.

Lloyd's Chairman Peter Miller on Tuesday will declare the Lloyd's market in the new building on Leadenhall Street open for business. However, an official royal opening of the market is not expected until autumn, said a Lloyd's spokesman.

Prior to opening the new market, four red-liveried Lloyd's waiters carried Lloyd's most famous symbol—the Lutine Bell—ceremonially to Lloyd's new headquarters. Mr. Miller will ring the bell twice when he declares the market in the new building open.

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Decision limits landmark Keene ruling, insurers say

By STEPHEN TARNOFF

WASHINGTON—In what insurers contend is a significant limitation of the landmark *Keene Corp. vs. Insurance Co. of North America* ruling, the same federal appeals court that issued that decision is refusing to apply it in another asbestos coverage dispute.

The U.S. Court of Appeals for the District of Columbia, applying New York law, ruled that insurers for asbestos defendant Abex Corp. must indemnify it under an "injury-in-fact" theory of coverage.

The May 9 decision in *Abex Corp. vs. Maryland Casualty Co.* not only overturns a U.S. District Court that applied the triple-trigger theory first handed down in October 1981 in the Keene case to the Abex case, but also uses language that indicates the 1981 Keene case was wrongly decided, attorneys for insurers contend.

An attorney for Abex, however, steadfastly maintains that the decision, although using different language, provides the same broad coverage to policyholders as the Keene decision.

Under the Keene decision, a three-judge appellate panel ruled that all of Keene's insurers on the risk from the time of an asbestos victim's exposure to asbestos through the manifestation of an asbestos-related disease—including an intermittent latency period—are liable for defense and indemnification costs.

The injury-in-fact theory was first handed down in

1983 in *American Home Products Corp. vs. Liberty Mutual Insurance Co.* by the U.S. District Court for the Southern District of New York. It was later modified by the 2nd U.S. Circuit Court of Appeals (BI, July 1983; Dec. 17, 1984).

Those decisions said that coverage is triggered when a victim suffers an injury-in-fact or "actual injury" during the policy period.

In the Abex decision, a three-judge panel—consisting of different judges than those that handed down the Keene ruling—remanded the case to the U.S. District Court for the District of Columbia to apply the injury-in-fact approach to asbestos cases pending against Abex.

Because attorneys for policyholders and insurers differ on the extent of coverage that the injury-in-fact theory provides, the ultimate impact of the appellate court ruling will depend on how the district court determines when injury-in-fact occurs and how it will be applied to the underlying asbestos cases, attorneys say.

Nevertheless, attorneys for insurers say the language and approach of the Abex decision strikes a severe blow at the Keene decision, potentially restricting the amount of coverage available to policyholders.

However, an Abex attorney said the decision is broader than the Keene ruling on the issue of defense coverage, which was Abex's main concern.

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Bill seeks more insurer disclosures

By JERRY GEISEL

WASHINGTON—Some members of Congress, saying they need more information to resolve the liability insurance crisis, want property/casualty insurers to file detailed commercial underwriting and claims experience records with the federal government.

Legislators say they are hearing conflicting explanations about the causes of the crunch. Insurers charge that the legal system makes it too easy for plaintiffs to win damages resulting in huge underwriting losses, while trial lawyers and consumer advocates say insurance industry mismanagement is the primary cause of the crisis.

Congressmen say they don't know which side is right and can't provide legislative relief because of a dearth of reliable information.

"Everything is stymied because we don't have the facts. Anecdotes don't resolve a crisis...and we can't legislate without the facts," said Rep. Charles Schumer, D-N.Y.

"We have to have solid information (from insurers) to know where

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Employer groups oppose hazardous substance bills

By CAROL CAIN

WASHINGTON—Employer groups are rallying to quickly defeat legislation that would create a federal system to notify, counsel and provide medical monitoring services to employees exposed to hazardous substances.

The proposed program is set out in H.R. 1309—the High Risk Occupational Disease Notification and Prevention Act of 1986—sponsored by Rep. Joseph M. Gaydos, D-Pa.

The bill was amended May 14 during an unusual joint hearing by two House Education and Labor subcommittees. The legislation was favorably reported by the panels and sent to the full committee, where action is scheduled June 10.

The subcommittees' action, as well as a hearing on an almost identical measure by a Senate panel the following day, sent employer groups into a huddle to plot their next steps.

The Senate bill—S. 2050—is in the labor subcommittee of the Senate Labor and Human Resources Committee and is expected to remain there until the House committee acts.

On short notice last week, about 50 business associations and individual employers met to focus on H.R. 1309, said Fred Krebs, director of employee relations for the U.S. Chamber of Commerce.

"The Chamber, working with other business organizations, will be making visits and educating members of Congress," said Mr. Krebs.

The National Assn. of Manufacturers also is involved in the effort and, like the Chamber, says it will mount an intensive campaign to lobby members of Congress.

The purpose of H.R. 1309, according to Mr. Gaydos, is to:

- Identify groups of workers in specific occupations who are at risk of disease because of their jobs and the substances to which they are exposed.

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CGL pollution exclusion modified

By ROBERT A. FINLAYSON

NEW YORK—A revision to the new commercial general liability policy forms that extends coverage for bodily injury or property damage caused by heat, smoke or fumes from a "hostile" fire is expected to be in place June 1.

A hostile fire is one that "becomes uncontrollable or breaks out where it was not intended to be," according to the revision.

The Insurance Services Office filed the revision with state insurance departments last month in response to concerns raised by the Independent Insurance Agents of America and other producer groups that the broadly worded pollution exclusion in the new claims-made and occurrence CGL policies would eliminate this coverage.

State insurance regulators are expected to approve this revision, which carries a June 1 effective date.

R.C. Riley, chairman of the IIAA's pollution task force and chief executive officer of Peel & Holland, an agency in Benton, Ky., says it was "very clear" from the way the new CGL forms were written that smoke and fumes from any kind of fire would be excluded.

"The pollution exclusion was so broadly written that it took away coverage that everyone had previously and never considered pollution," he says.

James Zarnowski, the IIAA's assistant director for

research, explains that the revision would apply, for example, in a case in which smoke from a hostile fire blows off the policyholder's premises and blocks visibility on an adjacent roadway, causing an accident.

"Any bodily injury or property damage caused by that smoke having blown off the property would have been excluded under the language of the pollution exclusion," he says. "Our position is that such damages were never supposed to be within the definition of the pollution exclusion."

Mr. Riley, who calls the revision a "major change in the CGL," raised the issue at a mid-April meeting of ISO's commercial lines committee.

However, the IIAA is still concerned that damages resulting from friendly fires would be unintentionally excluded under the existing pollution exclusion.

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errors & omissions

- The 1985 gross and net written premiums of Aneco Reinsurance Underwriting Ltd. were \$24 million and \$18 million, respectively. The figures were incorrectly reported in the May 12 issue of *Business Insurance*.

Benefit automation

Employers seek systems that give meaning to data

By STEVE TARAVELLA

Benefit managers, no longer satisfied with employee benefit information systems that merely process health benefit claims, are now seeking systems that can furnish and analyze utilization data.

As corporate health care cost-containment efforts become more intense, reliable utilization data has assumed a greater importance.

Data produced by employee benefit information systems can help evaluate already-implemented cost-containment steps, help predict the effect of proposed benefit changes and assess a variety of medical care components, like charges for the same procedure by various doctors at the same hospital.

The off-the-shelf automated claims management software marketed by a variety of vendors provides all the utilization data and analysis required by some employers.

However, these products must be modified to meet the data requirements of other employers, and some vendors are now offering additional enhancements to benefit managers who want to access specific types of utilization information on a regular basis.

For example, users of the QicClaim system, marketed by Oak Brook, Ill.-based Resource Information Management Systems Inc., sometimes purchase a supplementary program that tracks preferred provider organization usage.

C/G Data Corp., a benefit software vendor in Miami, offers special modules for benefit managers who want pre-certification and utilization review programs.

Automated claims management systems—which are integrated computer programs that process, adjust and pay claims as well as generate benefit data analysis reports—are perhaps the most common type of employee benefit information system, but they are not always the only computer programs now used by benefit managers.

Some benefit managers take information produced by their claims system and feed it into a separately purchased data management or data analysis system to supplement the analysis provided by their claims management systems.

These specialized data systems, which usually do not process claims, are offered by vendors like Health Data Institute in Boston, MEDSTAT Systems Inc. in Ann Arbor, Mich., and Health Risk Management Inc. in Minneapolis (BI, Feb. 17).

Employers that do not administer their benefit claims

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There are many ways to choose a system

By STEVE TARAVELLA

What's the best way to find the employee benefit information system that best suits your company?

Many employers contemplating such a system go straight to a consultant for help.

Others go it alone.

For example, United Services Automobile Assn., a San Antonio, Texas-based auto insurer, approached vendors directly, relying on the expertise of its in-house data processing personnel to help its employee benefit department find the best automated claims management system for its self-insured health plan. The company had already self-administered its health claims manually.

More than three years later, the system selected by USAA—the ClaimsFacts system, produced by New York-based ERISCO Inc.—still suits the company well and is “one of the most maintenance-free systems we have,” says Herb Halstead, USAA’s director of personnel systems and support.

That’s saying quite a bit: USAA is “heavily, heavily automated,” Mr. Halstead points out, noting that the insurer processes policyholder claims through a separate, “absolutely monstrous,” automated claims division.

While USAA was able to purchase an automated claims management system by using in-house expertise, other benefit managers enlist the aid of consul-

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Software untangles flex plan knots

By ROBERT A. FINLAYSON

Advances in personal computer technology and the development of new software have put the computing power needed to self-administer a flexible benefits plan within the reach of many employers, benefit consultants say.

In fact, the development of the personal computer opens up the possibility of self-administering a flexible plan to many employers that wouldn't have considered this option previously because of the administration difficulties and cost.

Administration of a flexible benefit plan is complex because of the plan's nature, explains Paul J. Backlund, a principal consultant with The Wyatt Co. in Chicago, noting that automation is usually required to administer a flex plan.

“How do you get people into the plan? How do you let them make choices, and how do you communicate those choices to the payroll department, outside insurers

and others?” Mr. Backlund asks.

But until a few years ago, only expensive mainframe computers had the power and versatility to run the kind of software needed to administer a flexible benefits plan.

Even employers that already owned these multimillion-dollar machines could expect to spend several hundred thousand dollars on software before they could self-administer a flexible plan, consultants say.

Other options, while not quite as expensive, were often still out of reach of many employers, consultants say. These include buying a minicomputer, which can cost between \$50,000 and \$150,000, and the software to go with it, which can cost another \$100,000, or entering a time-sharing agreement with a vendor that sells time on a mainframe computer.

While both of these options are still appropriate for some employers, the vast majority of employers will find a personal

computer is the most cost effective way to self-administer a flexible benefits program, consultants agree.

A benefits manager can purchase both the personal computer hardware and software needed to administer a flex plan for less than \$50,000.

The low cost of such a system has prompted great interest in flexible benefit plans among employers in the 1,500- to 3,000-employee range, they say.

Barbara Crouse, coordinator of Salt Lake City-based James Benefits' PC Flex program, the consultant's flexible plan administration software, says a lot of companies in the 2,000-employee range now can offer a flexible benefits plan and manage it in-house.

“The personal computer makes this possible,” she says.

In addition to Wyatt and James, both of which offer personal computer-based flexible benefit software, other consultants

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User networking

Vendor-sponsored user groups can be an indispensable aid for both the user and the software-vendor because they provide a network of sources that benefit managers can tap when they run into problems. See page 16.

Tailoring a system

Benefit managers should avoid the temptation to try to ‘keep up with the Joneses’ when designing an employee benefit information system because it may not satisfy company or employee needs. See page 13.

Communication aid

More companies will switch to interactive benefit communication systems as they try to satisfy both employees' needs for choice as well as management's need for cost containment, benefit consultants predict. See page 37.

Most popular automated claims systems with benefit managers

System Vendor	Number sold to employer directly	Year first installed at employer	Types of claims administered
ClaimFacts Erisco Inc., New York	47	1980	Health, dental, vision, drug, LTD, STD
Fastrack Dyer, Wells & Associates Inc., Smyrna, Ga.	20	1983	Health, dental, vision, drug, LTD, STD, life
QisClaim Resource Information Management Systems Inc., Oak Brook, Ill.	15	1981	Health, dental, vision, drug, LTD, STD
FACTS C/G Data Corp., Miami	14	1982	Health, dental, vision, drug, LTD, STD
CAS II Advanced System Applications Inc., Bloomington, Ill.	13	1974	Health, dental, vision, drug
CPS Tesseract Corp., San Francisco	10	1982	Health, dental, vision, drug

Source: BI survey of vendors

Chart: Holly Seguire, Amy Palmer

Benefit claims systems have many differences

Not all automated employee benefit claims management systems are the same. In fact, claims management systems offered by some vendors drastically differ from other vendors' products.

Some systems, including the CHARLIE system produced by Benetics Corp. in Mountain View, Calif., must be run on computer hardware supplied by the vendor.

Other systems, like Fastrack produced by Dyer, Wells & Associates in Smyrna, Ga., consists solely of software—the program that tells the hardware what to do. These types of systems can be run on hardware purchased from either the vendor or from other sources.

In addition, some claims manage-

Some programs can be run only on mainframes, while others can be run on smaller computers.

ment software can be run on only one particular type of computer while others can be run on computer hardware manufactured by several different companies.

And some programs can be run only on expensive mainframe computers, while others can be run on smaller, less-expensive minicomputers or even personal computers.

Some vendors specialize in designing computerized claims management systems for third-party administrators and insurance companies.

Others specialize in systems for self-administered employers.

Many vendors sell to both segments of the market.

For example, Lawson & Associates Inc. in Minneapolis has sold two MultiClaim systems to self-administered employers and 19 to TPAs and insurers, while New York-based Erisco Inc. has sold 47 systems to benefit managers, 21 to insurers, three to Blue Cross/Blue Shield Assns. and 17 to other third-party administrators.

The cost of automated claims systems has dropped over the past few years, making them accessible to a greater number of benefit managers.

Software systems for mainframe computers that would have cost \$500,000 five years ago might cost only \$200,000 today, estimates Curt Speed, a consultant at Hewitt Associates in Lincolnshire, Ill.

And, while the price of some systems may not have dropped significantly, vendors have increased these systems' capabilities, consultants say.

The cost of an automated claims management system now can range from \$30,000 to \$600,000, depending on the number of terminals connected to the system, whether hardware is also needed, the volume of claims to be run on the system, the number of benefit plans being administered, the number of optional features needed and the degree of customization desired.

For example, the cost of Fastrack software to be run on a personal computer begins at \$30,000 to \$50,000, according to Jody Dyer, president of Dyer, Wells.

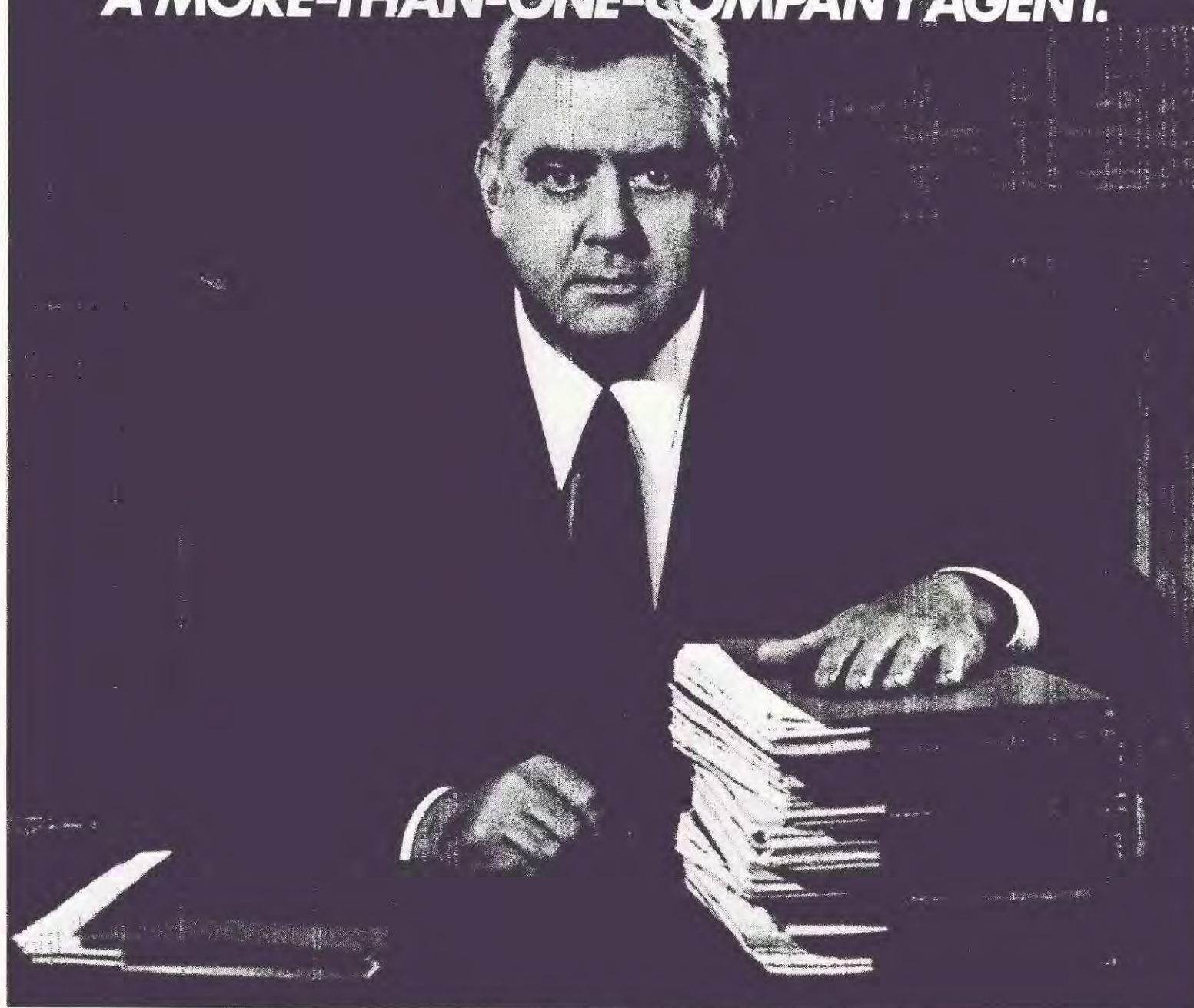
The cost of Erisco's ClaimFacts software, which is often run on mainframes, ranges from \$200,000 to \$375,000, according to company officials. The annual maintenance fee charged by Erisco, which includes certain system enhancements, is about 12% of the purchase price.

CAS II claims system software would cost most corporations about \$187,000, according to Walt Mathos, vp-marketing for vendor Advanced System Applications Inc. in Bloomington, Ill. He says the system is best-suited for employers with at least 4,000 lives.

The claims management system most widely purchased by benefit managers, according to a BI survey of leading vendors, is Erisco's ClaimFacts. Employers have purchased 47 of these systems (see chart).

This chart tracks the number of systems sold to employers. However, the directory of vendors beginning on page 20 indicates the total number of systems sold to employers, insurers and TPAs.

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Claims systems

Continued from page 3

in-house also are using these systems. For instance, a new system designed for IC Industries Inc., a Chicago-based conglomerate, provides detailed utilization and other benefit data analysis to human resource personnel at IC's far-flung subsidiaries. The analysis is based on information provided by IC's claims administrator, Hartford, Conn.-based Aetna Life & Casualty Co. (see story, page 13).

Computers are used for still other employee benefit applications. Some employers are installing interactive benefit communication systems, in which employees can use personal computers to access information about benefits available to them (see story, page 37).

Both vendors and consultants agree that benefit managers looking for an automated benefit claims management system are now most interested in analysis capabilities.

"It used to be just dollars and cents. Now it's on to the next step, which is analysis," says David E. Barton, director of product planning at Resource Information.

The benefit manager seeking automation just to process checks more quickly "is a dinosaur," says Mary Lou Maxie, a consultant with Towers, Perrin, Forster & Crosby in New York. "He's disappearing."

Benefit managers' growing sophistication is a reflection of the variety of computerized functions and capabilities available to them, experts say.

"The old systems that just did check-writing are pretty much obsolete," declares one vendor.

Indeed, one vendor, C/G Data, estimates that 70% of the systems it installs for third-party administrators are replacing existing automation systems that did not have data analysis capabilities.

"Data is the name of the game," declares Walt Mathos, vp-marketing for Advanced System Applications Inc. in Bloomingdale, Ill., a vendor that manufactures the CAS II and CAPS systems.

Even when a system is bought purely for administrative relief—because the benefit manager is "overworked, underpaid and screaming for help," as one user put it—the reduced workload is soon taken for granted and the benefit manager expects more than speed from the system.

This was the case with the Oregon Education Assn., a teachers' organization that purchased Benetics Corp.'s CHARLIE claims management system in September 1984.

The impetus that propelled the OEA to automate "was the service aspect," says Barbara Olson, manager of benefit administration for the OEA Choice Trust, which administers benefits for member teachers. "Now that we've met that commitment, we're moving toward reporting."

"It's like learning how to walk," says TPF&C's Ms. Maxie. "You start off slowly and may stumble. But in the end, you've become like a marathon runner," using a system "with all the bells and whistles."

Benefit managers' desire for hard data is prompted by dogged efforts to contain health care costs. Negotiations for PPO agreements, for example, have created a demand for computer modules that can monitor and report on PPO use, vendors say.

The demand for systems that can track PPO use and supply pre-certification data "has most of us hopping right now to stay ahead of where the industry's going," says Gary Simmons, president of C/G Data, whose self-administered employer clients range in size from 800 to 50,000 lives.

The benefit managers that already have purchased claims systems that can produce data cite a

litany of examples of how it can improve their decision-making.

Cascade Corp., a manufacturer of hydraulic truck lifts in Portland, Ore., is using data generated by California Interactive Computing Inc.'s DiMed claims system to determine if a flexible benefit plan is feasible for the company, says Nancy Collins, Cascade's corporate industrial relations manager. The Cascade system handles claims for 600 employees and retirees.

Data produced by Fastrack, a claims system marketed by Dyer, Wells & Associates in Smyrna, Ga., that details the incidence of heart disease and obesity-related ailments at Southern Co. Services is

one reason the Atlanta employer has sponsored in-house aerobics and weight-reduction classes and cash incentives for employees who stop smoking, says Mike Smith, employee benefit supervisor.

Golden, Colo.-based Adolph Coors & Co. uses MultiClaim software, designed by Lawson Associates Inc. in Minneapolis, to help it evaluate the use of its prescription drug program, explains Ann Marie Chavez, insurance manager for Coors and its subsidiaries.

Prior to the installation of MultiClaim, prescription drug claims were an unquantifiable expense lumped into the same statistical pool as other medical claims, she

says.

Amway Corp. in Ada, Mich., has found the data reporting capabilities of Resource Information Management's QicClaim program almost unlimited and "extremely important," says Sharon Cook, employee benefits supervisor. She notes that reports are generated "almost everyday" addressing a variety of utilization concerns.

With customization, a claims system's capabilities can often be expanded beyond those programmed into its standard version.

For instance, Cascade was impressed with the DiMed software when shopping for its system, but wanted a product that also could

manage salary information. "It looked like it could do almost everything we wanted it to, so we asked them if it could do extra—and it could," explains Ms. Collins.

The system, which now manages salary information as well as health, dental and long-term disability claims, has been "an exceptional tool for us," she says. She estimates the extra capability increased the system's cost by about \$10,000 to a total of about \$70,000.

This flexibility was one of DiMed's selling points: "The people at CIC were really easy to work with," she explains.

But despite the new emphasis on
Continued on next page

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Continued from previous page
data reporting and analysis, speedy administration of benefit claims still is the first thing that comes to mind when some benefit managers are asked about their system's advantages.

Southern Co. Services, for instance, takes pleasure in how it was able to reduce its per-claim turnaround time to two weeks—from up to five or six weeks—within two months after the installation of the Fastrack system, Mr. Smith says.

Encyclopaedia Britannica Inc. in Chicago, which paid more than \$100,000 for a CHARLIE system, is optimistic the system will make claims processing for its 2,000 em-

ployees "far more efficient, and will give us a much faster turnaround," says Insurance Administration Manager Royal Poggensee.

Cascade, too, touts the administrative benefits of its claims management system. DiMed has helped the company reduce its per-claim turnaround time to two to five days from three weeks to three months, and can perform in 15 minutes the same defined benefit actuarial studies that previously took three days, Ms. Collins says.

The functions that benefit managers can perform on an automated claims system—either administrative or reporting functions—depend largely on the design of the

product, the identity of the vendor and the type of setup selected.

The possibilities are so many that few generalizations can be made about the functions the systems can perform.

Some benefit managers purchase both hardware and software to bring all claims administration functions in-house. Some purchase only the software, to be run on compatible computers already on-site. Others lease the software from the vendor for a monthly fee and tap into the vendor's mainframe computer via telephone lines.

In the latter scenario, sometimes utilization and data reports are generated at the user's site and

sometimes at the vendor's, where it is then mailed to the benefit manager.

Sometimes benefit managers team up with colleagues at affiliated companies to make the purchase of a claims management more cost-effective.

Southern Co. Services, Georgia Power Co. and Gulf Power Co.—all subsidiaries of Atlanta-based Southern Co.—jointly purchased Dyer, Wells & Associates' Fastrack system to administer their group health claims in June 1984.

Fastrack is run off a mainframe computer at Southern Co. Services, and remote terminals were installed at all three of the user com-

panies. The initial cost to each of the utilities was determined on a pro-rata basis according to the number of employees, so each company recouped its expense at a different time, explains Mr. Smith at Southern Co. Services.

Most claims system users self-insure the health benefits they administer in-house, but some employers with minimum premium arrangements, like Encyclopaedia Britannica, also self-administer their claims with automated systems.

Britannica, whose minimum premium plan is underwritten by Equitable Life Insurance Society of the United States, installed CHARLIE about a month ago, replacing a 30-year-old manual operation.

And organizations with fully insured benefit plans, like the Oregon Education Assn., also have purchased systems to self-administer their claims. The OEA Choice Trust administers the teachers' medical and vision plans on its CHARLIE system even though the benefits are fully underwritten by Pacific Mutual Life Insurance Co.

Most claims systems that administer health and dental plans also process vision claims, but these claims are often treated as part of the medical plan.

But these automated claims systems typically do not administer pension and 401(k) savings plans. Vendors say the uncertainties of corporate tax laws have been an obstacle to designing efficient 401(k) modules.

Separate pension plan and 401(k) software is available, like EBAS sold by National FSI Inc. in Dallas and ImpleFacts sold by Erisco Inc. in New York, while others are in research or development by vendors like California Interactive Computing.

ImpleFacts, perhaps the biggest-selling 401(k) software product made by an independent vendor, can be used with claims systems other than Erisco's ClaimFacts, but about half the benefit managers using ClaimFacts also use ImpleFacts, Erisco says.

The inability of existing systems to accommodate 401(k) and pension functions has not been an obstacle for most benefit managers, consultants speculate. "One-stop shopping is not that important to them," observes TPF&C's Ms. Maxie.

One reason there's been no hurry to incorporate these features into existing claims systems is that few benefit managers have sought them, consultants and vendors say. Pension and 401(k) plans often fall outside the aegis of the employee benefit department.

And when they are the department's responsibility, they are frequently handled by individuals who have payroll or personnel responsibilities rather than benefit responsibilities.

For example, Amway has used QicClaim since September 1983 to process medical, dental and vision claims, but its pension plan is still administered by Bankers Life Co. in Des Moines, Iowa, says Ms. Cook.

Few automated claims systems address group life insurance, but for employers that wish to administer group life claims in-house, at least one system may soon fit the bill. C/G Data is in the process of implementing life insurance claims administration capabilities in its FACTS system.

A small group of software vendors now also tout systems that can administer and provide data on flexible benefit plans, often on personal computers (see story, page 3).

Flex plan programs represent "the next major area that has to be addressed by automated systems," says Clifford Wiesner, president of C.R. Wiesner & Associates Inc., a Walnut Creek, Calif., company that recently began marketing a flex plan module for users of its System V benefit claims software. ■

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opinions

Retirement responsibility

AFTER SEVERAL YEARS of congressional attacks on the scope and provisions of employee benefit plans, it's welcome news that the Senate Finance Committee has validated the importance of the plans.

As we reported last week, the committee decided to ax tax breaks for contributions to Individual Retirement Accounts by employees covered under employer-sponsored pension plans partly because senators recognized that group plans attract more participation by more employees than IRAs (*BI*, May 19).

We are, however, sorry to see tax incentives for IRA contributions go. Any tax incentive that encourages employees to save for retirement not only improves the likelihood that employees will retire with healthier incomes but also serves to remind employees they share responsibility for retirement savings. And, for those employees covered by modest or inadequate pension plans, IRA savings would be vitally important in retirement.

Since the IRA option could be revived in the full Senate or in conference committee, we offer two alter-

natives to the Finance Committee's decision to limit tax deductions for IRA contributions only to those not covered by an employer-sponsored retirement plan:

- Reduce the tax-deductible contribution to IRAs for those covered by employer plans to \$1,000 from the current \$2,000.

- Or, limit tax-deductible contributions to IRAs by those covered by employer plans to those in the new 15% tax bracket.

Either of these alternatives would mitigate the criticism of IRAs as tax shelters for the rich.

If IRAs are lost to employees as a tax-favored retirement savings opportunity, it's up to employers to respond to Congress's vote of confidence in employer-sponsored plans. All employers should then develop 401(k) plans to provide workers with a tax-favored opportunity to save for retirement.

While employer matching contributions enhances participation in 401(k) plans, even those employers that cannot afford such contributions should at least offer employees the opportunity to save.

letters

Tort reform should be prescribed in small doses

To the editor: Is the property/casualty business out of control? It must be. The president of the United States took time away from punishing Khadafy, bellowing at Ortega and posturing with Gorbachev to address federal remedies for the liability insurance crisis.

Does the industry need federal legislation to solve this crisis? How much risk are the risk bearers willing to transfer to federal legislation? How predictable is the transfer? Is federal tort reform more important than the McCarran-Ferguson Act that leaves the regulation of insurance with our states?

I believe tort reform is necessary. But, the reform should be performed slowly in increments of 50 states, rather than in one dose. Federal legislation of this magnitude plays right into the hands of Ralph Nader and J. Robert Hunter, who want federal regulation of insurers.

Certainly actuaries are having difficulty predicting pain and suffering, joint and several liability and punitive damages, but I wonder how predictable is the federal grip in the hands of congressmen on the Hill.

I suggest that federal legislators, while

Just how concerned are California lawyers?

To the editor: I would be much more easily swayed by the argument that passage of California's Proposition 51 would allow proponents to save money at the victim's expense if larger awards did not translate into proportionately higher fees for the plaintiff's counsel (*BI*, May 12).

I recall reading an article in which California was cited as a state in which a trial lawyer's fee could exceed the amount that ultimately reached the victim because litigation expenses are deducted from the plaintiff's share.

I wonder if trial lawyers' concern for protecting the victims' right to recover would extend to capping their fees after some reasonable threshold was reached.

Ronald W. Browne
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changing the rules, will throw the baby out with the bathwater. Experience tells me that compromise needed to cap punitive damages would lead to molesting McCarran-Ferguson. Are the John Street actuaries ready to predict who resides on Pennsylvania Avenue until the year 2000? I would much prefer to see how many legislators in 50 states could be convinced to reform the system rather than the boys up on the Hill.

Some industry personnel say the only way to stress their point about tort reform is to prove to the consumer, legislators, distributors and investors of the seriousness of the situation by this federal knee-jerk legislation. I find such tactics hard to justify. Jury awards are out of control, but they did not crop up overnight. They cropped up while invisible bankers disguised themselves as underwriters.

I believe the present system, with McCarran-Ferguson as the foundation, can deal with the crisis with visible underwriters in control. Our industry has long been in bed with government—all 50 of them. We have devised a method for years of invoking the law of large numbers to government, through McCarran-Ferguson, instead of being Naderized by a federal czar. This is part of the success of not only the insurance industry but of America.

Let us not squander our heritage by crying wolf so loudly or violating our own basic principles. Let us not destroy our industry to save it. Let us not alienate mid-

dle-America by trying to force government to clean up our own excesses. Let us remember that it is the public that controls our future and not we theirs. It was we who cast aside underwriting in the soft market, not the consumers of our services. We must spend our energies anticipating the 1990s, not reacting to the 1970s. We need to concentrate on our product development and not government interference. We need to concentrate on a claims-made policy form for general liability and not federal legislation to cap jury awards. At least claims-made has a better chance of successful predictability than federal political whim.

I believe our problems today are no greater than those faced by management before us. The tools, the experience, the wealth and the protections we have in the 1980s are far more sophisticated than those of our fathers. Our data and communication systems are vastly superior. We are in a business that must survive for the freedom of this nation and civilization to thrive. We can survive asbestosis, the malpractice crisis, the environmental impairment judgment, the same as our predecessors survived the Chicago fire, two wars and the San Francisco earthquake.

The insurance crisis of the mid-1980s need not be the industry's Vietnam. Resist federal tort reform; divide it by 50.

Phillip L. Woodall
Service Officer
Marine Office of America Corp.
Charlotte, N.C.

ISO 'facts' booklet 'doth protest too loudly'

To the editor: "Figures don't lie but liars can figure."

The booklet, "Insurer Profitability—The Facts," published by the Insurance Services Office in February, is less than convincing to me.

Throughout the booklet only selected facts and figures were used to produce misleading answers that supported the insurance industry position.

One glaring example appears on page 39. The charge: Property/casualty insurance premiums written rose by \$24.6 billion in 1985 to \$142.3 billion from \$117.7, while coverage decreased substantially. This works out to an increase of \$105 per person for substantially less coverage.

Nowhere in its answer did ISO attempt to respond to the phrases, "while coverage decreased substantially" and "for substantially less coverage."

It will take years to put a dollar amount on the cost increase related to the coverage limitations, restrictions and exclusions.

It is my opinion that the premium in-

crease is only the tip of the iceberg. The real cost to the insurance buyer will prove to be the cost of losses no longer insured. Even though they are excessive and unfair, most of us would swallow the price increases if coverage remained the same.

The much repeated defense of policyholder dividends is another incongruity. Throughout my career I was told that these dividends are never guaranteed; in fact, that a guarantee is prohibited by law. In my mind, a discount is not the same as a dividend. A dividend is—or should be—contingent on profit.

If that's so, why did the various insurance commissioners permit companies with underwriting losses to continue to pay dividends?

To me, this booklet raises more questions than it answers. It's better for the insurance industry that it had not been written, at least not by an organization as biased as ISO.

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System choices

Continued from page 3

tants at some point along their road to automation.

Often consultants are retained only at the outset of the benefit manager's journey toward computerization. These benefit managers want help identifying their particular needs to determine if such a purchase is even feasible.

Such claims system feasibility studies can cost about \$5,000 and take about one month to complete, estimates Mary Lou Maxie, a consultant with Towers, Perrin, Forster & Crosby in New York.

She says this is money well-spent. "You really know this is going to save money and you'll know how much—it's no longer just supposition," she explains.

"If we can help a company most, it's probably right on the front end," echoes consultant Curt Speed at Hewitt Associates in Lincolnshire, Ill. "You have to thoroughly determine why you want the system in the first place, what you want it to do and what your long-term objectives are."

Other employers retain a consultant to take them through the project from start to finish.

Ms. Maxie estimates about half of her consulting clients only want a feasibility study, while the others seek help all the way through the system's installation and training.

Selecting an appropriate system can sometimes be confusing without help from consultants who know the systems well, benefit managers say. Wading through the blur of system acronyms can be intimidating for the benefit manager looking to distinguish one system from another (see story, page 18).

Even sifting through marketing brochures can be frustrating for the unsuspecting benefit manager, Ms. Maxie points out.

"After you've read about 15, you realize they all say the same thing," she says.

For example, two pamphlets may tout the ability of their systems to coordinate benefit payments, but only one of the systems might do it automatically, she explains. The other might only catch a simultaneous source of benefit payments after claim information is re-entered.

"If you don't know anything about claims systems, they're all going to look the same to you," points out Allen DeGraw, director of health management and national accounts for Cost Care Inc., a utilization review firm in Huntington Beach, Calif.

A consultant familiar with benefit claims systems "can spot a dog automatically," suggests Mr. DeGraw, who was until recently a consultant with Kwasha Lipton in Fort Lee, N.J.

But by turning to a consultant, benefit managers needn't fear they have committed themselves to making a purchase. Consultants say that some companies are best served by an outside administrator and are advised not to purchase an automated system.

"We don't feel self-administration is right for everyone," says Hewitt's Mr. Speed.

He notes that, among other things, the conversion to self-administration can create tense employee relations since the company, no longer able to blame the denial or delay of claims payments on an outside administrator, must bear the brunt of pressure from irritated employees.

Whether benefit managers seek a consultant's assistance for the duration of a project or only want a feasibility study, they are advised to do some work on their own before they call in a consultant.

The benefit manager who does not "sell himself short" by paying a consultant to do preliminary evaluations that could have been

done internally, Mr. DeGraw points out.

Among the issues that benefit managers can address on their own, consultants suggest, are:

- Budget constraints.
- The level of support for the project from top management.
- Whether both hardware and software must be acquired or if existing hardware can be used.
- Whether the system will solely be a claims-processing tool or if data reporting and analysis functions will also be required.

"The more homework that's done, the better and more cost-effective a consultant will be," one consultant advises.

But sometimes, when work responsibilities make pre-consultant evaluations an impossible task, benefit managers pay a consultant to do what they simply haven't the time to do.

As Mr. DeGraw puts it: "I've never met a dumb benefit man-

ager, but I've certainly met a number of overworked ones."

Once preliminary determinations of needs are made, shopping for the right system can begin.

Mr. DeGraw recommends that a staff member who will eventually use the system be involved from the start.

Others, like Gary Smart, director of marketing for California Interactive Computing Inc., a system vendor in North Hollywood, Calif., suggest that a benefit manager also be accompanied by a member of his or her company's data processing or management information system department. These departments might have to approve the purchase of an automated claims management system.

When a company, like USAA, is well-versed in claims processing and computer systems, vendors prefer the benefit manager approach them directly, not with a consultant. Otherwise, they work

willingly and cooperatively with benefit managers who are accompanied by consultants, vendors say.

Consultants and users almost unanimously advise benefit managers shopping for a system to visit companies whose self-administered claims operation is already automated. There's no better source of information than the experience of another employer, especially if the employer is of a similar size and has a similar organizational structure, they note.

"Talking to users is the best way to determine if the product you're considering is going to meet your particular needs," advises Barbara Olson, manager of benefit administration for the 15,000-member Oregon Education Assn. Choice Trust. The Tigard, Ore.-based trust selected Benetics Corp.'s CHARLIE system to administer its medical and vision claims.

Adolph Coors & Co. in Golden, Colo., also found it helpful to visit

users before selecting its claims administration product.

After it had pared the pool of prospective vendors to two candidates, Coors visited benefit managers using those products and found "most of the users could tell us where the weak points were and what wasn't working well for them," says Anne Marie Chavez, insurance manager for Coors and its subsidiaries.

Among the questions Ms. Chavez says benefit managers should ask other system users are:

- How professional are representatives of the software vendor?
- Do they understand or express concern for user problems?

Coors eventually selected Multi-Claim, a system made and marketed by Lawson Associates Inc. in St. Paul, Minn.

Regardless of how they go about making their purchase or what automated benefit claims administration

Continued on next page



KNOWLED

Continued from previous page
tion system they finally select, benefit managers will not be satisfied with the system if they expect too much too soon, experts point out.

"The most difficult thing to implement is when they want everything to happen overnight," laments one vendor.

Some benefit managers harbor "a little too much optimism," says Cost Care's Mr. DeGraw, who cautions benefit managers to approach their new system realistically. "They think it does more than what it really does; it's still dependent on people."

Coors' Ms. Chavez, who began processing claims on MultiClaim last June, warns benefit managers that 12 months is not an unrealistic length of time before a new system can be fully implemented.

Training in-house claims processors and inputting data on already-paid claims to produce a data base created a claims backlog and

"really put a crimp in our productivity," she says.

Of the 111,000 claims handled by Coors' processors on the MultiClaim system last year, 25% were claims that had been paid before the system was installed, she estimates.

"From here on out, it will be smooth sailing compared to what we've been through," she says.

Benefit managers are also advised to stay away from systems with more functions and features than they really need.

A small employer that buys a system designed for a Fortune 500 company, can be "like having a Ferrari on a street with lots of traffic lights—you'll never be able to get it up to speed to take advantage of it," Mr. DeGraw says.

TPF&C's Ms. Maxie recommends that companies consider a mainframe system only if they issue at least 2,500 benefit checks per month.

Flex plan software

Continued from page 3

selling such programs include Eastern Benefit Software Inc. of East Orange, N.J.; Johnson & Higgins BeneNet Consulting Group of New York; and FLX Corp. of Valley Forge, Pa.

While each of these companies' systems has its own individual characteristics, they offer the same basic functions and limitations.

Consultants agree that a microcomputer-based system cannot effectively administer a flex plan for more than 5,000 employees, though it is ideal for plans with 1,500 to 3,000 employees.

The systems also work best when plan administration is centralized in one location. Thus, employers with far-flung operations may want to consider a mainframe or minicomputer, which can more easily be accessed by remote terminals in branch offices, consultants point out.

Most of the PC-based flexible

benefits software packages run on an IBM Personal Computer or compatible equipment. They require a hard disk drive to provide storage space for employee files, and a nine-track tape reader is also necessary. The tape reader allows a personal computer to access and provide information to mainframe computers used by payroll services, third-party administrators and insurance companies.

"With a nine-track tape drive, 300 employees can be loaded into a

'In the past, it would always take months to get the employee benefit statements. Personal computers make it possible for a much faster turnaround,' says Paul J. Backlund, a principal consultant with The Wyatt Co. in Chicago.

PC in three to four minutes," says Edward J. Hughes, president of FLX Corp.

A high-speed printer is also a good idea, consultants say. It will speed up the job of printing employee election forms during the enrollment process.

The cost of this hardware typically runs from \$15,000 to \$20,000, consultants say.

The flexible benefit software itself costs between \$15,000 and \$80,000, depending on the level of sophistication, the complexity of the benefit plan and the amount of training and support services included in the price.

Once in place, the benefit manager obtains a computer tape from the system that administers the company's payroll and loads that information into the flexible benefit software, Mr. Hughes says. This allows the employer to set up an initial data base for each employee. Once these files are set up, the employer can input the enrollment data from employee election forms.

Typically, the flexible benefit software packages currently available will calculate benefit credits and costs to employees, produce a benefit summary for each employee, keep track of benefit transactions and print employee transaction statements.

The software will also print reimbursement checks and produce a variety of reports for the employer.

Several of these systems will also keep track of flexible spending account balances and verify eligibility.

One software package, produced by FLX Corp., will also administer 401(k) salary reduction plans.

Aside from price, consultants say two of the most important advantages of a PC-based flexible benefits administration system is that the system is user-friendly and can be used directly by the benefit manager and his or her staff.

"In the past," Mr. Backlund says, "it would always take months to get the employee benefit statements. Personal computers make it possible for a much faster turnaround," he adds, because the benefit manager no longer has to go through a vendor or an in-house data processing department, he explains.

James Benefits' Ms. Crouse says this control means that if employees come to the benefit department with a question or problem, the benefit manager has all the information about the employee's benefit choices at his or her fingertips.

Carl S. Swope, vp of Johnson & Higgins BeneNet Consulting Group, says benefit managers that have used J&H's PC-based software say this availability of information is a major advantage of the system.

"After our clients become accustomed to the system, they use it as much to respond to employee questions as they do to administer the plan," he says.

Mr. Swope says the ability of a PC-based system to provide the benefit manager with instant access to information was one of the primary reasons J&H decided to develop flexible plan software that would operate on a personal computer.

"The tool is in the hands of the users, rather than the benefit administrator having to work through" an in-house data processing department or a vendor that offers time-sharing arrangements, Mr. Swope says.

Continued on next page

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Flex plan software

Continued from previous page

The consultants also note that unlike most mainframe and minicomputer software, the flexible plan software on the market is user-friendly, meaning that it can be operated by people with no special computer training.

The Flex/Net software developed by EBS is so user friendly that a person with little or no training could "literally work through the entire system," says Cinda J. Cartee, director of marketing for EBS.

Further, flexible benefit software is typically menu-driven, consultants say.

While advances in data storage make it possible for a personal computer user to have access to nearly as much data storage capacity as minicomputer users, minicomputers can process information from a large number of terminals.

This means that the system is operated by selecting the desired function from a menu of choices shown on a computer terminal, Ms. Cartee explains.

For example, the primary or main menu of a typical flexible benefits software package would

have choices like "employee enrollment processing," "employee claims inquiry" and "end-of-year processing." The operator simply selects one of the choices and the software guides him or her through the process, asking for information such as employee identification

number or claim amount.

In fact, Mr. Backlund says Wyatt's software is so user-friendly that it can be used as part of the benefit communications process. One of Wyatt's clients asked that the system be modified so an employee can sit down at a terminal and play with various benefit choices to see how they would affect the employee's pay.

Mr. Backlund says the employer could have used the system to allow employees to enroll themselves, but they elected not to. "But the potential was there," he says.

Wyatt is now working on a new version of its software that will operate in an interactive-video en-

vironment, he says. Such a system would walk the employee through the enrollment process using a specialized television screen.

Instructions and various benefit choices would appear on the screen, Mr. Backlund explains. The employee could input information and select his or her benefits simply by touching the screen. The computer would show the employee the effect of such choices on his or her compensation—providing immediate feedback.

After the employee completes the process, a hard copy of the benefit choices selected is printed out for the employee, Mr. Backlund says.

Wyatt is now trying to learn whether such a system would be cost-effective and whether employers would view it as a valuable benefit communications tool.

While personal computers have many advantages for an employer hoping to self-administer a flex plan, consultants say that very large employers often have no choice but to use a mainframe- or minicomputer-based system.

The cost of flexible plan administration software for mainframe systems is very high; mainframe programs are usually customized and can run into the hundreds of thousands of dollars.

Software for minicomputers is considerably less expensive.

For example, flexible benefits administration software available from Dyer, Wells & Associates of Smyrna, Ga., that operates on a Wang minicomputer is priced at between \$75,000 and \$150,000, depending on what the buyer wants in terms of customization, training, support and maintenance, explains Jay Hillerbrand, vp of financial products.

Minicomputer hardware typically costs between \$50,000 and \$150,000, consultants say.

While advances in data storage equipment now make it possible for a personal computer user to have access to nearly as much data storage capacity as minicomputer users, minicomputers can process information from a large number of terminals and is much faster, consultants note.

Dyer Wells also offers time-sharing arrangements on its mainframe computer, which runs software similar to the minicomputer software that it sells to employers. Similar arrangements are available from a number of health insurers.

Under a time-sharing arrangement, a benefit manager would access a vendor's mainframe computer via telephone lines.

Mr. Hillerbrand says time-sharing is a "low-cost, low-risk alternative" for smaller employers that want to self-administer their flexible benefit plans.

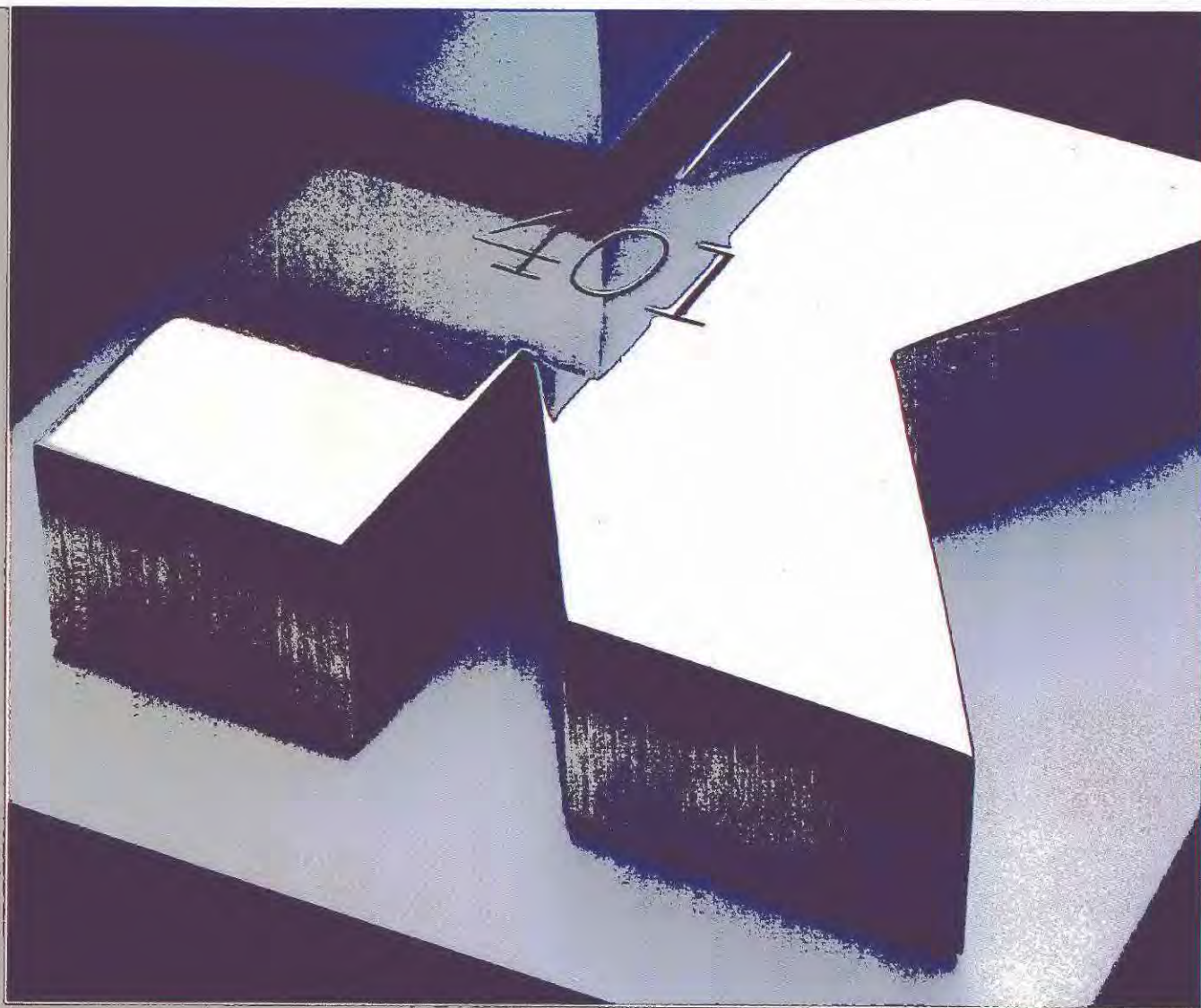
But while, time-sharing arrangements do eliminate the up-front cost of purchasing a computer and software, some users say a personal computer is cheaper in the long run and gives the benefit manager more control over administration.

Even some companies with mainframe computers say that a personal computer is the most economical way to administer a flexible benefits plan.

Chris Rodenkirchen, manager of compensation and benefit planning for IDS Financial Services in Minneapolis, says IDS considered developing its own software for its mainframe computer, but found that it would be cheaper to simply purchase a PC and flexible benefits software from a consultant.

Mr. Rodenkirchen says IDS also considered a timeshare arrangement, but decided against it because "we would be tied to a vendor and because we wanted more control over the system."

IDS is currently using Wyatt's Flex software to administer a flexible benefits plan for 3,000 employees.



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System should serve user, not vice-versa

By DAVE LENCKUS

CHICAGO—A benefit manager can easily fall into the trap of keeping up with the Joneses when designing an employee benefit information system, says Raymond B. Werntz, director of employee benefits at IC Industries.

But that temptation has to be fought or the resulting system may not be much help to the company or its employees, Mr. Werntz says.

"A lot of people are enamored with blinking lights and a glowing screen without knowing what to do with it," says Mr. Werntz, who is trying to avoid those pitfalls as he sets up a benefits data base system at IC, a Chicago-based conglomerate.

"It's really critical that the system serves management needs, and not the other way around," Mr. Werntz stressed. "The human mind solves the problems; the computer system just provides the information."

Today, after three years of planning and development, IC and its consultant and actuary, Miller Mason & Dickenson Inc. of Conshohocken, Pa., are implementing a census information system to facilitate the administration of IC's benefit plans. Specifically, the system is designed to:

- Make the actuary's task of analyzing IC's various benefit plans less complicated, thereby ensuring the accuracy of the analyses.

- Allow human resource personnel at IC subsidiaries to access the system for employee benefit information, enabling each company to better deliver benefit information to employees.

- Enable IC subsidiaries to provide the system with benefit information without switching over to a centralized data processing system.

IC and its subsidiaries employ more than 47,000 workers at approximately 200 plants nationwide. Although the subsidiaries operate autonomously from the holding company, IC administers employee benefits on a centralized basis.

Those benefits include an employee stock option plan, a 401(k) plan for the approximately 18,000 salaried employees and another for the approximately 29,000 hourly employees, 43 defined benefit pension plans, 150 disability plans and 250 health care plans, according to Mr. Werntz.

IC's subsidiaries include Hussmann Corp. of Bridgeton, Mo., a producer of industrial refrigeration equipment; Illinois Central Gulf Railroad Co. of Chicago; Midas International Corp. of Chicago, which operates a chain of automobile service shops; Pepsi-Cola General Bottlers Inc. of Chicago; Pet Inc. of St. Louis, a producer of consumer food products; and Pneumo Abex Corp. of Boston, a producer of aerospace equipment and automobile and industrial material and equipment.

Miller, Mason & Dickenson is intimately familiar with IC's benefit program. It has provided IC such services as pension calculations; 401(k) plan record keeping; complete employee benefit statements; and actuarial work for medical, life insurance and other non-retirement benefits for 20 years.

"The information we need is the same the actuaries need," Mr. Werntz explained. "So, we get a better quality of programming using this approach."

IC subsidiaries currently are providing the consultant with the necessary information on salaried employees to load the data system, and Mr. Werntz hopes that the system will be operational by the end of this year. Once the system is loaded, Miller,

Mason & Dickenson will run all of their benefit-related functions against that data base.

Benefit information on hourly employees will be fully loaded into the system "a couple of years down the road," Mr. Werntz said. He explained that "collecting this information is many times tougher" than collecting information on salaried employees because hourly employees are greater in number, have a higher turnover rate, are more dispersed and are covered by more plans.

A major drawing card for installing the system is "that it will make analysis easier for the actuaries," Mr. Werntz noted. "In the past, we used to supply that information out of here. One month it would be on 401(k) plans. One month it would

be on pension plans."

Chad Pearce, manager of software development for Miller, Mason & Dickenson in Conshohocken, agreed that the workload for the consulting and actuarial firm will be streamlined because the consultant will be getting updates on the various benefit plans monthly, instead of annually as IC previously provided.

Another reason the system will be a welcome addition for Miller, Mason & Dickenson is because of recent and expected changes in benefit accounting rules.

Mr. Werntz pointed out that pension accounting rules are more complicated this year because of accounting rules changes the Financial Accounting Standards Board made last year. In turn, the

changes in FASB Statements 87 and 88 make analyzing benefit plans a much more complex task, he said.

The system will help the actuaries analyze whether to begin applying the new pension accounting procedures this year or next year, which is an option the FASB has granted. "So, we need to do a lot of analysis," Mr. Werntz observed.

Without this capability, both the company and employees face potential problems, according to Mr. Werntz.

For example, because of the new pension accounting rules, the likelihood of making calculation errors for pension funding purposes is greater without a benefits data system, he said. The consequences for

the company may include an improperly funded pension plan and violation of securities laws.

And, for the employee, the miscalculation could be equally disastrous, Mr. Werntz noted: "What if he makes a retirement decision based on funds that don't exist?"

This use alone for the system practically sold management on the idea of implementing a benefits data system, according to Mr. Werntz. "Management was pretty supportive, largely because we demonstrated what the data base system could do must be done," he said. "A data base system isn't a luxury—it's a necessity now."

In addition to the changes in the pension accounting rules, Mr. Werntz and his consultants expect

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IC Industries data system

Continued from previous page

that FASB later this year or sometime next year will adopt additional changes in accounting procedures for other employee benefits. "In a couple of years, I don't understand how companies will be able to operate without this type of system with all the new accounting rules," Mr. Werntz observed.

Administratively, the system this year will allow each subsidiary to:

- Perform more sophisticated analyses of health care utilization.

- Track 401(k) plan participation by corporate entities to determine whether the plan discriminates in favor of highly compensated employees at that company.

- Calculate retirement benefits for employees planning their finances for their retirement years.

Health care trends to be tracked by the system are provided by Aetna Life & Casualty Co. of Hartford, Conn., which administers claims under IC's self-insured benefit plans. Those trends, which are loaded into the system monthly and broken down by subsidiary and worksite, detail the nature of claims that employees are submitting, the hospitals at which they are seeking care and whether the care is being provided on an inpatient or outpatient basis.

In the future, Mr. Werntz expects that besides claim information, the system will organize such data as absenteeism, employee turnover and employee attendance in health promotion sessions to help plants and divisions analyze whether health education sessions are affecting employee health.

The system also will eventually let IC subsidiaries and their divisions perform such analysis as management succession and other long-term planning. "It's kind of like an accordion," Mr. Werntz observed. "It expands to get different reports depending on how much data you put into it."

Mr. Werntz also views the system as important tool for educating employees about their benefits. "Our ultimate goal is a higher level of understanding and utilization of benefits."

Employees are concerned with how useful benefits are, so a company needs to establish a useful benefit delivery mechanism that communicates benefits and educates employees how to use them, Mr. Werntz believes. "A data base is the underlying system that delivers this understanding."

Eventually, the system will allow each employee to access benefit information in complete confidence through touch-sensitive computer terminals, Mr. Werntz said. For example, an employee will be able to determine the current status of his or her 401(k) account or pension plan and project the amount in those plans when the employee reaches retirement age.

"We're a long way away from that, but that's what we're hoping for," he said.

In the interim, human resource personnel at each subsidiary will be able to provide employees that information almost instantaneously utilizing the benefit data system.

The system that IC and its consultant selected consists of:

- A mainframe computer, DECsystem-2060, from Digital Equipment Corp. of Marlboro, Mass. The mainframe is located at the consultant's Pennsylvania headquarters.

- A general purpose data base management system—System 1022 by Software House of Cambridge, Mass.

- Personal computers—IBM PC/XTs from International Business Machines Corp. of Armonk, N.Y.—that allow human resource personnel at each subsidiary to access the system.

Miller, Mason & Dickenson dealt directly with the producers of the equipment and software in assembling the system. It charges IC on a time-sharing basis for use of the mainframe and the software. Each IC subsidiary purchases the number of personal computers it requires from the consultant and is responsible for training its personnel.

Mr. Werntz and Miller, Mason & Dickenson selected the system primarily because of its flexibility. To create a high degree of flexibility, the consultant built human resource functions on top of a general purpose data base software system, rather than using a pure human resource data base system, Mr. Pearce noted.

Unlike a human resource system, the benefits data base system that the consultant designed does not lock the user into a finite number of fields, or data buckets, he explained.

"Our approach gives you the greatest flexibility," he said. "That way, if you need to expand the data base or use other features of the data base management system, you can. Otherwise, you're locked into the number of reports or the parameters they've given you" in a human resource system, he said.

For example, a pure human resource data base system may not allow a user to include more than 10 years of an employee's compensation history in the compensation data base, although some benefit plans may require more than a 10-year compensation history. However, IC's system allows the consultant to create an "unlimited" number of compensation fields, Mr. Pearce said.

In addition, compensation fields can be added to or subtracted from a compensation base more easily with an underlying general purpose data base system, he said. "You can very easily customize the data base to a company's own requirements," Mr. Pearce explained, adding that "it's almost imperative" to tailor each company's benefits data base. "Pension plans are different. Insurance coverage is different. Health and welfare areas are different."

Just as importantly for IC, their consultant designed the system so each subsidiary can feed the consultant pertinent employee benefit information to load the system and update the data monthly in the format produced by each subsidiary's

own data collection process.

So, while some subsidiaries provide the necessary benefits information on their employees through electronic tape produced by their own electronic data processing systems, other subsidiaries without such sophisticated systems provide the information on paper.

The alternative, requiring that the subsidiaries switch to a centralized data processing system that could feed the benefit system electronically, admittedly would facilitate data collection but would be inconsistent with IC's commitment to maintain the management autonomy of its subsidiaries.

"We like to observe the entrepreneurial spirit out there," Mr. Werntz explained. "So, we had to have a diversified multilayer system developed by someone who understood us."

Another alternative is providing plants and divisions of subsidiaries the capability of directly entering the benefit information into the system through computer terminals. However, under that system, data is not subjected to enough checks, Mr. Werntz noted.

Initially, the lack of a centralized data collection system to load the benefit system and then maintain the information through monthly updates concerned Mr. Werntz.

"That was a very serious concern," he said. "The system is only as good as the loading of data into it. It's kind of like a Cadillac with an empty gas tank or a flat tire" when a data system contains inaccurate or incomplete information.

To ensure the accuracy of data as it is loaded into the system, Miller, Mason & Dickenson is performing a series of checks, or data edits, of the benefit information as the subsidiaries provide it. Inaccurate data that do slip through the cracks will be caught through other checks performed during the monthly calculations of benefit plans, Mr. Pearce noted.

After the system is on line, those subsidiaries with sophisticated EDPs will continue to use their systems as their main benefits data base and tap into the new system only when they need information—for example, to obtain the necessary information to calculate an employee's pension plan benefits. Those subsidiaries without sophisticated data processing systems can use the benefit system as their main benefits data base system.

Mr. Werntz would not divulge the total cost of the system to IC and said he has not worked out figures on the return on investment in the system. "But, we know that it cost less than if all of our companies did something on their own," he said.

The only problem that Mr. Werntz foresees is a "comfort problem." He observed that many human resource personnel still are uncomfortable using such computers and utilizing the information that a data system produces.

But, he believes that problem will be overcome. "The day will come when the human resource people will be creating new uses for the system," Mr. Werntz predicted. "That's when I'll know I have been successful with the system."



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User groups create troubleshooting network

By MEG FLETCHER

Vendor-sponsored support groups for buyers of employee benefit information systems can be an indispensable aid for both the user and the software vendor, both parties say.

However, some warn that "user groups" can amount to little more than promotional tools used by vendors to plug new products.

"If you purchase software with no user group, you are out on your own with no one to turn to but the software vendor," explained Deanna Hemmingstad, manager of life and health programs for Vanguard Insurance Agency Inc., a unit of Allied Van Lines that administers benefits for employees of Allied affiliates.

User group meetings also can provide a network of sources that help a benefit manager learn from peers' experiences and avoid mistakes.

Participating in a user group is "almost essential" if a benefit manager wants to avoid problems by learning from others' experience, said Joe Charles, director of employee benefits for Miami-based Ryder System Inc.

"You can get a quicker answer that will usually turn out right by going to another user that has gone through the experience," said Ms. Hemmingstad, whose company is a member of the QicClaim Client Assn. Inc., a user group sponsored by Oak Brook, Ill.-based Resource Information Management Systems Inc.

The experience of members of a user group also can provide norms with which a benefit manager can compare his staff's output. It gives you "benchmarks from which you judge your own group" in areas like claims processor productivity, said Mr. Charles, who participates in UserFacts Inc. and ImpleFacts, two user groups sponsored by New York-based Erisco Inc., a Dun & Bradstreet Corp. affiliate.

And a user group also can give a benefit manager a stronger voice with which to lobby a vendor for system enhancements so the system meets a user's changing needs.

In the future, user groups may also provide EBIS users with a common data base to compare their company's individual claims experience, some vendors predict.

However, some user groups can become merely a public relations forum for a vendor to sell new products, some say.

Employee benefit managers attending meetings of such groups may have to suffer through extensive sales pitches and conference sessions that don't meet their level of expertise and be forced to field basic questions from a vendor's prospective clients. What's worse, a benefit manager's complaints about system performance may go unheeded.

But most user group members interviewed by *Business Insurance* give their groups favorable marks, though they point out the groups differ in many ways, including the degree of autonomy from the vendor, whether dues are charged to users and the makeup of the group's steering committee, which oversees the group's activities.

User group members are typically brought together at annual conferences—and occasionally regional workshops—to discuss a vendor's system and any improvements that can be made to it.

Some vendors send members periodic newsletters and directories that contain the names and addresses fellow members. Vendors also survey the members to learn what system improvements users want and what topics the users

want covered at the annual conference.

Ryder's Mr. Charles notes that the information gleaned from other user group members can be invaluable.

At the first conference he attended, he heard one benefit manager complain that 50% of the benefit payment checks processed on his EBIS were returned. The problem checks, all of which were payable to hospitals belonging to one chain, were not being received by the correct hospitals.

The reason for the foul-up: All hospitals in the chain had the same code number, so that the computer could not differentiate between different hospitals.

Mr. Charles said he avoided the problem by inserting a suffix at the end of the code for each hospital to distinguish individual facilities.

"A user group is only as good for networking as you choose to make it," said Vanguard's Ms. Hemmingstad. "If you go there and don't talk to anyone, you will get a lot less out of the meeting."

In addition to talking to other users, group members also let their software vendors know their problems and their wishes for system enhancements.

Some vendors, like Erisco, hold an executive roundtable session at user group meetings during which any client can ask questions. "They get to take all their shots," said Cynthia Hodges, Erisco's manager of marketing services.

About half of the new information gleaned by a benefit manager attending a user group meeting

comes from the sessions themselves while the remainder comes from contact with other users, said Charles Racansky, manager of benefits administration for Chicago-based Montgomery Ward & Co. Inc. and president of UserFacts Inc., Erisco's user group for its ClaimFacts system.

A diverse user group that includes insurers and third-party administrators as well as benefit managers will broaden a benefit manager's view as well as give him more

Continued on next page

If a disaster hit WestPoint Pepperell would they be left behind?

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We also conducted extensive fire tests on synthetic fibers at our 1,500-acre test site in

Continued from previous page
contacts, noted Philip Roller, executive director of Resource Information Management System's user group, QicClaim Client Assn. Inc.

While that advantages of a user group to systems users is obvious, the vendor also can benefit.

Montgomery Ward's Mr. Rancansky said user groups offer vendors an opportunity to keep their clients happy and products timely by providing market feedback.

"Users are on the firing line. They see changes in the industry and if you give them a forum, they will relay it," said Resource Information's Mr. Roller.

He noted two client workshops were held last year to allow users to

critique software modules under development that would help benefit managers deal with benefit pre-certification and preferred provider organization contracts.

Comments from clients, who attended the workshops at their own expense, were "absolutely essential" in determining the level of sophistication of the newly released products, said Claire Luetkemeyer, the company's product manager.

One specific change Resource Information made following the workshop was to add a third tier of benefit parameters to help adjudicate health claims that involve PPOs.

Previously, the system had two levels—one for benefits payable to

preferred providers and one for benefits payable to all other providers. The new third level separates payment of benefits to providers outside the employer's area.

The new tier would be used, for example, in handling the claims of an employee at a Des Moines firm involved in a skiing accident in Colorado who could not receive care from a preferred provider.

The time and energy involved in holding the workshop and altering the product paid off, Ms. Luetkemeyer said. "They are selling like hotcakes."

However, not all vendors think user groups are indispensable.

Gary Smart, director of marketing for North Hollywood, Calif.-

based California Interactive Computing Inc., said his company meets clients' needs without offering a user group.

CIC representatives answer clients' questions and pass their suggestions on to system designers. The company also issues a directory of all users and the types of programs they have purchased so clients can contact each other.

While benefit managers generally agree that user groups are not merely forums for a vendor's public relations efforts, they acknowledge that group meetings include the presentation of new products, noting there is always the potential that the meetings can disintegrate into pep rallies for the ven-

дор's products.

John Maher, manager of cost containment for Ardsley, N.Y.—based Ciba-Geigy Corp., said that some vendors' user group meetings he has attended are so much like product pep rallies that his reaction was, "Stop, already." But he said that has not been his experience with a user group to which he currently belongs, sponsored by Bloomington, Ill.-based Advanced System Applications Inc.

ASA plans to devote only three of the 19 sessions at this year's user group conference to products, said John Westby, ASA's advertising and corporate communications manager.

Vendor misuse of conferences has not been a problem, remarked John Cormican, director of data processing at Hartford, Conn.-based Phoenix Mutual Life Insurance Co. and chairman of a user group sponsored by Atlanta-based Dyer, Wells & Associates. Besides, "if the cycle is working properly, we are just seeing something we asked for."

Aside from the overly promotional conferences, user group members also should be concerned that conference sessions are neither too simple nor too complex to meet their needs, some user group members say.

User group members also are divided whether the vendor should allow potential clients to attend a conference.

Ms. Hemmingstad explained she was able to attend Resource Information's user group conference before her company had acquired a software system and said she was reassured by the comments she heard about the system.

However, Mr. Cormican, who belongs to the Dyer Wells group, said: "We don't want prospective clients coming to the meeting." He explained prospective users "drive people crazy asking how the system works."

And some user group members feel that greater user group autonomy is necessary.

But with user group autonomy often comes the need to generate revenue that will pay for costs of mailing surveys and organizing meetings.

Of the five vendors surveyed, only Erisco's UserFacts Inc. required dues—\$200 per user annually.

User group members typically pay their own travel and hotel expenses for annual conferences. Members of most user groups also pay a conference registration fee.

However, a few vendors help members of user group steering committees cover the costs of attending committee meetings several times a year.

For example, UserFacts gives each steering committee member a \$500 travel allowance to attend each of two steering committee meetings annually. Also, Dyer Wells has paid some steering committee expenses, mostly for the first gathering of that group.

Some vendors, though, contend it's best if group members pay their own costs.

For instance, Resource Information clients invited to review a new product pay their own expenses. "It means more to the clients to have their input in the product development than to save the air fare," said Ms. Luetkemeyer.

Another factor user group members should consider is whether the steering committee reflects the makeup of the user group. For instance, some say if benefit managers make up a majority of the group, this should be reflected on the steering committee.

The importance of balancing steering committee members to make it representative becomes more important as the membership in the user group become more diverse, they add.

stPoint Pepperell, hanging by a thread?

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Wave of mergers, buyouts hits system manufacturers

By STEVE TARAVELLA

It's no wonder if benefit managers are confused by the myriad of employee benefit information system names and acronyms. And, it may be hard to figure out who sells what system.

Over the past two years, there have been big changes in automated benefit claims processing systems, not the least of which is the complexion of the providers themselves: System manufacturers have been swept up in the recent wave of mergers and acquisitions.

"Everybody's being gobbled up. Our competitors today all have different names than they did two

'Everybody's being gobbled up. Our competitors today all have different names than they did two years ago,' says a spokeswoman for Erisco Inc. in New York, a leading software vendor that was itself acquired by Dun & Bradstreet Corp.

years ago," says a spokeswoman for Erisco Inc. in New York, a leading software vendor that was itself acquired by Dun & Bradstreet Corp. in October 1984.

In several cases, insurance companies have bought all or part of system vendors to increase the ser-

vices they can offer.

Notable changes in the benefit claims system arena in the last two years include:

- Advanced System Applications (ASA), a software manufacturer in Bloomingdale, Ill., purchased CAS, the claims administration system arm of System Development Corp. in Santa Monica, Calif., last July.

CAS, however, is not to be confused with another CAS, which is the defined contribution record-keeping system made by Cascade Technologies.

SDC's system is now ASA's chief product for corporate benefit managers and has been renamed CAS II. But that has no relationship to SACS II or SACS III, claims system software sold by SA Computer Systems in Salt Lake City.

- Equitable Group & Health Holding Co., part of the Equitable Life Assurance Society of the United States, acquired ASA in June 1985, making it a wholly owned subsidiary.

At the time, ASA's chief product was CAPS, a claims management tool popular with insurers and third-party administrators.

ASA continues to sell CAPS, which has been purchased to date by 30 administrators and three corporate benefit managers. However, CAPS should not be mistaken for ACPS, Synergy Health System's claims processing product.

- Erisco bought ACES, the computer division of Noble Lowndes International Inc. in New York about two months ago. Benefit managers may remember Noble, Lowndes as the former Woodward Ryan Sharp & Davis.

Erisco is trying to convert the benefit managers who bought ACES software to its ClaimFacts product. ClaimFacts, of course, is no relation to FACTS, produced by C/G Data Corp.

In making this conversion, Erisco may charge those benefit managers a conversion fee, but will not charge them for the new product, says Erisco President Thomas J. Garvey. "We want to minimize any difficulty for those clients, and try to make them satisfied ERISCO clients," he says.

- Benetics Corp., the Mountain View, Calif., producer of the CHARLIE claims system, entered into a marketing relationship with AT&T Information Systems.

The agreement calls for Benetics to modify CHARLIE's software to run on AT&T's 3B computers. The new product will be targeted to insurers and other health care companies that process a large volume of claims.

- Dyer, Wells & Associates Inc., a leading benefit claims system producer in Smyrna, Ga., was sold last November to CIGNA Corp. by its former parent, Information Science Inc. in Montvale, N.J.

Dyer, Wells now operates as a CIGNA unit, marketing its Fast-track system to benefit managers.

- Travelers Corp. last December purchased a 20% interest in Resource Information Management Systems (RIMS), whose QicClaim product is a major presence in the benefit claims processing systems market.

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Humana

Directory of benefit system vendors

a

Advanced System Applications Inc.

1 ASA Plaza, Box 385,
Bloomington, Ill. 60108;
312-893-9055

Year founded: 1977.

Parent company: The Equitable Group & Health Holding Corp.

Software products:

ASA/CAPS Claims Administration & Payment System: unbundled hardware and software; first installation, 1978; 33 total installations; functions include claim adjudication, eligibility determination, plan creation, maintenance and retrieval of claim history

and plan data.

ASA/CAS II Claims Administration System: unbundled hardware and software; first installation, 1974 (acquired by company in 1985); 24 total installations; functions include control of claims calculation and payment processing.

ASA/CAPSule Health Claims & Cost Containment Reporting System: unbundled hardware and software; first installation, 1983; 15 total installations.

Staff: More than 680 total employees.

Clients: 57 total clients.

Locations: Oak Brook, Ill.; Santa Monica, Calif.

1985 gross revenues: \$34.5 million; 88% from software, 12% from services.

Principal officers: John W. Blaney, chairman/chief executive officer; J. Allen Hufft, president/chief operating

officer; William J. Beutin, executive vp/chief financial officer; Walter G. Matos, vp-marketing-commercial insurance products division.

AT&T-Information Systems Group

1776 On the Green, Room 3B14,
Morristown, N.J. 07960;
201-898-6342

Year founded: 1986.

Software products:

AT&T TRIPLE OPTION Support System: available in 1986; functions include group health claims processing.

Staff: 98,000 total staff members.

Locations: Offices nationwide.

1985 gross revenues: Not reported.

Principal officers: Robert F. Allen, chief executive officer-Information Systems Group.

b

Benefit Administration Systems Inc.

16 Knight St., Norwalk, Conn.
06851; 203-853-6584

Year founded: 1983.

Software products:

The Administrator: \$7,500; unbundled hardware and software; first installation, 1984; 55 total installations; functions include record keeping for defined contribution plans, individual retirement accounts and 401(k) plans; employer clients include Kollmorgen Corp., Moran Towing Corp., Johnson Pickford Associates, Greenwich Associates, M.W. Houck Inc., Magnetic Analysis Corp.

Staff: 12 total staff members, eight professional staff members.

Clients: Total clients not reported; 95% with gross revenues under \$200 million, 5% \$200 million-\$500 million.

1985 gross revenues: Not reported; 80% from software, 20% from services.

Principal officers: Paul H. Levine, chairman; Robert L. Schwartz, president; Gary Oberst, secretary.

BeneSoft Inc.

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

Year founded: 1982.

Software products:

Flexible Benefits Administration System: \$25,000; unbundled hardware and software; first installation, 1984; one total installation; functions include administration of flexible benefit plans; employer client is The Daily Press Inc.

Pension Calculations & Administration System: \$30,000; unbundled hardware and software; first installation, 1984; three total installations; functions include calculation of pension benefits, maintenance of employee data base and printing of employee statements; employer clients include Chemical Bank, U.S. Tobacco Co., Communications Satellite Corp.

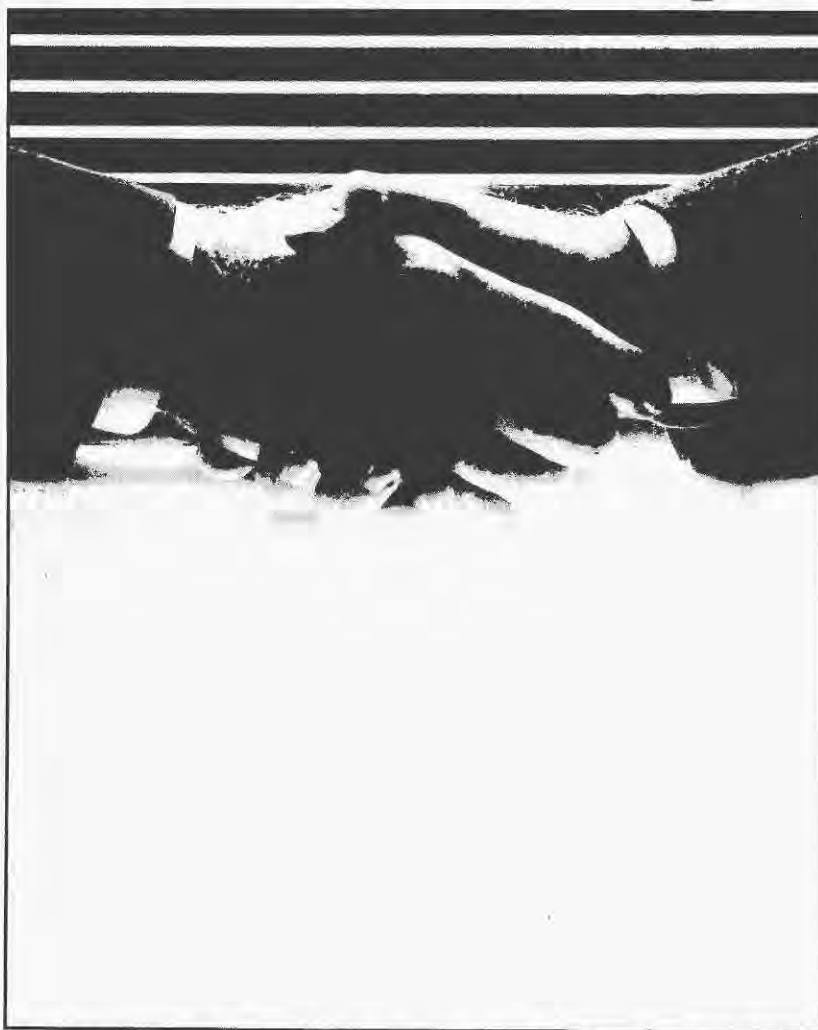
401(k)/Defined Contribution Record-keeping System: \$25,000; unbundled hardware and software; first installation, 1985; two total installations; functions include administration of defined contribution plans, including 401(k), thrift and profit-sharing plans; employer clients include Peabody International Corp., The Daily Press Inc.

Social Security Calculation System: \$500; unbundled hardware and software; first installation, 1984; 50 total installations; functions include calculation of social security benefits.

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

Continued on page 22

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How to use EBIS listings

The first annual directory of employee benefit information systems includes companies that produce and supply proprietary software system products to company employee benefits personnel in response to their information system needs. In addition, companies that supply software products used to communicate benefit programs to employees are listed beginning on page 50.

Company listings begin with the year founded and parent company, if any.

Information on software products follows. Included are the average completely installed price, whether the software and hardware are bundled or unbundled, the year of the first installation, the total number of installations to date and the functions the product performs. A partial list of client companies is also included if reported by the vendor.

Information on staff, clients, branch offices, 1985 gross revenues and names and titles of principal officers complete the listings.

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

If you wish to be put on the mailing list for the 1987 directory of employee benefit information systems, please write Marilou Jones, Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; or call 312-649-5279.

Although we make every effort to publish complete and accurate listings, *Business Insurance* is unable to verify all the information supplied by the vendors.

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ically carries out a series of tasks and generates reports (in an unattended mode). The on-line modules provide real-time inquiries, special forms development, and other user-interactive tasks. Optional modules provide special functions, such as automatic generation of personalized form letters. Other features are:

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line verification of eligibility coverage, and/or claim status. Fully automatic computation of claim payment, based upon a rigorous interpretation of plan coverage.

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employee groups, etc. Prints checks, drafts, vouchers, with explanations. Table-driven for fast, flexible updating of contract or

policy plan changes, provider files, usual-customary-and-reasonable rate files, etc.

Easily and inexpensively customized. Handles complex strategies (partially pending claims, percentage allocation of payment to diagnosis, treatment, etc.). Provides a variety of management reports (actuarial data, work status reports, work measurement reports, staffing, etc.).

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Call or write California Interactive Computing, Inc.
12517 Chandler Blvd.,
North Hollywood, CA 91607,
(818) 985-2680
(213) 557-2424.



Continued from page 20

Clients: 56 total clients, 100% with gross revenues under \$200 million.

1985 gross revenues: \$100,000, 100% from software.

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

Benetics Corp.

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

Year founded: 1981.

Software products:

Charlie: \$140,000; bundled hardware and software; first installation, 1983; 20 total installations; functions include group health claims administration.

Staff: 47 total staff members, 35 professional staff members.

Clients: 20 total clients; 60% with under \$200 million in gross revenues; 10% \$200 million-\$500 million; 25% \$500 million-\$1 billion, 5% \$1 billion-\$3.5 billion.

Locations: Hartford, Conn.; Chicago; Miami; Los Angeles.

1985 gross revenues: Not reported.

Principal officers: H.F. Enright Jr., president/chief executive officer; Kenneth W. Jonker, executive vp; John L. Krakauer and Duane W. Roberts, vps.

Buck Consultants Inc.

2 Pennsylvania Plaza, New York, N.Y. 10121; 212-279-4400

Year founded: 1916.

Software products:

Defined Benefit Recordkeeping: unbundled hardware and software; first installation, 1976; functions include recordkeeping for active and/or retired plan participants.

Loans Plus: unbundled hardware and software; first installation, 1984; functions include administration of defined contribution loans.

Bencal: unbundled hardware and software; first installation, 1970; functions include calculation of defined benefit plan retirement benefits, including Social Security.

Staff: 800 total staff members, 554 professional staff members.

Clients: 950 total clients.

Locations: Atlanta; Chicago; Dallas; Fort Wayne, Ind.; Harmon Meadow, N.J.; Honolulu; Houston; Pittsburgh; San Francisco; Washington, D.C.; Toronto.

1985 gross revenues: Not reported.

Principal officers: William E. Giegerich, president/chief executive officer; John Seltzer, chairman.

C

California Interactive Computing Inc.

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

Year founded: 1977.

Software products:

DiMed: \$200,000; bundled hardware and software; first installation, 1979; 12 total installations; functions include medical, dental, vision, billing, cost containment, ad hoc reporting; employer clients include Lockheed California Co., Lockheed Missiles & Space, Oklahoma Natural Gas Co., Cascade Corp.; TPA clients include Emmett & Chandler Self-Insurance Services Inc., Pacific Coast Administrators.

Staff: 50 total staff members, 30 professional staff members.

1985 gross revenues: \$5 million; 36% from hardware, 53% from software, 11% from services.

Principal officers: Jerry C. Buckley, chairman/president; Robert Reisbaum and Ralph M. Flygare, vps; Dorothy H. Payne, director.

Cantor & Co.

9348 Santa Monica Blvd., Beverly Hills, Calif. 90210; 213-859-7277

Year founded: 1982.

Software products:

PCMS: \$15,000; unbundled hardware and software; first installation, 1985; 100 total installations; functions include tracking disability, benefits, patient care; provider clients include City of Hope National Medical Center, Kaiser Foundation of Southern California.

Riskmap Risk Financing: \$1,500; unbundled hardware and software; first installation, 1983; 100 total installations;

functions include benefit funding mechanisms and budgeting; employer clients include The New York Times Co., National Medical Enterprises Inc.; other clients include Marsh & McLennan Cos. Inc. (Kansas City, Mo., office), Rollins Burdick Hunter Co. (Portland, Ore., office).

Riskmap Loss Forecasting: \$1,500; unbundled hardware and software; first installation, 1984; 11 total installations; functions include forecasting of frequency, severity and total cost of benefit programs; employer clients include National Medical Enterprises Inc., Charter Medical Corp.

HMO Membership/Claims Management System: bundled or unbundled hardware and software; new product; functions include management of membership and claims for HMOs.

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

Clients: 200 total clients; 25% with gross revenues under \$200 million, 60% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 4% \$1 billion-\$3.5 billion, 1% exceeding \$3.5 billion.

1985 gross revenues: Not reported.

Principal officers: Alan B. Cantor, president.

Cascade Technologies Inc.

Suite 1500, Two Penn Plaza, New York, N.Y. 10121; 212-244-3100

Year founded: 1985.

Software products:

Capital Accumulation System (CAS): \$20,000; unbundled hardware and software; first installation, 1985; two total installations; functions include record-keeping, administration and communication of defined contribution plans.

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

Locations: Westbury, N.Y.; Jersey City, N.J.

1985 gross revenues: Not reported; 100% from software.

Principal officers: William E. Colgan, president; Frank J. Joicy and Vigdis Austad, vps.

CC Systems Corp.

1200 Yankee Doodle Road, P.O. Box 64668, St. Paul, Minn. 55164; 612-456-5940

Year founded: 1982.

Parent company: Minnesota Indem-

nity Insurance Co. Inc.

Software products:

RPS: available on time-sharing basis; unbundled hardware and software; first installation, 1983; 12 total installations; functions include analysis and administration of medical, dental and disability claims; TPA clients include Benefit Plan Administrators; insurer clients include Foremost Life Insurance Co.; employer clients include Minnesota Power & Light Co.

IPS: \$90,000 for medical claims software, \$120,000 for all functions; bundled hardware and software; first installation, 1986; one total installation; functions include analysis and administration of medical, dental and disability claims; insurer clients include Amerisure Insurance Co., Ruedlinger Insurance Co.

Staff: 34 total staff members, 27 professional staff members.

Clients: 13 total clients.

Locations: Lansing, Mich.; Kansas City, Kan.; Houston; Cleveland.

1985 gross revenues: \$3 million; 3% from hardware, 7% from software, 90% from services.

Principal officers: William C. Ell-

wood, president; Basil M. Pace, executive vp/chief financial officer; David F. Walter, vp-information services; Diane C. Collins, vp-technical services; Mark Fitzgerald, vp-sales.

The Commons Management Group

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

Year founded: 1981.

Parent company: Parkside Health Management Corp.

Software products:

Caseplex Business System: \$10,000-\$25,000; unbundled hardware and software; first installation, 1984; functions include utilization and charge profiles, admissions analysis, trend analysis, program management analysis, simulations and modeling, PPO negotiations.

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

Locations: Park Ridge, Ill.

1985 gross revenues: Not reported.

Principal officers: Robert W. Coburn, president.

Continued on next page

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Compass Consulting Group Inc.

1750 112th Ave. N.E., Suite A-209,
Bellevue, Wash. 98004;
206-454-8328

Year founded: 1973.

Software products:

PROFILE/UR: \$60,000; unbundled hardware and software; first installation, 1982; 15 total installations; functions include analysis of utilization and costs of medical services, and identification of high-cost providers and patients.

PROFILE/GROUP: \$20,000; unbundled hardware and software; first installation, 1986; one total installation; functions include analysis of medical service costs.

Staff: 70 total staff members, 50 professional staff members.

Clients: 16 total clients.

Locations: Berkeley, Calif.; Chicago.

1985 gross revenues: \$2 million; 40% from hardware, 60% from software.

Principal officers: Roger J. Collier, president; Susan J. Fox and Gretchen Engquist, principals.

d

Data Management Ventures Inc.

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

Year founded: 1985.

Software products:

FEE FACTS-A Guide to Chiropractic/Physical Therapy/Rehabilitative Medicine Prevailing Fees: unbundled hardware and software; first installation, 1985; 70 total installations; functions include claims reference and cost containment; provider/insurer clients include The Equitable Life Assurance Society of the United States, Intracorp, State Farm Mutual Automobile Insurance Co., Sentry Life Insurance Co., Washington National Insurance Co., John Hancock Mutual Life Insurance Co.

Staff: Four total staff members, two professional staff members.

Clients: 70 total clients; 77% with

gross revenues under \$200 million, 10% \$200 million-\$500 million, 6% \$500 million-\$1 billion, 1% \$1 billion-\$3.5 billion, 6% exceeding \$3.5 billion.

1985 gross revenues: Not reported.

Principal officers: Richard E. Olson, president.

Digital Insurance Systems Corp.

1998 Tewksbury Road, Columbus,
Ohio 43221; 614-488-2933

Year founded: 1985.

Software products:

Health Claims Processing System: \$40,000-\$150,000; unbundled hardware and software; first installation, 1985; two total installations; functions include health claims administration; HMO client is Physician's Health Plan of Ohio; TPA client is Leland A. Wolf & Associates.

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

Clients: Two total clients.

1985 gross revenues: Not reported.

Principal officers: Donald Demers, president; Robert Fountain, vp.

Dyer, Wells & Associates

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

Year founded: 1977.

Parent company: CIGNA Corp.

Software products:

dw&a/Flextrak Flexible Compensation Software: unbundled hardware and software; first installation, 1986; six total installations; functions include administration of flexible compensation plans with cafeteria-style benefit programs.

dw&a/Fastrak Claims/Administration: bundled or unbundled hardware and software; first installation, 1978; 50 total installations; functions include automation of medical, dental and disability health claims processing.

Staff: 130 total staff members, 100 professional staff members.

Clients: Total clients not reported; 20% with gross revenues under \$200 million, 20% \$200 million-\$500 million, 20% \$500 million-\$1 billion, 20% \$1 billion-\$3.5 billion, 20% exceeding \$3.5 billion.

Locations: Atlanta.

1985 gross revenues: \$8.5 million; 6% from hardware, 50% from software, 44%

from services.

Principal officers: Jody Dyer, chairman; Phil Fauver, president; Richard McCrary, vp-sales.

e

Eastern Benefit Software Inc.

200 Freeway Drive E., East Orange,
N.J. 07018; 201-676-3333 or
800-524-0227

Year founded: 1982.

Parent company: W.S. Vogel Agency Inc.

Software products:

CLAIM/NET: \$30,000; unbundled hardware and software; first installation, 1982; six total installations; functions include plan administration, claim processing, explanation of benefits with checks, word processing, financial and cost-containment reporting; employer clients include U.S. Trust Corp.; TPA clients include Eastern Benefit Systems Inc., Associated Insurance Services, C.B.S. Inc., J. & L. Plans.

FLEX/NET: \$15,000; unbundled hardware and software; first installation, 1986; one total installation; functions include automation of flexible spending accounts, generation of election forms, transaction statements, explanation of benefits, balance maintenance, eligibility verification; employer client is U.S. Trust Corp.

ADMIN/NET: \$15,000; unbundled hardware and software; first installation, 1982; six total installations; functions include tracking, sorting of records for employee and department data, history maintenance, generation of management reports, bills and coverage statements; employer clients include U.S. Trust Corp.; TPA clients include Eastern Benefit Systems Inc., Associated Insurance Services, C.B.S. Inc., J. & L. Plans.

Staff: 21 total staff members, nine professional staff members.

Clients: Total clients not reported; 60% with gross revenues under \$200 million, 30% \$200 million-\$500 million, 5% \$500 million-\$1 billion, 5% \$1 billion-\$3.5 billion.

Locations: Kansas City, Mo.

1985 gross revenues: Not reported.

Principal officers: William E. Vogel and Antonio T. Lim.

Erisco

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

Year founded: 1968.

Parent company: Dun & Bradstreet Corp.

Software products:

ClaimFacts: unbundled hardware and software; first installation, 1980; 82 total installations; functions include health claims management services; employer clients include Borden Inc., Michigan Conference of Teamsters, Dow Chemical Co., Montgomery Ward & Co. Inc.; insurer clients include Union Mutual Life Insurance Co.

ImpleFacts: unbundled hardware and software; first installation, 1980; 82 total installations; functions include record-keeping for defined contribution plans; employer clients include Chemical Bank, Federal Reserve Bank, Continental Can Co. Inc., International Paper Co., Eli Lilly & Co., Xerox Corp.

LoanFacts: unbundled hardware and software; new product; functions include loan administration for defined contribution plans.

Staff: 474 total staff members, 441 professional staff members.

Clients: 182 total clients; 37% with under \$200 million in gross revenues, 17% \$200 million-\$500 million, 11% \$500 million-\$1 billion, 17% \$1 billion-\$3.5 billion, 18% exceeding \$3.5 billion.

Locations: Sacramento, Calif.; Staten Island, N.Y.; Union, N.J.

1985 gross revenues: Not reported; 86% from software, 14% from services.

Principal officers: Tom Barrea, chairman; Pat D'Amato, vice chairman; Thomas Garvey, president; Jeffrey Sauerhoff, chief financial officer.

f

Fast Forward Inc.

129 Adams St., Louisville, Ky.
40206; 502-589-0301

Year founded: 1979.

Software products:

Forward Medical Claims Adminis-

Continued on page 24

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**THOMAS L. JACOBS
& ASSOCIATES, INC.**

Continued from previous page
tration: \$15,000; unbundled hardware and software; first installation, 1980; more than 30 total installations; functions include medical, vision and disability claims administration.

Forward Dental Claims Administration: \$10,000; unbundled hardware and software; first installation, 1981; more than 15 total installations; functions include dental claims administration.

Staff: 11 total staff members.

Clients: 250 total clients; 95% with under \$200 million in gross revenues, 5% \$200 million-\$500 million.

1985 gross revenues: \$2.1 million total; 45% from hardware, 42% from software, 13% from services.

Principal officers: Eugene Fair, president; Edward Mudd, secretary/treasurer; Hume Morris II, vp; Bill Simpson, vp-marketing.

FLX Corp.

P.O. Box 913, Valley Forge Office
Colony, Valley Forge, Pa. 19481;
215-783-6112

Year founded: 1985.

Software products:

FLX: \$30,000; unbundled hardware and software; first installation, 1985; 11 total installations; functions include record keeping for flexible benefit and 401(k) plans; TPA clients include The Buckman Van Buren Group, Computer-Users Inc.

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

Clients: 11 total clients, 100% with gross revenues under \$200 million.

1985 gross revenues: Not reported.

Principal officers: Edward J. Hughes, president.

g

Genelco Inc.

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

Year founded: 1973.

Parent company: General American Life Insurance Co.

Software products:

Health Benefit Management System: \$55,000; bundled hardware and software; first installation, 1983; six total installations; functions include adjudication of medical claims; insurer clients include Liberty Life Insurance Co., Life of Indiana Insurance Co.; employer clients include Missouri Forest Products Assn.

Group Benefit Administration System: \$20,000; bundled hardware and software; first installation, 1984; four total installations; functions include billing and collection of group benefits; insurer clients include Liberty Life Insurance Co., Life of Indiana Insurance Co.; employer clients include Missouri Forest Products Assn.

Staff: 122 total staff members, 24 professional staff members.

Clients: Six total clients; 17% with gross revenues \$200 million-\$500 million, 17% \$1 billion-\$3.5 billion, 66% exceeding \$3.5 billion.

Locations: Denver, Philadelphia.

1985 gross revenues: \$1.8 million; 20% from hardware, 60% from software, 20% from services.

Principal officers: David B. Johnson, president; Russell E. Kortie, executive vp.

GENESYS Software Systems Inc.

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

Year founded: 1981.

Software products:

GENESYS Defined Benefit System: unbundled hardware and software; first installation, 1975; 101 total installations; functions include multiple plan accounting, user-defined vesting calculations, prior service detection, eligibility determination and actuarial interface.

GENESYS Defined Contribution System: unbundled hardware and software; functions include 401(k), ESOP, flexible benefit, thrift and savings plans administration; includes history tracking of accounts.

Staff: 100 total staff members, 80 professional staff members.

Clients: 450 total clients; 10% with under \$200 million in gross revenues, 25% \$200 million-\$500 million, 35% \$500 million-\$1 billion, 20% \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

Locations: Long Beach, Calif.; Houston; Oak Brook, Ill.; Columbus, Ohio; Dallas; Hackensack and Marlton, N.J.

1985 gross revenues: \$2.73 million, 100% from software.

Principal officers: Lawrence Munini, president; Robert Pomerleau, senior vp-finance; Arthur Willner, senior vp-development; Michael Miller, vp-marketing; Lloyd Birns, vp-sales; Linda Koski, vp.

h

A.S. Hansen Inc.

1417 Lake Cook Road, Deerfield,
Ill. 60015; 312-948-7400

Year founded: 1930.

Software products:

Social Security Calculation System: \$3,000 for mainframe, \$795 for personal computer; unbundled hardware and software; 12 total installations; personal computer, 75 total installations; functions include Social Security benefit calculations and estimates.

Benefit Calculation System: \$35,000 and up; unbundled hardware and software; seven total installations; functions include defined benefit pen-

Continued on page 26



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Continued from page 24
sion calculations

Staff: 650 total staff members, 475 professional staff members.

1985 gross revenues: Not reported.

Principal officers: Larry M. Fisher, chairman/chief executive officer; Steven W. Fargason, vice chairman; Howard F. Lund, president/chief operating officer; James E. McGarry, executive vp-finance administration; Philip G. Henderson, senior vp.

Health Systems International

100 Broadway, New Haven, Conn.
06511; 203-562-2101

Year founded: 1968.

Software products:

Medical Claims Monitoring System: unbundled hardware and software; first installation, 1984; 35 total installations; functions include cost containment through financial and clinical evaluation of hospital claims; insurer clients include Travelers Insurance Co., CIGNA Life Insurance Co.

HSI Coder: unbundled hardware and software; first installation, 1986; six

total installations; functions include conversion of medical terminology into International Classification of Disease codes.

HSI CPT Grouper: unbundled hardware and software; first installation, 1984; seven total installations; assigns diagnosis-related groups using International Classification of Disease codes and current procedural terminology; clients include Health Care Financing Administration, CIGNA Life Insurance Co., Massachusetts Mutual Life Insurance Co.

Clinical Claims Editor: unbundled hardware and software; first installation, 1984; 15 total installations; functions include identification of clinical conflicts between diagnosis, procedures, age and sex that result in incorrect diagnosis-related group assignments.

Utilization Management System: unbundled hardware and software; first installation, 1985; 40 total installations; functions include concurrent review for the purpose of reducing patient length of stay.

Staff: 80 total staff members, 70 professional staff members.

Locations: Los Angeles.

1985 gross revenues: Not reported.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill.
60015; 312-295-5000

Year founded: 1940.

Software products:

FlexSystem Timesharing: \$25,000-\$100,000; bundled hardware and software; first installation, 1983; 50 total installations; functions include enrollment, administration and spending account recordkeeping for flexible benefit plans.

FlexSystem PC: \$25,000-\$100,000; unbundled hardware and software; first installation, 1985; 20 total installations; functions include enrollment, administration and spending account recordkeeping for flexible benefit plans.

FlexSystem Mainframe: unbundled hardware and software; first installation, 1986; functions include enrollment and administration for flexible benefit plans.

Pension Administrator: unbundled hardware and software; first installation, 1982; 21 total installations; functions include pension administration with data maintenance, pension calculations and reporting; mainframe and personal computer versions are available.

Social Security Calculator: mainframe, \$4,000; personal computer, \$500; unbundled hardware and software; first installation of mainframe, 1979; first installation of personal computer, 1984; 30 total mainframe installations; 160 total personal computer installations; functions include calculation of social security benefits for pension and pre-retirement counseling.

Hewitt Associates Plan Accounting System: \$150,000-\$500,000; unbundled hardware and software; first installation, 1973; 177 total installations; functions include record keeping for defined contribution plans, including 401(k), thrift, savings, profit sharing and employee stock ownership plans.

Staff: 425 total staff members, 325 professional staff members.

Locations: Atlanta; Rowayton, Conn.; Santa Ana, Calif.; The Woodlands, Texas; Boston; Chicago; Dallas; Dayton, Ohio; Denver; Detroit; Houston; Los Angeles; Milwaukee; Minneapolis; New York; Phoenix; St. Louis; San Francisco; Seattle; Tampa, Fla.

1985 gross revenues: Not reported.

Principal officers: Peter Friedes, chief executive.

The Human Resource Management Group of Alexander & Alexander Inc.

1185 Ave. of the Americas, New York, N.Y. 10036; 212-575-8000

Year founded: 1898.

Parent company: Alexander & Alexander Services Inc.

Software products:

ALEOOP: available on time sharing basis only; unbundled hardware and software; first installation, 1974; functions include Social Security and benefit calculations, data collection listing, deterministic and stochastic valuation forecasting, payout projections, data management and preparation routines, pension valuations, actuarial gain and loss by source, asset return forecasts.

Staff: 850 total staff members, 600 professional staff members (U.S. only).

Clients: 566 total clients.

Continued on page 28

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- Long Term
- Mortgage Payments Benefits

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- Replacement
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IX Alternate Funding Techniques

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Continued from page 26

Locations: Atlanta; Baltimore; Boston; Chicago; Cleveland; Dallas; Detroit; Fair Lawn, N.J.; Houston; Los Angeles; Minneapolis; Philadelphia; Pittsburgh; Richmond, Va.; St. Louis; San Francisco; Tampa, Fla.

1985 gross revenues: More than \$2.5 million; 100% from services.

Principal officers: A.M. D'Alessandro, chief executive officer; Donald Cleveland, chief operating officer; E.J. Rudzinski, Eugene W. Teal and Joseph R. Zetto, division directors.

i**Information Science Inc.**

95 Chestnut Ridge Road, Montvale, N.J. 07645; 201-391-1600

Year founded: 1965.

Software products:

Payroll/Personnel/Flex Comp/Benefits-IBM: \$175,000; unbundled hardware and software; first installation, 1965; 1,000 total installations; functions include payroll, personnel, flexible compensation and benefit applications.

Payroll/Personnel/Benefits-WANG: \$90,000; bundled hardware and software; first installation, 1979; 80 total installations; functions include payroll, personnel and benefit applications.

Pension Administration System-IBM: \$65,000; unbundled hardware and software; first installation, 1965; 85 total installations; functions include pension administration.

Staff: 245 total staff members, 60 professional staff members.

Clients: 800 total clients; 50% with gross revenues under \$200 million, 20% \$200 million-\$500 million, 15% \$500 million-\$1 billion, 10% \$1 billion-\$3.5 billion,

5% exceeding \$3.5 billion.

Locations: Burlingame, Calif.; Oak Brook, Ill.; Dallas; Atlanta.

1985 gross revenues: \$25.87 million; 62% from software, 38% from services.

Principal officers: John Rade, president; Dan Federman, president-software division; Guy Colaneri, president-service division; Michael Jorgensen, chief financial officer.

Insurance Software Packages Inc.

5118 N. 56th St., Suite 260, Tampa, Fla. 33610; 813-621-6069

Year founded: 1985.

Software products:

Health Benefits Management System: \$25,000-\$30,000 plus hardware; unbundled hardware and software; year of first installation, 1935; five total installations; functions include eligibility val-

uation, benefit calculation, check issue; employer clients include National Fruit Products Co.; provider clients include Nebraska Methodist Hospital, Halifax Medical Center.

Staff: 12 total staff members, eight professional staff members.

Clients: Five total clients; 100% with under \$200 million in gross revenues.

Locations: Warren, N.J.

1985 gross revenues: \$300,000; 100% from software.

Principal officers: A. Allan Machesney, president.

j**Thomas L. Jacobs & Associates Inc.**

230 W. Monroe, Suite 545, Chicago, Ill. 60606; 312-346-0155

Year founded: 1915.

Software products:

Jacobs Disability Management System (JDMS): unbundled hardware and software; first installation, 1984; seven total installations; functions include employee benefits and disability administration; employer clients include Illinois Bell Telephone Co., Wisconsin Bell Telephone Co., Supermarkets General Corp., Federal Express Corp.; insurer clients include Life Insurance Co. of the Southwest.

Staff: 35 total staff members, 29 professional staff members.

Clients: 106 total clients; 10% with gross revenues under \$200 million, 10% \$200 million-\$500 million, 10% \$500 million-\$1 billion, 30% \$1 billion-\$3.5 billion, 40% exceeding \$3.5 billion.

1985 gross revenues: \$1.79 million; 50% from software, 50% from services.

Principal officers: Richard A. Lewis, president; Richard H. Wille and James E. Roman, senior vps.

James Benefits

2614 South, 1935 West, Salt Lake City, Utah 84119; 801-973-7300

Year founded: 1960.

Parent company: Fred S. James & Co. Inc.

Software products:

ACT II: unbundled hardware and software; first installation, 1980; nine total installations; functions include administration of medical, dental, flexible benefits, vision and disability claims.

PC FLEX: unbundled hardware and software; first installation, 1984; four total installations; functions include administration of 125(g) plans.

Staff: 650 total staff members, 160 professional staff members.

Clients: 13 total clients; 23% with under \$200 million in gross revenues, 15% \$200 million-\$500 million, 16% \$500 million-\$1 billion, 8% \$1 billion-\$3.5 billion, 38% exceeding \$3.5 billion.

Locations: Albuquerque, N.M.; Atlanta; Boise, Idaho; Denver; Houston; Milwaukee; Phoenix and Tucson, Ariz.; Pittsburgh; San Francisco and Tustin, Calif.; St. Louis.

1985 gross revenues: Not reported; 10% from hardware, 20% from software, 70% from services.

Principal officers: Terry Nofsinger, president; David Olson, executive vp-marketing; Carvel Whiting, vp-data processing; Lane Summerhays, senior vp-finance; Dennis Burge, senior vp-administration.

Johnson & Higgins-BeneNet Consulting Group

95 Wall St., New York, N.Y. 10005; 212-701-7500

Year founded: 1845.

Software products:

BeneNet-Benefits Administration System: \$42,000; unbundled hardware and software; first installation, 1984; 25 total installations; functions include administration of benefit plans, including cafeteria plans and flexible spending accounts; employer clients include Richardson Independent School District, National Bank of Georgia; provider clients include Health Care International, Barnes Hospital.

BeneNet Recordkeeping System: \$50,000; unbundled hardware and software; first installation, 1986; functions include recordkeeping for defined contribution plans, including loan administration and automatic data processing testing.

Star WR17: \$20,000; unbundled hardware and software; first installation, 1986; functions include compensation administration and reporting.

Staff: 30 total staff members, 25 professional staff members.

Clients: 25 total clients; 20% with under \$200 million in gross revenues, 32% \$200 million-\$500 million, 32% \$500 million-\$1 billion, 8% \$1 billion-\$3.5 billion, 8% exceeding \$3.5 billion.

Locations: Princeton, N.J.; Los Angeles.

1985 gross revenues: \$1.5 million; 90% from software, 10% from services.

Principal officers: Robert V. Hatcher Jr., chairman/chief executive officer; James G. Harlow, vp/director; Carl S. Swope, vp-BeneNet Consulting Group.

k**Kwasha Lipton**

P.O. Box 1400, Fort Lee, N.J. 07024-1400; 201-592-1300

Year founded: 1944.

Continued on page 30

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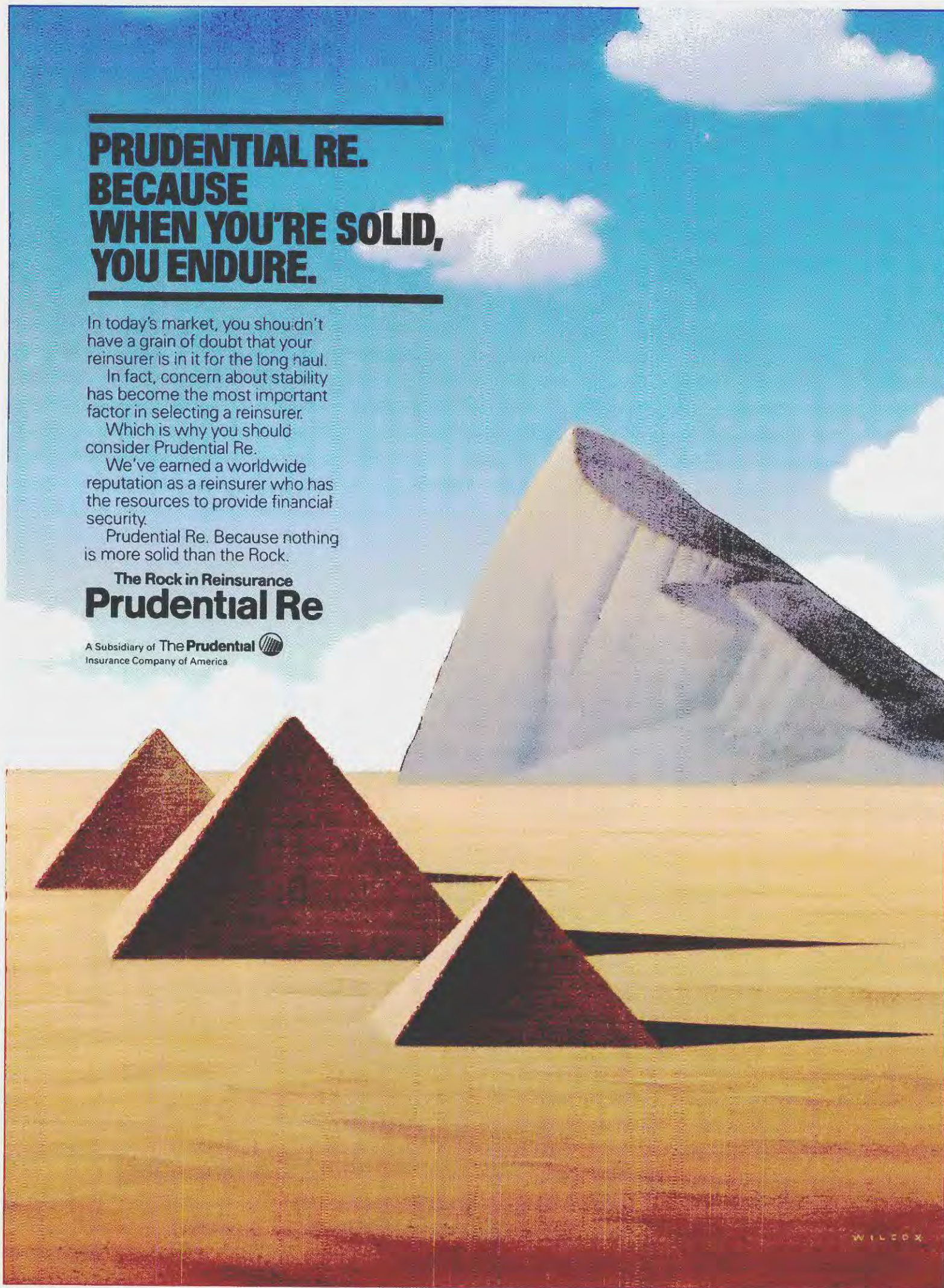
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Continued from previous page
functions include HMO plan administration and accounting; provider clients include Sisters of Charity of the Incarnate Word, Long Beach Memorial Hospital.

INSURANCE WORK: \$100,000; unbundled hardware and software; first installation, 1985; three total installations; functions include underwriting, actuarial, billing, commission, cost containment; medical, dental and vision claims; PPOs and multiemployer trusts; provider clients include Loma Linda Medical Center; insurer clients include Great Republic Life Insurance Co., Empire Insurance Co.

Staff: 35 total staff members, 32 professional staff members.

Clients: 33 total clients; 88% with under \$200 million in gross revenues, 3% \$200 million-\$500 million, 6% \$500 million-\$1 billion, 3% \$1 billion-\$3.5 billion.

1985 gross revenues: \$1 million; 10% from hardware, 60% from software, 30% from services.

Principal officers: William Whitmore, president; George J. Bregante, executive vp; Greg Giloth, vp; Glenn Davis, secretary/treasurer.

Synergy Health Systems Inc.

16775 Addison Road, Dallas, Texas 75248; 214-248-6241

Year founded: 1985.

Parent company: Application Resources Corp.

Software products:

Advanced Claims Processing System (ACPS): \$215,000; unbundled hardware and software; first installation, 1984; nine total installations; functions include automated claims processing, membership, reporting, group billing; includes an internal medical dictionary.

Basic Claims Processing System (BCPS): \$80,000; unbundled hardware and software; new product.

Staff: 11 total staff members.

Clients: Nine total clients; 89% with under \$200 million in gross revenues, 11% exceeding \$3.5 billion.

1985 gross revenues: Not reported.

Principal officers: Fred A. Kinder, president; Eric R. Hornquist, executive vp.

t

Towers, Perrin, Forster & Crosby

245 Park Ave., New York, N.Y. 10167; 212-309-3665

Year founded: 1934.

Software products:

PENCALC: \$30,000 for microcomputer, \$50,000 for mainframe; unbundled hardware and software; first installation of micro-computer, 1985; first installation of mainframe, 1974; 20 total installations of micro-computer, 50 total installations of mainframe; functions include calculation and documentation of benefits available under companies' pension plans, including actual or estimated amounts for normal, early or postponed retirement, optional forms of benefit payments and lump-sum distributions.

SOMS: \$12,000; unbundled hardware and software; first installation, 1984; 36 total installations; functions include administration of executive stock option plans, including reports for participants and management.

Locations: Offices throughout the United States and worldwide.

1985 gross revenues: Not reported.

Principal officers: Quentin I. Smith Jr., chairman/chief executive officer; James E. Keilley, president; Robert C. Phillips, vp/manager-practices & products.

W

J.E. Winchester & Co. Inc.

104 Water St., Baltimore, Md. 21202-1062; 301-837-9009

Year founded: 1976.

Software products:

Com-Group: \$67,000; bundled or unbundled hardware and software; first installation, 1985; one total installation; TPA client is Maury, Donnelly & Parr Inc.

Staff: Nine total staff members, seven professional staff members.

Clients: Seven total clients, 100% with gross revenues under \$200 million.

1985 gross revenues: \$160,000.

Principal officers: John E. Winchester Jr., president; Anne M. Sigman, vp.

WLT Software Services Inc.

35 Crocker Blvd., Mount Clemens, Mich. 48043; 313-463-6770

Year founded: 1980.

Software products:

Medi-Claims: \$60,000-\$100,000; bundled or unbundled hardware and software; first installation, 1983; 13 total installations; functions include cost containment reporting, processing and administration of health claims; TPA clients include Independent Benefit Plans Inc. and McGriff, Siebels & Williams Inc.; insurer clients include Fireman's Fund Insurance Co.

Staff: 13 total staff members, five professional staff members.

Clients: 20 total clients; 85% with under \$200 million in gross revenues, 15% \$200 million-\$500 million.

Continued on page 36

We could write a book about the misconceptions people have about mental illness and its treatment.



Do the horrors of the past still exist in psychiatric hospitals? Or—maybe just as bad from a cost standpoint—have they become expensive “country clubs” instead?

A whole lot of misconceptions still persist about the quality of care that patients receive in today's specialty psychiatric hospitals, and especially about the costs of that care. To the individual and his family. To his employer. And to the insurer.

For instance, did you know that all member hospitals of the National Association of Private Psychiatric Hospitals are accredited by the Joint Commission on Accreditation of Hospitals? Or that most of these hospitals provide outpatient, day treatment and partial hospitalization, as well as full inpatient care?

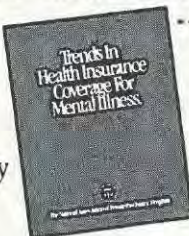
In addition to many levels of care, these specialty hospitals offer programs tailored for children, adolescents, and adults, as well as providing chemical dependence and eating disorder programs.

Some say the cost of that special care is high. But the cost of pretending the problem doesn't exist is much greater. An illness which has been estimated as a \$55 billion a year problem for industry is one you can't afford to ignore.

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analyzes the direct and indirect costs of mental health insurance coverage. If there's a chance that this data might help you to better evaluate mental illness benefits for your employees—then you owe it to your company to send for your confidential copy of this study.

There's still a whole lot of ignorance about mental illness. But you don't have to be victim of it.



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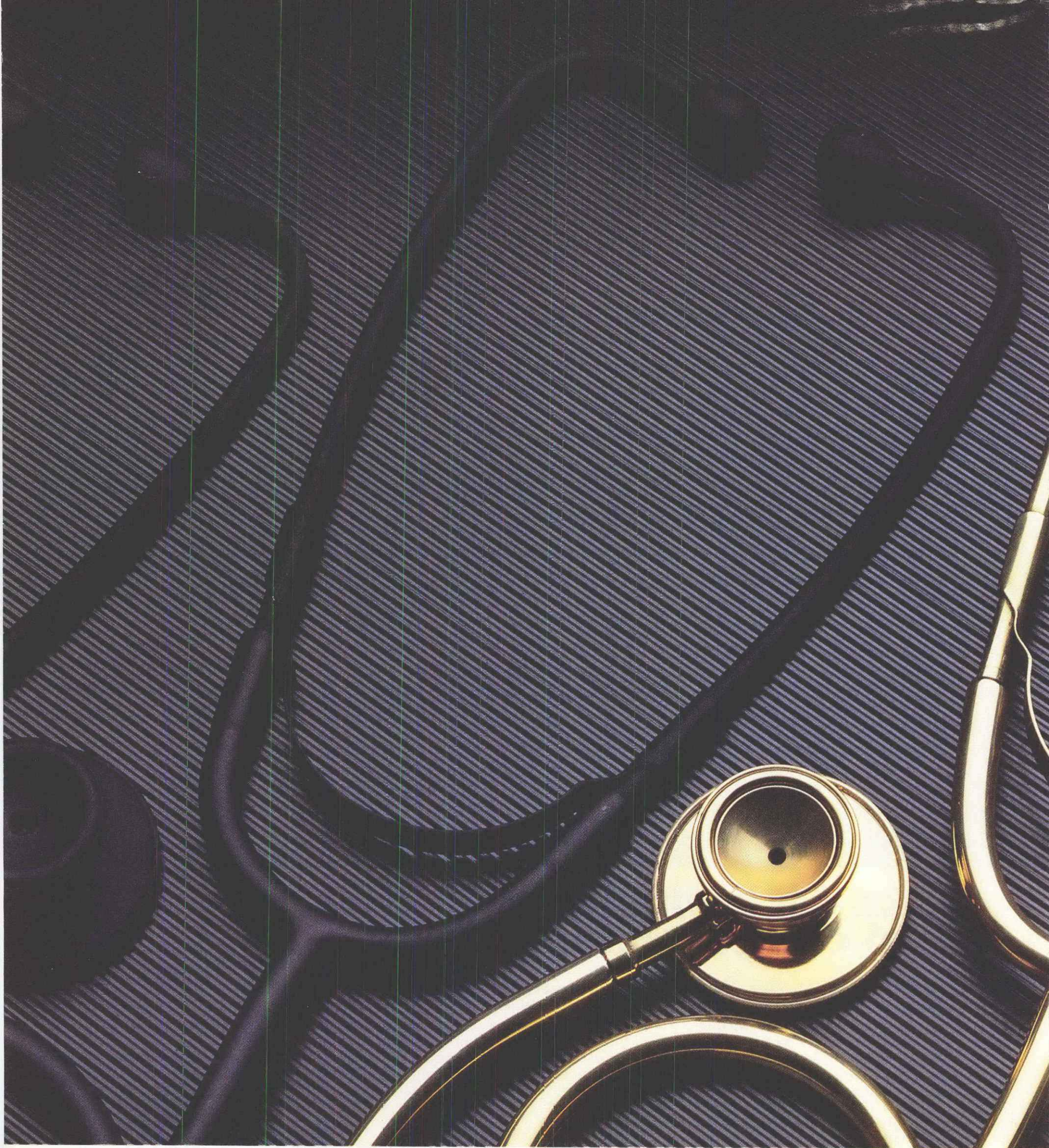
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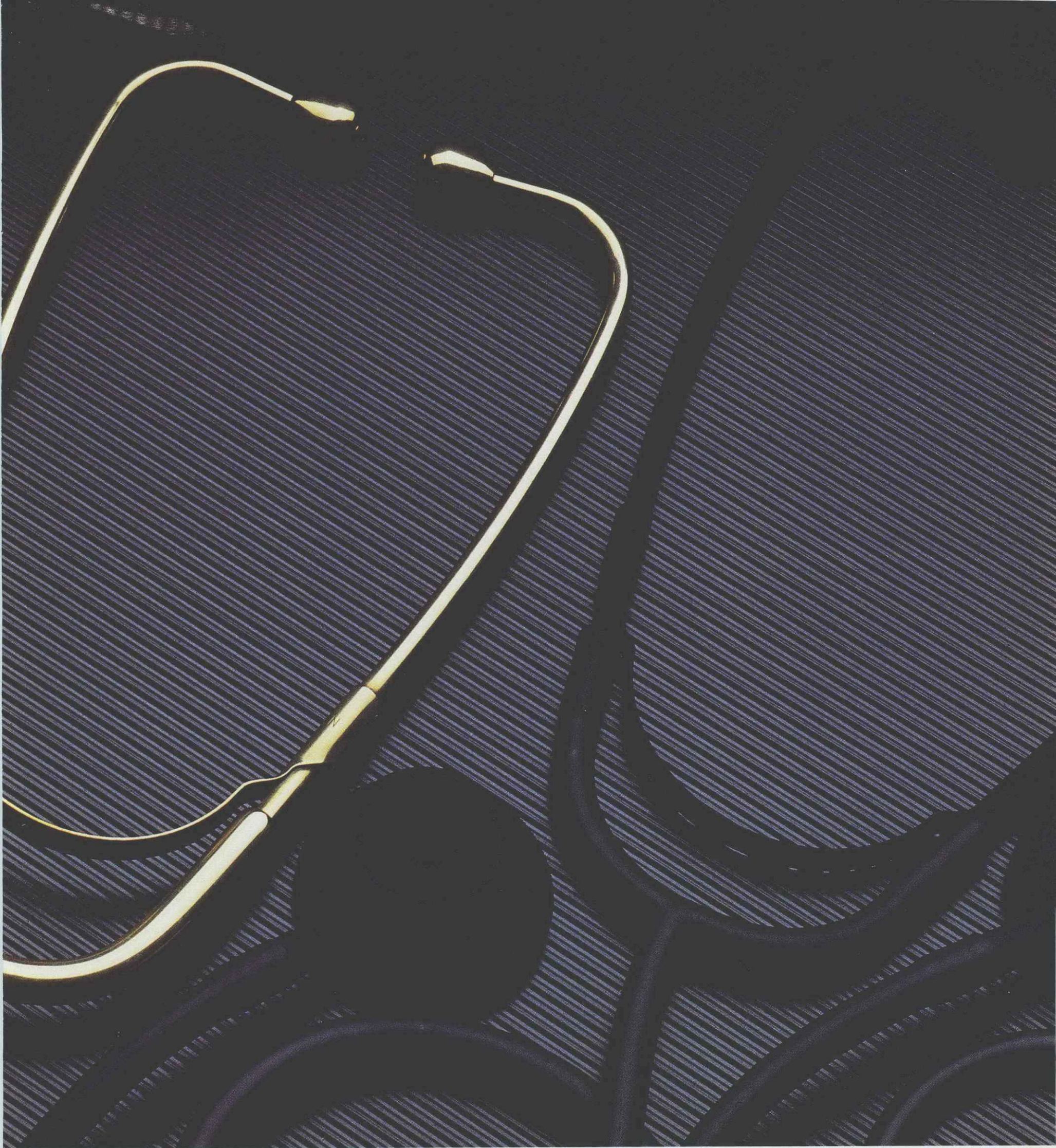


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PHS



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Continued from page 32

1985 gross revenues: \$1.85 million; 82% from hardware, 17% from software, 1% from services.

Principal officers: William L. Tiner Jr., president; Ann M. Brooks, manager-marketing/sales; Phyllis G. Hamilton, manager-client services/support; James Shorek, manager-special projects; Terry Fujishige, programming manager.

The Wyatt Co.

Suite 5600, Sears Tower, 233 South Wacker Drive, Chicago, Ill. 60606; 312-876-2000

Year founded: 1946.

Software products:

Flexible Compensation Enrollment & Administration System: \$50,000-\$60,000; unbundled hardware and software; first installation, 1984; 15 total installations; functions include enrollment, administration, providing reports and discrimination testing for flexible compensation programs; employee option estimator is optional.

Flexible Compensation Reimbursement System: \$8,000-\$27,000; unbundled hardware and software; first installation, 1983; 60 total installations; functions include administration of health care, dependent care and legal services.

Midcost: unbundled hardware and software; first installation, 1982; more than 100 total installations; functions include collection of health care data for analysis and review.

Staff: 2,300 total staff members, 760 professional staff members.

Clients: 10,300 total clients.

Locations: Atlanta; Boston; Cleveland; Dallas; Denver; Detroit; Fort Lee N.J.; Grand Rapids, Mich.; Honolulu Hawaii; Houston; Los Angeles; Memphis, Tenn.; Miami; Minneapolis; New York; Orlando Fla.; Philadelphia; Phoenix, Ariz.; Portland, Ore.; San Diego, Calif.; San Francisco; San Juan, Puerto Rico; Seattle; Stamford, Conn.; Washington, D.C.

1985 gross revenues: Not reported.

Principal officers: J. Perham Stanley, president; V. Clark Baird, vp/treasurer; Edwin F. Boynton, vp/secretary.

datebook

JUNE 2-3. Health Care Cost Containment Workshop in Houston, sponsored by Health Research Institute; \$495. Also **June 23-24** in Atlanta; **July 14-15** in Denver; **July 21-22** in San Jose, Calif.; **Aug. 11-12** in Minneapolis; **Sept. 22-23** in New Orleans; **Oct. 6-7** in San Francisco; **Oct. 27-28** in Boston; **Nov. 10-11** in New York; **Nov. 17-18** in Dallas; **Dec. 8-9** in Chicago. Health Research Institute, 49 Quail Court, #200, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 3-4. Fifth Annual Principles of Petroleum Insurance conference in Pittsburgh, sponsored by Professional Development Institute and Self-Insurance Resource Inc. Mary Ann Crow, Professional Development Institute, P.O. Box 13288 NTSU, Denton, Texas 76203-3288; 800-433-5676; 817-565-3356 in Texas.

JUNE 3. Managing Your Broker seminar in New York, sponsored by Tillinghast, Nelson & Warren Inc.; \$350. Also **June 18** in Chicago. Conference Department, Tillinghast, Nelson & Warren Inc. 722 Post Road, Darien, Conn. 06280; 203-655-9791.

JUNE 3-4. New Strategies for Loss Reserve Analysis and Reserve System Structuring for Insurance Companies seminar in New York, sponsored by Executive Enterprises Inc.; \$795. Executive Enterprises Inc. 22 West 21st St., New

York, N.Y. 10010-6904; 800-223-0787, 800-831-8333 in New York.

JUNE 3. ABCs of Self-Insurance conference in Los Angeles, sponsored by the Self-Insurance Institute of America; \$95 for members; \$195 for non-members. Self-Insurance Institute of America, P.O. Box 15466, Santa Ana, Calif. 92705; 714-261-2553.

JUNE 4. Purchasing Insurance in a Tight Market seminar in New York, sponsored by Tillinghast, Nelson & Warren Inc.; \$350. Also **June 19** in Chicago. Conference Department, Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06280; 203-655-9791.

JUNE 4. Advanced Cost Containment workshop in Houston, sponsored by Health Research Institute; \$250. Also **June 25** in Atlanta; **July 16** in Denver; **July 23** in San Jose, Calif.; **Aug. 13** in Minneapolis; **Sept. 24** in New Orleans; **Oct. 8** in San Francisco; **Oct. 29** in Boston; **Nov. 12** in New York; **Nov. 19** in Dallas; **Dec. 10** in Chicago. Health Research Institute, 49 Quail Court, #200, Walnut Creek, Calif. 94596; 415-676-2320.

JUNE 4-5. Certified Professional Insurance Agents Society Sales Seminar in Hartford, Conn.; free for CPIA members; \$55 for CPIA-sponsored non-members. Margaret O'Connor,

Certified Professional Insurance Agents Society, 400 N. Washington St., Alexandria, Va. 22314; 703-836-9340.

JUNE 4-6. International Benefits Information Service Conference in Brighton, England, co-sponsored by Charles D. Spenser & Associates and IBIS; \$760. Charles D. Spenser & Associates Inc., 222 W. Adams, Chicago, Ill. 60606; 312-236-2615.

JUNE 4-6. Risk Management Information Systems course in Denver, sponsored by the Risk & Insurance Management Society; \$600 RIMS for members; \$700 for non-members. Also **Oct. 8-10** in New York. Fran Jordan, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 5. Directors & Officers Liability workshop in Rochester, N.Y.; sponsored by the Society of Chartered Property Casualty Underwriters; \$125 for CPCU members; \$140 for non-members. Mari Jennings, Society of CPCU, Kahler Hall, 720 Providence Road (CB#9), Malvern, Pa. 19355; 215-251-2741.

JUNE 5. Investing Employee Benefit Assets: An Employer's Responsibility and Opportunity conference in Cambridge, Mass., sponsored by the New England Employee Benefits Council; \$50 for NEERC members; \$75 for non-members. Tica Williams, NEERC, P.O. Box 2594, Boston, Mass. 02208; 617-423-6146.

JUNE 5-6. Asset/Liability Management seminar in Atlanta, sponsored by Tillinghast, Nelson & Warren Inc. and Morgan Stanley & Co. Inc.; \$725; \$625 for each additional registrant from the same organization. Also **June 19-20** in Boston; **June 26-27** in Chicago. Pat Kelley, Tillinghast Seminars, 3340 Peachtree Road N.E., Atlanta, Ga. 30026-4301; 404-261-5420.

JUNE 5-6. Second Annual National Dram Shop Seminar in Atlantic City, N.J., sponsored by the Dram Shop and Alcohol Reporter; \$250. Ronald Beitman, Esq., Dram Shop and Alcohol Reporter, P.O. Box 590, Falmouth, Mass. 02540.

JUNE 5-6. Second Annual National Institute on Employee Benefits and Executive Compensation in Chicago, sponsored by the Hartford Institute on Insurance Taxation; \$350. Frances V. Goodman, HIIT, P.O. Box 845, Avon, Conn. 06001; 203-674-9444.

JUNE 5-6. New Issues in Arbitration and Litigating Disputed Insurance and Reinsurance Contracts conference in New York; \$795; \$695 for additional registrants from same organization. Reference #66INS11/E6124, Executive Enterprises Inc., 22 West 21st St., New York, N.Y. 10010-6904; 800-223-0787, 800-831-8333 in New York.

JUNE 7-8. National Institute on Insurer Insolvency course in Boston, sponsored by the American Bar Assn. Tort & Insurance Practice Section; \$350 for ABA members; \$375 for non-members; \$325 for Tort & Insurance Practice members; \$300 for young lawyers; \$75 for law students; \$150 for government. American Bar Assn., Division for Professional Education, Department INS, 750 N. Lake Shore Drive, Chicago 60611; 312-988-6200.

JUNE 8-11. Public Risk & Insurance Management Assn.'s 7th Annual Conference in Boston; \$300 for PRIMA member government; \$375 for non-member government (includes membership in PRIMA); \$225 for additional registrant from member government; \$450 for member, industrial affiliate; \$400 for additional registrant from same organization; \$500 for non-member private sector; \$450 for additional registrant from same organization. PRIMA, 1120 G Street N.W., Suite 400, Washington D.C. 20005; 202-626-4650.

JUNE 9-10. Offshore Insurance Operations conference in New York, sponsored by the Hartford Institute on Insurance Taxation; \$450. National Center for Tax Education and Research, 49 W. Main St., P.O. Box 845, Avon, Conn. 06001; 203-674-9444.

JUNE 9-10. Directors and Officers Liability: A Review of the Business Judgment Rule seminar in Los Angeles, sponsored by the Practising Law Institute; \$390; \$40 for course handbook only. Practising Law Institute, Dept. 105-M5, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, ext. 286.

JUNE 9-11. Techniques of Risk Management course in Philadelphia, sponsored by the Risk & Insurance Management Society; \$490 for RIMS members; \$590 for non-members. Also **Sept. 15-17** in Dallas; **Dec. 10-12** in Atlanta. Fran Jordan, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

JUNE 9-13. Recognition of Occupational Health Hazards course in Los Angeles, sponsored by the Institute of Public Safety and Systems Management, University of Southern California; \$675. Office of Extension and In-Service Programs, Institute of Public Safety and Systems Management, University of Southern California, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

JUNE 10. Tough Questions and Straight Answers on ISO's New Commercial General Liability Policies workshop in Mobile, Ala., sponsored by the Gulf Coast and Indiana chapters of the Society of Chartered Property Casualty Underwriters; \$125 for CPCU members; \$140 for non-members. Also **June 12** in Indianapolis. Mari Jennings, Society of CPCU, Kahler Hall, 720 Providence Road (CB#9), Malvern, Pa. 19355; 215-251-2741.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

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Interactive benefit system tool of the times

By DONNA DiBLASE

Interactive benefit communication systems are touted by employers and benefit communication consultants as the communication tool whose time has arrived.

These computerized systems are primarily used to communicate savings and flexible benefit plans. By interacting with specially designed software, employees can estimate and project their benefit needs first-hand before they make decisions.

"It's definitely going to be the case" that more employers will begin using this relatively new communication tool, predicted Gary Grom, director of human resources for Chicago-based Sara Lee Corp. "It's a very effective communication tool," he added.

"There is a more educated benefits consumer out there now—the employee—and it's important for employers to communicate effectively with employees," he observed.

Hanes Corp., a subsidiary of Sara Lee, implemented an interactive software system about a year ago to communicate a new 401(k) plan option offered to all Hanes employees.

Douglas Bartlett, director of U.S. employee benefits for Dayton, Ohio-based NCR Corp., agrees that use of the systems will continue to grow.

"More companies will go to using interactive systems because as they seek to satisfy employees' needs for choice and management's need for cost containment in all benefit areas, they grope for more imaginative and innovative benefits trade-offs. This generates increasing complexity in terms of employees understanding their benefits," he said.

"So, through software designed with instructional value that enables the employee to be involved in making his own projections, he can see the consequences of his choices," and develop a better understanding and appreciation of his benefits, Mr. Bartlett explained.

A little over a year ago, NCR implemented an interactive software system called "EstiMATE" to help employees plan for retirement under the company's several retirement programs (BI, June 17, 1985).

Benefit consultants agree that the participatory nature of these communication systems—which can range in cost from \$10,000 to \$40,000—is valuable to both employers and employees.

"These systems are valuable communication tools because employees will become more and more involved in deciding on their benefits, knowing what's available and what the values of the benefits are," pointed out Steve Ramsey, a communications consultant with Hewitt Associates of Lincolnshire, Ill., who worked with NCR in developing its system.

"This type of communication comes at a time when employees are asking more questions about benefits—and the computers can help," he noted.

Ronald M. Kleiman, vp and director of communication services for A.S. Hansen Inc. of Deerfield, Ill., agrees that this communication method is extremely effective in helping employees understand their benefits.

"There's an old saying that people remember about 10% of what they read, 20% of what they hear, 50% of what they see and hear and 90% of what they say and do," Mr. Kleiman observed.

"So, you can show and tell employees about their benefits, but the more involvement you can get, the

more they will remember," he added.

Basically, there are two types of interactive systems:

- The closed, or on-line, system. In this system, the data can be stored either in the mainframe computer or on a hard disc. The data may include such information as an employee's current benefit levels, savings plan accumulations, loan information and accrued pension benefits. Employees access that information

with their Social Security numbers or passwords.

- The open, or off-line, system. In this system, employee benefit data is not stored. Instead, employees enter specific benefit data into a personal computer each time they use the system.

Employees can use the system to model benefits, or compare current benefit levels with projected levels.

The MetLife SHOWCASE is an example of a closed system. "We look at the SHOWCASE system as

a total communication tool that not only gives information, but also lets employees model their benefits," explained Pamela A. Keeler, director of advanced benefit communications for Metropolitan Life Insurance Co. in New York.

With SHOWCASE, employees can directly access personal benefit information as well as general highlights of their company's benefit plan, such as cost-containment provisions or preferred providers, according to Ms. Keeler.

SHOWCASE also can help employees determine the effects on their take-home pay when they make 401(k) contributions or flexible benefits elections.

In addition, based on medical expense estimates entered by the employee, the system calculates which medical or dental options would be best for the employee.

The system also can be used to communicate plan changes, she said.

Continued on next page

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Interactive benefit systems

Continued from previous page

The personalized data stored in the system can be updated on a monthly basis.

The SHOWCASE terminal and keypad are housed in a kiosk—which resembles an automatic bank teller machine—and can be placed in almost any area accessible by employees. A keypad, which looks like a touch-tone telephone, consists of 10 number keys and five labeled function keys.

"As an ongoing system, SHOWCASE supplements a company's total benefits communication program because it allows the employer to have minimal printed materials and provide timely, updated information for employees. It also provides the opportunity for employees to get hands-on benefit modeling experience," Ms. Keeler pointed out.

RCA Corp.'s Employee Information System is another example of a closed system. The system, implemented about a year ago, provides employees with information concerning their individual benefits as well as information about what kinds of benefit plans are available, said Peter O'Donnell, RCA's director of employee benefits in Princeton, N.J. (BI, June 17, 1985).

The system also enables employees to calculate their personal finances, he said.

Data is stored on hard discs at about 35 of the company's worksites. The discs are compatible with an IBM 188 personal computer, according to Mr. O'Donnell.

The terminals are housed in kiosks and are equipped to accommodate video-discs. Video discs, which are the latest technology in interactive benefits communication, present information in an audio/video format (See story, page 41). Those type of discs will be added to the system at a later undetermined date.

"Our objectives when we implemented the communication system have all been met," Mr. O'Donnell claimed. "There has been a definite increase in the productivity of our benefits personnel," because the system now answers most employee questions that previously were handled by the benefits department.

"We have had consistent information going to employees and have been able to communicate changes instantaneously," he said.

In addition, the company has reduced the cost of written communications because fewer printed materials are needed, Mr. O'Donnell noted.

In the future, the system will be used to communicate other non-benefits information.

NCR Corp.'s EstiMATE is an example of an open system.

"We needed a communication program that would detail each plan and then show the total effects of the options on the employee's retirement savings," Mr. Bartlett explained. "So, we looked out into the great world of communication and didn't see anything that could do what we needed."

In early 1984, NCR began working with Hewitt Associates on designing a software program compatible with NCR's personal computers.

The resulting system, which NCR implemented in May 1985, uses a personal computer diskette.

To use the system, employees enter data such as estimated salary increases, personal savings and investments and projected deferrals to the company's savings plan. The system has several "chapters," which include information on various benefit plans and allow both information and the opportunity for the employee to project his or her benefits under the company's 401(k) plan, profit-sharing plan or a PAYSOP—a payroll-based employee stock ownership plan.

In addition, one of the chapters compares the pension benefit amounts payable under the company's previous final average pay pension plan with the new career average plan, illustrating the increased benefit under the new pension plan.

"We felt that retirement plans themselves should provide employees with tools to plan their retirement," and this system allows employees to work with these tools, Mr. Bartlett explained.

"Benefits are not targets anymore, with company-set amounts and determinations. Instead, they are tools, and this communication process allows us to build the tools into the retirement program and let the employee set

Continued on page 40

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Benefit systems

Continued from page 38
the targets," Mr. Bartlett noted.

NCR, which was among the first companies to use an interactive benefit communications system, according to Mr. Bartlett, has had good results.

Mr. Bartlett said informal surveys of employees and benefits personnel have revealed that "employees overwhelmingly understand the retirement plan and its consequences as a result of ESTIMATE."

The software system used by Hanes Corp. is an open system also.

The system, designed with the assistance of benefit consultant William M. Mercer-Medinger Inc., also utilizes a diskette and personal computers. Employees can use the system to calculate and project their retirement income based on contributions and company matches to a 401(k) savings plan.

"The 401(k) plan and the communication system were introduced concurrently" in July 1985, said Sara Lee's Mr. Grom.

"Previously, the company had an after-tax savings plan, and there was about 60% participation. When the 401(k) plan was introduced, participation rose to about 85%," Mr. Grom said. "We thought the system was a very effective communication tool."

The system has been administered by Hanes from its Winston-Salem, N.C., headquarters since it was implemented last year, Mr. Grom explained. But, personal computers are available to employees at all Hanes locations, he noted.

"All of the indications are that the communications system has been very well received. The response has been very positive," he added.

Two similar open systems also are available to employers.

"Ask Elise" is a software system

designed to help employees plan for retirement. It is offered by consultant Towers, Perrin, Forster & Crosby of Philadelphia.

"The system helps employees estimate retirement income from a company savings plan based on three key points: current account balance, the age at which the account is established and the rate of contribution," explained Everett Allen, vp with TPF&C.

The system also allows employees to enter assumptions on salary increases and investment returns, he said.

The system was named Ask Elise because "the idea was to personalize the computer as much as possible to make it seem more friendly to the employee," Mr. Allen said.

Like Ask Elise, "FLEXSELECT," also offered by TPF&C, communicates benefit plans and allows employees to estimate the effects of their benefit choices on their paychecks. It also can be used

to enroll employees in benefit plans.

"The main interest in FLEXSELECT among our clients is its use for enrollment and re-enrollment purposes," said Richard Anthony, national practice leader for TPF&C.

Interactive communication is particularly effective when applied to flexible benefit plans because its individualized nature, "is like the whole concept of flexible benefits—individual ownership and choice," Mr. Anthony explained.

And, the traditional "workbook" way of communicating and enrolling in the plans "can be tedious," unlike using the personal computer, he said.

"The personal computer is a little easier and less intimidating. It does all of the calculations work—it's fun," he said.

To communicate its cash-balance pension plans, Fort Lee, N.J.-based consultant Kwasha Lipton offers

an open system that helps employees estimate their retirement income.

The consultant also offers software that applies to flexible benefit communication and enrollment savings projections, or health maintenance organization enrollments, pointed out R.T. Whitman, a partner with the firm.

The Wyatt Co. also offers two systems that enable employees to project and estimate their retirement savings.

The Wyatt Investment Savings Estimator—or WISE—helps employers introduce and promote the use of 401(k) plans.

"WISE is great for stimulating initial enrollment, but it can be used on an ongoing basis or to introduce the plan to new employees," said Mike Tomback, a communication consultant in the company's Chicago office.

And, Wyatt's Retirement Benefit Planner software helps employees estimate pension benefits and Social Security benefits at retirement. All of the savings plan features of WISE are also included in this system, Mr. Tomback noted.

While interactive benefit communication systems promise to encourage greater and more effective utilization of benefits, employers also face cost and confidentiality issues when designing and implementing such systems, consultants warn.

For example, when using an on-line system, where personal data on employees is stored, extra security measures such as employee passwords are required.

"A closed system is typically more expensive because of the protective layers you need," noted Mr. Whitman of Kwasha Lipton.

But, an employer also faces concerns of confidentiality of employee benefit information in a closed system, pointed out Hewitt's Mr. Ramsey.

"Also, when you have the system on the mainframe computer, people using the communications system can tie up the memory" needed for other purposes within the company, Mr. Ramsey added.

"I like the concept of the diskette and letting the employee load the data," Mr. Ramsey said. "It's like the cake mixes that came out a few years ago that already had the egg added. They didn't sell because people wanted to add the egg themselves."

MetLife's SHOWCASE "is a combination system," noted Ms. Keeler. "Some of the personalized data is stored and updated, but projections are entered by the employees," giving them the opportunity to compare current levels with their projections.

Both consultants and employers agree that the systems will become more widely used as a result of the popularity of personal computers.

"There has been a growth in these programs. There is a trend because everyone is becoming more comfortable with personal computers," said Dennis B. McKoy, senior vp with Johnson & Higgins in New York.

"Use of these will grow without a doubt for two reasons," predicted Mr. Tomback of The Wyatt Co.

"First, because employers want to get employees more and more involved with personal computers, and second, because employers are realizing more and more the value of ongoing communication, and this is the best way to update on an ongoing basis," he explained.

However, RCA's Mr. O'Donnell believes that the systems will catch on at a slower pace. "That's because there's a lot of uneasiness among upper management concerning whether employees will really use the computers or if it's used as a gimmick or a toy for employees to play with. But, once they see the system and its results, they're easily sold on it," he said.

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Sensitive screen makes employees savvy

By DONNA DiBLASE

GREENWICH, Conn.—Employees at American Can Co. can really get in touch with their benefits come June with the help of a new interactive audio-video disc communications system.

The system, developed jointly by the Greenwich, Conn.-based manufacturer and benefit consultant William M. Mercer-Meidinger Inc., will help employees project their savings under a 401(k) plan via a touch-sensitive video screen.

"I thought it was terrific" after seeing a demonstration of a prototype system developed by the consultant at a breakfast seminar last fall, said Albert M. Cassese, director of corporate benefits at American Can.

But, because the technology was so new, there were no real-life examples of companies who had developed an interactive audio-video disc system for benefits communication, Mr. Cassese noted.

"I think you really have to use your imagination to take the next step when seeing the demonstration," he observed.

Mr. Cassese did take that next step, and as a result, his company will be the first to produce and implement such a system for benefits communication.

The system operates in much the same way as other interactive communication systems in terms of enabling employees to "play" with the numbers in their benefit plans.

However, the actual presentation of information is quite different.

For example, the system requires more sophisticated equipment. In addition to a personal computer and a touch-sensitive video monitor, a laser audio-video disc is played on a digital audio player. The effect is that information is presented in a color, audio-video format.

The video monitor looks like a 13-inch television, and the laser disc is about the size of a 45 RPM record.

A personal computer is connected to this system, utilizing a specially programmed diskette that transmits computer graphics and calculations to the video monitor at certain points in the presentation.

The cost of the audio-video equipment and the software—without the personal computer—runs about \$7,500, according to Karen Greenbaum, a principal in Mercer-Meidinger's Chicago office.

To use the system, employees enter their name and Social Security number by touching the necessary letters and numerals on a keyboard displayed on the video monitor.

Next, a "menu" of questions and considerations on the savings plan are displayed. But, the menu display also differs from currently used interactive systems.

Rather than choosing from a list of items, employees will see video footage of four other employees asking four common questions about the plan. These questions concern contributions, the effects of those contributions on their paychecks, and procedures regarding withdrawal of funds, explained Jay Marchant, a principal in Mercer-Meidinger's Stamford, Conn., office who developed the system.

"We plan to focus on some of the most commonly asked questions in a part of the video," Mr. Cassese noted.

A local newscaster will narrate the video, introducing the issues being questioned. After each of the four employees in the video asks his or her question, a frozen frame of each employee moves to each of the four corners of the video screen.

When all of the questions have

been presented, the employee using the system touches the area of the screen indicating the issue he or she would like to learn more about.

After watching and listening to the information presented after each question, employees get the opportunity to figure their savings or the effects on their paychecks via graphics and calculations from the personal computer.

"The employee can speed through the program or drop out at their own pace," Mr. Cassese explained. "Or, they can request

printouts of information after each section or go back to sections they want to review," he added.

"It's fun to sit at the machine and answer the questions and interact with the narrator," he said.

While American Can has not used any type of computerized communication before, this is not the first time the company has taken an innovative approach to benefit programs, according to Paula Patterson, manager of benefit planning for the company.

"American Can has one of the

first flexible benefits plans ever developed," Mr. Cassese pointed out. The company implemented that plan in 1979.

"And, I think American Can is going to be an influential company in this area of benefit communication," he predicted. "We will be in the forefront."

"Most companies have personal computer-driven modeling systems, but American Can's sophistication with audio-video programs will influence other companies," he said.

Initially, the system will be used to communicate the company's 401(k) plan, which is one of the choices in the flexible benefits plan.

Under the savings plan, employees can contribute up to 10% of their base salary on a pretax basis and up to 10% of their salary on an aftertax basis. The company matches employees' pretax contributions at varying rates based upon the company's earnings per share, said Ms. Patterson.

Continued on next page

When it comes to eligibility and benefits questions, it takes a fully integrated system to distribute accurate information. And, "keeping up" with that information is the task that healthcare decision-makers face. Having mainframes, computers, and data doesn't mean much if the right people can't get their hands on the right information, quickly.

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Photo: The Ryan Studio, Stamford, Conn.
Jay Marchant, a consultant with Mercer-Meidinger, developed American Can Co.'s interactive benefits communication program.

Benefit systems

Continued from previous page

And, employees are offered four investment options including a guaranteed income fund, a common stock fund, a diversified investment fund and a money market fund. All company matching contributions to the 401(k) plan are applied only to the common stock fund.

"In the last year or so, we thought the savings plan was very complex in terms of the tax considerations, investment options and withdrawal procedures, and I thought employees needed better communication," Mr. Cassese said.

After the pilot period, the system will be used to communicate other benefits, he said.

"The medical options will be the next on the system," he said. "We'll build a model into the system to calculate the employees' medical expenses and figure which is the

best choice for them."

"We will eventually be linking the personal computers with the company's mainframe computer, and I think we'll get to the point where employees will enroll themselves in the plan on the computer."

Not only do employees get the opportunity to interact with the communication system, but they also eventually will be involved in deciding which programs they would like to see presented on the system.

"Since this is such a powerful communication tool, one thing we're likely to do is to ask employees which of their benefits they'd like to address next," Mr. Cassese said.

For now, the company will have one kiosk set up at its main location and eventually will "go on the road to other locations with another one," Mr. Cassese said.

Some communication experts

warn that because some of the system's technology is so new, it may be too costly for some employers.

"I have been involved in using prototypes of this type of system and it is exciting and sexy—you get a voice and pictures to explain benefits," said Pamela A. Keeler, director of advanced benefit communications for Metropolitan Life Insurance Co.'s MetLife SHOW-CASE.

"But since it is new, the costs may be a problem. Also, the touch screen still has to be perfected a little. I don't think its time has come yet," she added.

"I don't know whether there will be a large market for this yet. We're just getting used to personal computers," said Richard Anthony, national practice leader in Towers, Perrin, Forster & Crosby's Philadelphia office.

"But, once the technology settles down and becomes less expensive," maybe more employers will be interested, he added.

Mr. Cassese said he doesn't believe the cost of the system will be a problem.

While "this is a new technology in terms of benefit communication, it's not new in terms of general technology," he said.

For example, several large companies such as airlines or sales companies have used interactive video in their training programs for new employees, pointed out Mr. Marchant of Mercer-Meidinger.

"There is even some use of this for marketing purposes in shopping centers," he added.

"I doubt the cost will be a hindrance to larger companies. When you view the power of the educational tool versus the cost of the equipment, cost will not be a major issue," Mr. Cassese said.

"And, the use of this system may even help to offset the cost of printing and updating benefits booklets," he added.

Other employers who are considering using this technology and have evaluated the costs believe the system is economical.

"This is generally a one-time cost and when you consider the costs of what you are communicating, the costs are small," said Peter O'Donnell, director of employee benefits at RCA Corp. in Princeton, N.J.

RCA is considering adding a video feature to its interactive system.

"You should be able to reduce some—but not all—of the printed benefit materials and offset those costs," he added.

And, the ongoing education in benefits provided by the system is also worth the initial cost, according to Mr. Marchant.

"We at Mercer-Meidinger have managed a major cost breakthrough in using the videos many companies already have produced for introducing their flexible benefits plans, costs containment features and 401(k) plans, when producing a system like this," he said.

"So, we can actually put a program together to reinforce what employees have already seen," and reduce the cost of producing a new video, he added.

"Reinforcement is the key here because this type of communication is one-on-one for the employee," he said. "This is really not an excessive cost."

Mercer-Meidinger has been presenting its prototype system at small seminars in major cities since last year, Mr. Marchant said.

"We actually pioneered this as a benefit communication technique about a year ago," he noted. "I think you'll see a lot of these coughing up in the next year."

"This system has great applicability," Mr. Cassese said.

"I'm sure this is right as a communication tool. It's going to cause changes—it's evolutionary," Mr. Cassese predicted.

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Accounting method is constant variable

By The Insurance Institute of America

The following question and answer are drawn from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the type of question asked, and possible answers to, the three examinations for the A.R.M. designation.

This month's question and answer, taken from the May 1986 ARM 54 national examination, focuses on how a relatively simple change in standard accounting measures for valuing ending inventories can generate dollar values that are much more relevant for risk management purposes than the more traditional accounting measures of value.

Q: During a period of rising prices, the risk management professional for a furniture manufacturer asked the accounting department to value inventories of finished goods on the basis of NIFO (next in, first out) rather than FIFO (first in, first out) or LIFO (last in, first out).

• Explain why, in this situation, NIFO is preferable to both FIFO and LIFO for valuing finished goods inventories for risk management purposes; and whether, if prices were falling rather than rising, NIFO would be preferable to FIFO and LIFO as methods of valuing finished goods inventories for risk management purposes.

• Assume that the manufacturer began producing a new line of leisure chairs at the beginning of the current month, with no pre-existing inventory. Assume further that the company manufactured 80 chairs at a cost of \$100 each early in the month and 40 chairs at a cost of \$120 each later in the month. Assume further

that the current, end-month-cost of producing another such chair would be \$140. If this manufacturer has 50 finished chairs in its inventory at the end of the month, what is the value of this inventory under NIFO, FIFO and LIFO?

• If the accounting department declines to value inventories on a NIFO basis because NIFO is not recognized under generally accepted accounting principles, and if the risk management department must choose one inventory valuation method to be used during both rising and falling prices, should the risk management professional choose FIFO or LIFO? Justify your choice.

A: If a manufacturer were to lose its inventory of finished goods, the property loss normally would be best valued at the cost of reproducing that inventory, using its own manufacturing facilities. Thus, if this manufacturer's inventory were destroyed now, the most relevant cost for measuring property loss would be the unit cost of the items it would produce next.

In a period of changing (either rising or falling) prices, the cost of the next item to be produced is more relevant to measuring loss exposures than the value of the last item produced. For example, NIFO valuation would be somewhat better than FIFO valuation, which would slightly understate the inventory's true replacement cost by valuing the remaining inventory on the assumption that these items were the items most recently produced. Even these recent costs would understate the true expense of reproducing the inventory.

When prices are rising, NIFO valuation is substantially preferable to LIFO

valuation, which assumes that the items remaining in inventory are the earliest ones produced, those with the lowest unit cost. Thus, LIFO would understate replacement cost even more severely than would FIFO valuation.

If prices have been falling and will continue to decline, the inventory valuation method that would reflect most accurately the true property loss exposure is that which produces the lowest replacement cost. NIFO again is better than FIFO, which would value the remaining inventory at a recent, but still artificially high, unit price.

LIFO, again reflecting the earliest (but under these circumstances the most artificially high) cost for the items remaining in inventory, would overstate most severely the replacement cost of the ending inventory, being even more inaccurate than FIFO. For accuracy in reflecting replacement costs, NIFO remains the best of the three measures.

• Under NIFO, the 50 remaining chairs each are valued at the estimated price of producing the next one—\$140—giving a total value of \$7,000 to the ending inventory.

Under FIFO, the chairs presumed to have been sold are the ones first produced, so the remaining inventory is assumed to be made up of the last chairs produced. Of the 50 remaining chairs, 40 were produced at \$120 (having a total value of \$4,800); the remaining 10 were produced earlier at \$100 (total value of \$1,000). Thus, the overall inventory of the 50 remaining chairs is valued under FIFO at \$5,800 (\$4,800 + \$1,000).

Under LIFO, the 50 chairs remaining are assumed to be from among those first produced at a cost of \$100 each, giving a

total value of \$5,000 to the ending inventory.

• When these are the only options, the choice between LIFO and FIFO depends on the risk management professional's objectives in valuing inventory.

If the objective is to generate a valuation that is as close as possible to the actual cost of reproducing the inventory, then FIFO always is preferable to LIFO regardless of whether prices are rising steadily or falling steadily. FIFO assumes that the items left in inventory are the ones most recently produced, the ones carrying an accounting value most nearly approximating current reproduction cost.

If the risk management objective is to show a particularly high value for ending inventory (perhaps to justify adequate insurance coverage), then FIFO is better during inflationary periods, and LIFO is better during deflationary periods because FIFO assumes that the items left in inventory are the oldest, highest-valued, ones.

In contrast, if the aim is to report the lowest possible inventory value (perhaps to reduce premiums payable under a reporting form policy), the opposite is true: LIFO is best during prolonged inflation, and FIFO is best during prolonged deflation.

(NOTE: Properly explained, any one of these three sets of answers earned full credit for the last part of this question on the national examination.)

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the A.R.M. program, write Dr. G.L. Head, Vp, Insurance Institute of America, P.O. Box 314, Malvern, Pa. 19355.

Court says claimant's refusal not reasonable

A Florida appellate court ruled that the reasonableness of an employee's refusal to undergo further diagnostic testing would depend on the relative dangers of the further tests and the facts of each case.

Betty Miller suffered a work-related back injury and requested permanent total disability benefits from her employer, T.G. & Y. Stores. Ms. Miller was examined by a number of doctors but none could diagnose her injury with certainty. Several doctors, however, recommended that she undergo alternate tests, which she refused.

The evidence presented at a Worker's Compensation Commission hearing failed to address the nature, risks and success probabilities of the alternate tests. Ms. Miller also did not state her reasons for refusal. The commission ruled in her favor on the issue of the reasonableness of her refusal. The appellate court disagreed because the reasonableness of a refusal must depend on the dangers and risks of the proposed tests and not on fears. The court said that if the tests involved little or no risk, a claimant's refusal would not be reasonable, notwithstanding her genuine fears. *T.G. & Y. Stores vs. Miller*, District Court of Appeal of Florida, June 13, 1985 (BI/03/Ju.—\$5).

Fraudulent/dishonest act

The U.S. Court of Appeals for the 11th Circuit ruled

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

legal briefs

that, under Florida law, a bank's fiduciary insurer could not, upon the assertion of subrogation rights arising from payment of the bank's claim under a fiduciary bond, recover from the bank's directors or directors' insurance company under a director's liability policy, in the absence of proof that the directors had actual knowledge of the embezzlement, dishonest purpose or furtive design.

In 1974, the Dixie National Bank sued Employers Commercial Union Insurance Co. to recover under a banker's blanket bond policy for loss resulting from the embezzlement of Dixie Bank's former cashier after Employers denied the claim.

Employers, in turn, sued the bank's directors and the American Home Life Insurance Co., the directors' insurance company, under a directors policy, asserting subrogation rights upon payment of Dixie Bank's claim.

In 1976, Employers and Dixie Bank settled their dispute, and the bank assigned to Employers its rights to any claims it might have against the other parties. The trial court then found in favor of the directors and their insurer, American Home.

The appellate court, looking to Florida law, said that in the absence of actual knowledge of embezzlement, dishonest purpose or furtive design by Dixie National Bank's directors, equity would not permit the fidelity insurer to sue the officers and directors individually. *Dixie National Bank of Dade County vs. Employers Commercial Union Insurance Co. of America*, U.S. Court of Appeals for the 11th Circuit, May 6, 1985

(BI/03/A.—\$5).

Completed operations

A completed operations exclusion does not preclude defense and indemnification by an insurer where the alleged negligence occurred in the course of sale of goods, according to the Minnesota Supreme Court.

American Trailer Service Inc. was sued by Fritz Trucking Inc. for negligence in failing to provide installation instruction for a fifth-wheel assembly sold to and assembled by Fritz. The assembly broke after installation, causing property damage.

American was insured by The Home Insurance Co. under a business owner's policy that included exclusions for products hazard and completed operations. Home refused American's demand to defend and indemnify it. American brought this suit seeking to require Home to provide defense and indemnification. The trial court ruled for Home.

The appellate court reversed, concluding that the completed operations exclusion was meant here as a limitation of coverage for accidents due to defective workmanship occurring after the completion of the work by American, on a construction or service contract and did not preclude coverage in this case.

The court also said that no sale or defective product had been alleged, only negligence in providing instruction. On the facts here, the court said that exclusion also did not preclude coverage or indemnification. *American Trailer Service vs. Home Insurance Co.*, Supreme Court of Minnesota, Feb. 12, 1985 (BI/01/M.—\$5).

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Software has limits: Consultants

Interactive benefit communication systems can't replace printed information on employee benefit communication, consultants warn.

"Software is only as good as its support communication," says Steve Ramsey, a communication consultant with Lincolnshire, Ill.-based Hewitt Associates.

"These systems are a very effective way to communicate, but as stand-alone systems, they're limited and not as effective," agrees Dennis B. McKoy, senior vp in the New York office of Johnson & Higgins.

"Printed and computer information can be integrated," for more effective communication, he adds.

Employers need to maintain printed communication to ensure that employees who refuse to use the computerized communication are informed of their benefits.

"It's very important to keep up printed communication because different people learn in different ways," advises Ray M. Dix, assistant vp with Tillinghast, Nelson & Warren in Atlanta.

"Employers make an error if they choose only one kind of communication," he adds. "And, there's a lot to be said for repetition and presenting the same idea in different ways."

"With these systems, you don't want to penalize any employee who doesn't use the computer," notes Maureen Kincaid, a consultant with Hewitt.

"Employers should keep up other forms of communication. These systems are not intended to be a replacement for that. Instead, they help employees to get more actively involved with understanding their out-of-pocket costs," or savings, said Ms. Kincaid.

At RCA Corp., the printing bill has been reduced since the interactive Employee Information System became available to employees last year.

"But, paper is still important. We were able to back off a little on printed information that employees usually don't read anyway," said Peter O'Donnell, director of employee benefits.

"Paper is a little bit of a security blanket," he added.

In addition, printed communication is needed "to let employees know the software is there and how to use it," Mr. Ramsey said.

Peripheral communication was the key to the success of NCR Corp.'s interactive system, EstiMATE, according to Douglas Bartlett, director of employee benefits-United States in Dayton, Ohio.

"We took a lot of time to communicate this to employees," before implementing the system, he said.

For example, a short videotape introducing the system was shown to employees a few months before the system was available. Meetings were held to discuss the company's retirement program and employees received personalized statements of their benefits to use when projecting their retirement income on the system.

Directory of benefit software

c

Cascade Technologies Inc.

Suite 1500, Two Penn Plaza, New York, N.Y. 10121; 212-244-3100

Year founded: 1985.

Software products:

Capital Accumulation Projections System (CAPS): \$300; unbundled hardware and software; first installation, 1986; six total installations; functions include demonstration of 401(k) plan savings.

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

Locations: Westbury, N.Y.; Jersey City, N.J.

1985 gross revenues: Not reported, 100% from software.

Principal officers: William E. Colgan, president; Frank J. Joicy and Vigdis Austad, vps.

h

A.S. Hansen Inc.

1417 Lake Cook Road, Deerfield, Ill. 60015; 312-948-7400

Year founded: 1930.

Software products:

Interactive Benefit Communication System: \$4,500; unbundled hardware and software; first installation, 1984; four total installations; projects 401(k), early retirement and executive compensation programs.

Staff: 650 total staff members, 475 professional staff members.

1985 gross revenues: Not reported.

Principal officers: Larry M. Fisher, chairman/chief executive officer; Steven W. Fargason, vice chairman; Howard F. Lund, president/chief operating officer; James E. McGarry, executive vp-finance/administration; Philip G. Henderson, senior vp.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60015; 312-295-5000

Year founded: 1940.

Software products:

Interactive Enrollment Software: unbundled hardware and software; first installation, 1986; used by employees to model and record elections for flexible benefit plans.

Staff: 425 total staff members, 325 professional staff members.

Locations: Atlanta; Rowayton, Ct.; Santa Ana, Calif.; The Woodlands, Texas; Boston; Chicago; Dallas; Dayton, Ohio; Denver; Detroit; Houston; Los Angeles; Milwaukee; Minneapolis; New York; Phoenix; St. Louis, Mo.; San Francisco; Seattle; Tampa, Fla.

1985 gross revenues: Not reported.

Principal officers: Peter Friedes, chief executive.

j

Johnson & Higgins

95 Wall St., New York, N.Y. 10005; 212-701-8176

Year founded: 1845.

Software products:

Interactive Employee Communication System: \$10,000-\$50,000; unbundled hardware and software; first installation, 1986; three total installations; functions include benefit plan description and account balances; employer clients include RCA Corp., Integrated Resources Inc.

Staff: 15 total staff members, 12 professional staff members.

Clients: Three total clients; 33 1/3% with gross revenues \$200 million-\$500 million, 33 1/3% \$500 million-\$1 billion, 33 1/3% \$1 billion-\$3.5 billion.

Locations: Princeton, N.J.; Los Angeles

Continued on page 51

Do Employee Health Care Costs Make Your Clients See Red?



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Continued from page 50
geles.

1985 gross revenues: \$1.5 million; 90% from software, 10% from hardware.

Principal officers: Robert V. Hatcher Jr., chairman/chief executive officer; James G. Harlow and Dennis B. McKoy, senior vps.

k

Kwasha Lipton

P.O. Box 1400, Fort Lee, N.J.
07024-1400; 201-592-1300

Year founded: 1944.

Software products:

Interactive Benefit Communication System: \$25,000-\$40,000; unbundled hardware and software; first installation, 1985; six total installations; functions include executive compensation, retirement counseling, flexible benefit plan communication and enrollment, savings and retirement income projection, HMO enrollment.

Staff: 275 total staff members, 22 professional staff members.

Clients: 36 total clients.

1985 gross revenues: Not reported.

Principal officers: Richard C. Sears, chief executive partner; David A. Skovron, chief operating partner; R.T. Whitman, partner.

m

William M. Mercer-Meidinger Inc.

1211 Ave. of the Americas, New York, N.Y. 10036; 212-997-7171

Year founded: William M. Mercer Inc. and Meidinger Inc. merged in 1984; William M. Mercer Inc. was founded in 1937, Meidinger Inc. was founded in 1936.

Parent company: Marsh & McLennan Cos. Inc.

Software products:

Custom Software: functions include communication of flexible benefit plans, including 401(k), thrift, savings and deferred compensation plans; pre-retirement and financial planning.

Staff: 3,993 total staff members, 1,800 professional staff members.

Clients: 10,000 clients.

Locations: 86 offices worldwide, including 41 in the U.S. Communications Resource Center located at 222 South Riverside Drive, Chicago, Ill. 60606; 312-930-6451.

1985 gross revenues: Not reported; revenues derived from software and services.

Principal officers: Diljit S. Juneja, president; John G. Ireland, chairman; Douglas D. Stegner, vice chairman; Robert A. Brochu, Peter Coster, Joseph Holtzer, Frank Peabody III and Ronald M. Walker, executive vps.

Metropolitan Life Insurance Co.-Advanced Benefits Communication

One Madison Ave., New York, N.Y. 10010-3690; 212-578-2211

Year founded: 1868.

Software products:

MetLife SHOWCASE: unbundled hardware and software; first installation, 1983; four total installations; provides employees with access to information on benefits; employer clients include Rockwell International Corp.,

American Express Co. Inc.

Staff: 16 total staff members, 11 professional staff members.

Clients: Total clients not reported; 100% with gross revenues exceeding \$3.5 million.

1985 gross revenues: Not reported.

Principal officers: James Valentino, vp.

t

Towers, Perrin, Forster & Crosby

245 Park Ave., New York, N.Y. 10167; 212-309-3665

Year founded: 1934.

Software products:

SSCALC: \$1,000 for micro-computer, \$4,000 for mainframe; unbundled hardware and software; first micro-computer installation, 1984; first mainframe installation, 1974; micro-computer, 100 total installations; mainframe, 90 total installations; functions include calculation of social security benefits.

FLEXSELECT: unbundled hardware and software; first installation,

1985; communicates to employees how flexible benefit programs operate, and the result of their elections on available credits and take-home pay.

ASK ELISE: unbundled hardware and software; first installation, 1986; functions include estimation of retirement income with emphasis on companies' savings plans.

Locations: Offices throughout the U.S. and worldwide.

1985 gross revenues: Not reported.

Principal officers: Quentin I. Smith Jr., chairman/chief executive officer; James E. Keiley, president; Robert C. Phillips, vp/manager-practices & products.

w

The Wyatt Co.

Suite 5600, Sears Tower, 233 South Wacker Drive, Chicago, Ill. 60606; 312-876-2000

Year founded: 1946.

Software products:

Wyatt Investment Savings Estimator (WISE): \$2,500-\$7,000; unbundled hardware and software; first installation, 1985; four total installations; shows effects of 401(k) plans on taxes and take-home pay and projects savings.

Retirement Benefit Planner: \$25,000-\$30,000; unbundled hardware and software; first installation, 1986; two total installations; shows current and future effects of pension, savings and social security and various pension pay-out operations.

Staff: 2,300 total staff members, 760 professional staff members.

Clients: 10,300 total clients.

Locations: Atlanta; Boston; Cleveland; Dallas; Denver; Detroit; Fort Lee, N.J.; Grand Rapids, Mich.; Honolulu, Hawaii; Houston; Los Angeles; Memphis, Tenn.; Miami; Minneapolis; New York; Orlando, Fla.; Philadelphia; Phoenix; Portland, Ore.; San Diego, Calif.; San Francisco; San Juan, Puerto Rico; Seattle; Stamford, Ct.; Washington, D.C.

1985 gross revenues: Not reported.

Principal officers: J. Perham Stanley, president; V. Clark Beaird, vp/treasurer; Edwin F. Boynton, vp/secretary.

Directory lists software firms

Listed in this directory are companies that produce and supply software systems products for the purpose of communicating employee benefit programs to employees. It is printed in conjunction with the directory of employee benefit information systems, which lists software products used by benefit managers and begins on page 20.

Company listings begin with the year founded and parent company, if any.

Information on software products follows. Included are the average completely installed price, whether the software and hardware are bundled or unbundled, the year of the first installation, the total number of installations to date and the functions of the product.

A partial list of client companies is also included if reported by the vendor.

Paragraphs on staffing, clients, branch offices, 1985 gross revenues and names and titles of principal officers complete the listings.

A listing in the directory is free of charge. But, companies wishing to be included had to fill out and return a *Business Insurance* questionnaire.

If you wish to be put on the mailing list for the 1987 directory of employee benefit communication systems, please write Marilou Jones, Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611; or call 312-649-5279.

Although we make every effort to publish complete and accurate listings, *Business Insurance* is unable to verify all information.



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Lowell General Hospital
Lowell, MA

Marlborough Hospital
Marlborough, MA

Massachusetts General Hospital
Boston, MA

Massachusetts Eye & Ear Infirmary
Boston, MA

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Mount Auburn Hospital
Cambridge, MA

New England Medical Center
Boston, MA

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HEALTH PLAN

Lloyd's expects '83 results to mirror '82

By STACY SHAPIRO

LONDON—Lloyd's of London's global results for 1983 will be "just as bad" as those for 1982, predicts Lloyd's Chairman Peter Miller.

Mr. Miller said he expects Lloyd's non-marine results to be the same or worse than last year, when Lloyd's reported a 3:4.4 million pound (\$510.3 million) loss on general liability business, although marine results will remain profitable.

Lloyd's will announce its 1983 global results in September under Lloyd's three-year accounting system.

Last year, Lloyd's reported a 62% drop in its overall 1982 profits, which it attributed to liability losses of 57 million pounds (\$92.3 million according to the Jan. 1,

1982, exchange rate) (BI, Sept. 9, 1985).

Mr. Miller blames the "American legal system" for Lloyd's poor non-marine results and the withdrawal of many Lloyd's underwriters from the U.S. casualty market.

"It is because the American legal system, by the interpretation of policy wordings by judge and by awards out of proportion by jury, has totally changed the legal environment contemplated when the policy was written," he said.

He welcomes the effort to pass

some kind of tort reform in the United States, but he warns that "there is a hell of a long way to go."

In a recent speech to the British Insurance Brokers Assn., Mr. Miller warned that if Britain follows America's lead, it, too, could suffer a liability insurance shortage, which could lead to discontinued products, higher professional fees and the lack of medical services.

"Anyone who thinks that I am exaggerating should look at the American experience and beware—where factories are having to close, where doctors are unable to practice, where lawyers cannot give advice, where day-care centers are being closed, where amusement facilities in parks are being withdrawn—and then reflect whether they want that to happen

in this country," said Mr. Miller.

"I urge those who make our laws and those who interpret our laws in the courts to be aware of the trap of going too far in this matter. If we follow the American example, which they now most painfully have to reverse, we shall rue the day," he said.

Turning to a different subject, Mr. Miller told the assembled brokers that Lloyd's wants to write more personal lines business. Lloyd's currently only writes about 2% of Britain's 2 billion-pound personal lines business, he said.

Mr. Miller emphasized, however, that Lloyd's isn't moving into personal lines to make up for the bad results incurred on U.S. commercial lines business.

"I hope the percentage of the U.S. market business will continue

to grow," he said.

Mr. Miller pointed out that Lloyd's could move further into the British personal lines market by allowing non-Lloyd's brokers and policyholders to deal directly with Lloyd's.

Currently, except for some automobile policies, all Lloyd's business is conducted through Lloyd's brokers.

There is a lot of "loose talk" in the market that Lloyd's underwriters may stop using Lloyd's brokers and deal directly with non-Lloyd's brokers or policyholders, Mr. Miller said.

Under Lloyd's Act of 1982, the Lloyd's Council can approve direct dealing with non-Lloyd's brokers and clients if a Lloyd's underwriter requests it, he said.

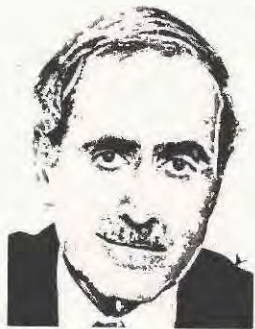
The council has never used this power, however. Nevertheless, if a Lloyd's broker failed to give adequate service to Lloyd's or to his client, Lloyd's can permit direct dealing.

"Lloyd's brokers are a marvelous selling arm, and I foresee no fundamental change in their paramount importance to Lloyd's as such," Mr. Miller said.

"However, there are some areas of business where a degree of direct dealing between underwriters and policyholders is appropriate. Frankly, that degree depends upon the speed and efficiency with which premium moneys flow one way, and claim moneys flow the other," he said.

The council currently is implementing regulations for all Lloyd's brokers, Mr. Miller said. Among the areas on which Lloyd's will concentrate are:

- Testing the competency of brokers and directors of the broker board as well as the suitability of the broker's corporate structure.
- Establishing a detailed code of conduct.
- Monitoring all Lloyd's brokers with a "spot check" system.



Eugene G. McCarthy, M.D., M.P.H.
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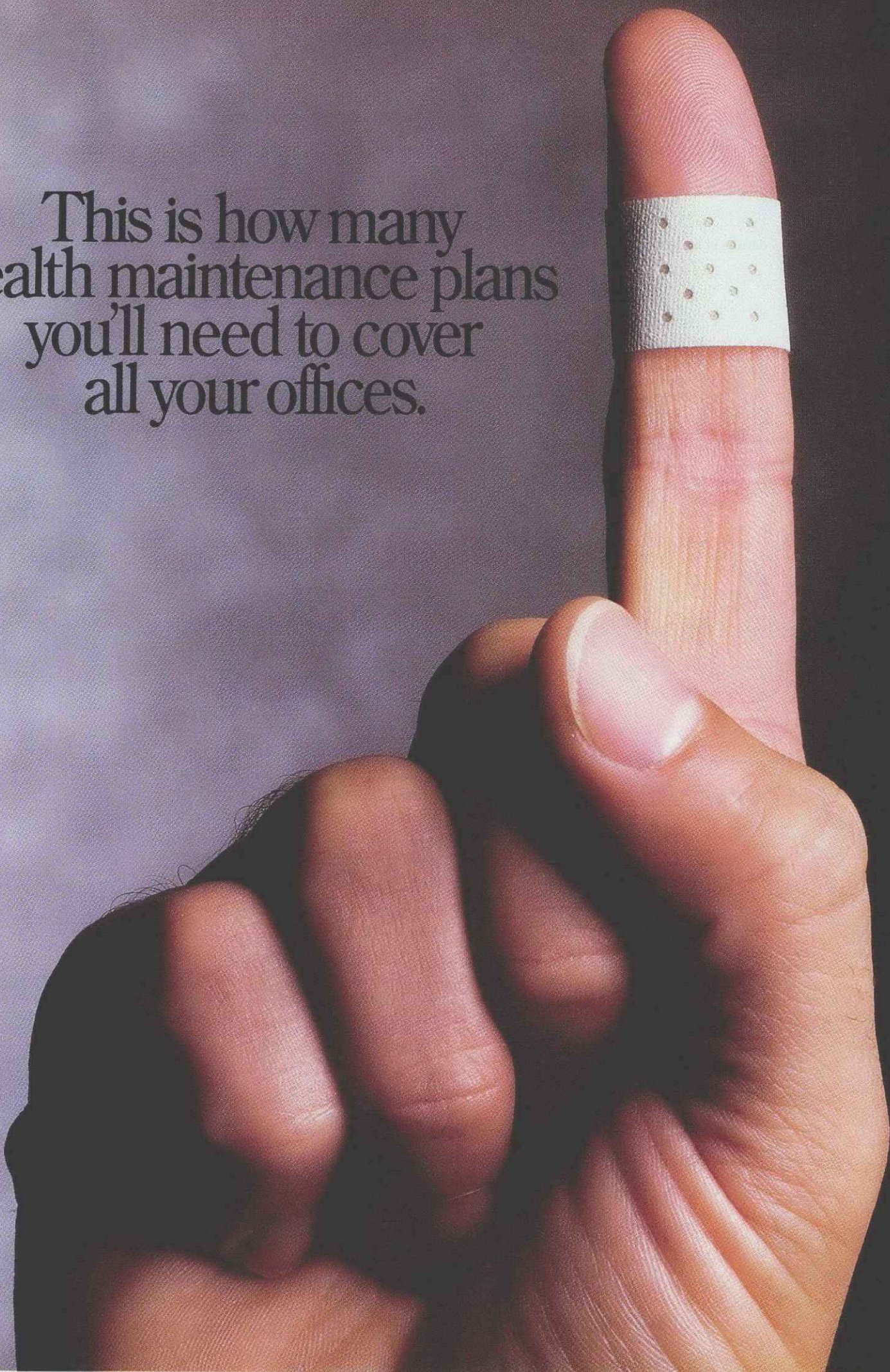
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Britain unlikely to cap liability, official says

By STACY SHAPIRO

NOTTINGHAM, England—It is unlikely that the British government will cap the liability of certain professionals, such as doctors and accountants, said a senior civil servant of the Department of Trade and Industry.

"If you intervene in dynamic situations, you are likely to fossilize and stamp out innovation. A new force will emerge to meet the demand," said John Caines, deputy secretary for the DTI.

"We are getting great pressure to cap liabilities," he added. However, he believes that it is unlikely that liability will be limited.

Mr. Caines was a member of a panel that fielded brokers' questions at this year's British Insurance Brokers Assn. conference.

Other panelists were Peter Duerden, general manager of Royal Insurance (U.K.) Ltd.; David Palmer, chairman of Lloyd's broker Willis Faber P.L.C.; and David Davies, director of Osmond, Davies & Co. Ltd., a small

brokerage in Tonbridge, England.

Mr. Palmer pointed out that today's hard market in some ways repeats history.

"Self-insurance, mutual insurance, reciprocals, captives are always a natural reaction to the dissatisfaction with the conventional (insurance) market," he said.

Some of the largest insurance companies in the world, in fact, began as a direct consequence of the lack of insurance, he said, including Commercial Union Assurance Co. P.L.C. and Factory Mutual System insurers.

'It does not imply that the market is losing the business forever,' says David Palmer, manager of Lloyd's broker Willis Faber P.L.C. 'One is just seeing a cycle for initiative. We, as an insurance industry, must recognize these cycles and roll with the punches.'

Today's new pools and mutuals are no different than those formed many years ago, he said, noting that the commercial insurance market has endured many cycles.

"It does not imply that the market is losing the business forever," said Mr. Palmer. "One is just seeing a cycle for initiative."

"We, as an insurance industry, must recognize these cycles and roll with the punches."

Mr. Duerden agreed: "We are seeing a change in the shape of the market, but it is still a private enterprise approach."

Panelists also said that the British insurance industry should commit more funds to employee training.

Mr. Caines added that technology is having a major impact on business, and this should be an increasing component in training.

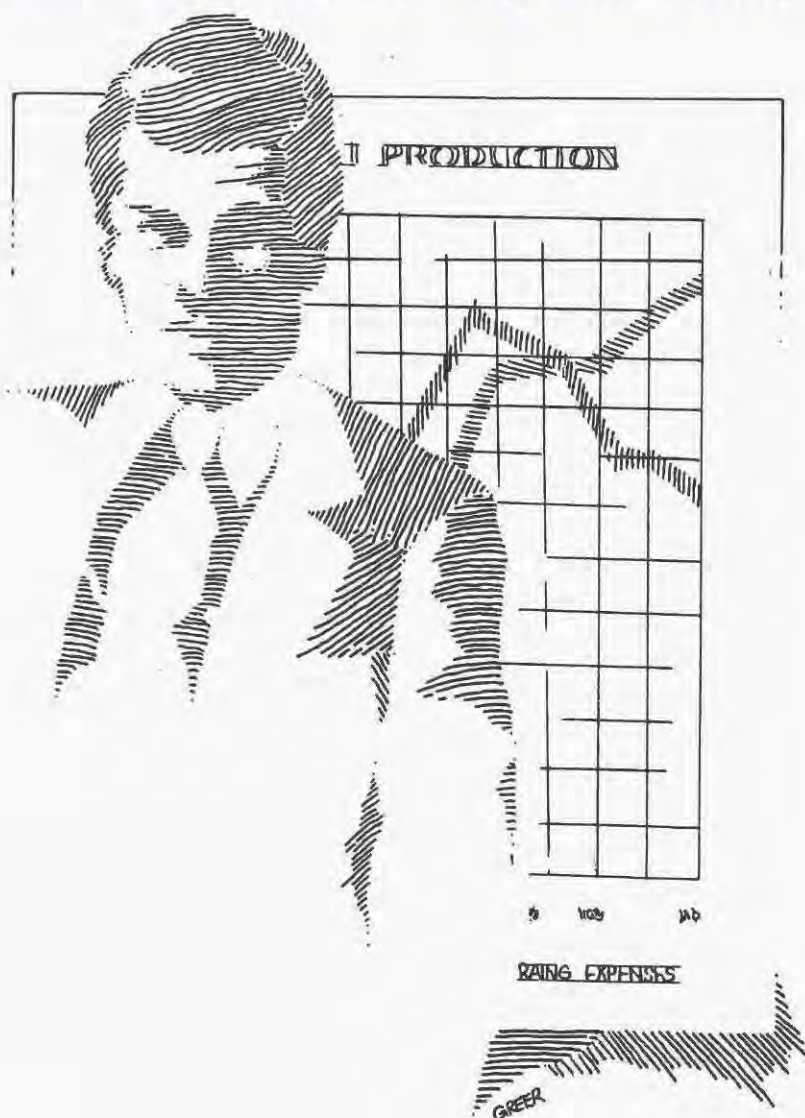
"Don't forget to train and educate your customer," he added.

In the area of training, BIBA offers the national Youth Training Scheme, in which students serve summer apprenticeships at insurance brokerages. The program has been very successful, noted BIBA Chairman A.V. "Dickie" Alexander.

David Rowland, chairman of Lloyd's broker Stewart Wrightson Holdings P.L.C., which ran the pilot project for the training program, said it "has been a revelation."

He pointed out that many youths have the drive and tenacity necessary to be good insurance brokers. With the right training, "they make you more money," Mr. Rowland said.

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Bill regulating life brokers irks others

LONDON—British insurance brokers are deeply concerned about several issues, at least one of which is not connected with the tightening commercial insurance market.

The more than 350 delegates to the British Insurance Brokers Assn. conference, held April 18-19, were increasingly worried about the Financial Services Bill, now pending in Parliament and scheduled to become law this year.

The bill, which will provide stricter regulation of various aspects of the financial services industry, includes new regulatory measures affecting life insurance brokers.

Under the bill, these brokers would be monitored by Self-Regulating Organizations that are directed by members of the industry being regulated. Two SROs would be formed for life insurance brokers: one for independent life insurance brokers and one that would regulate those tied to an insurer, as well as the life insurer itself.

However, the bill does not include any provisions to regulate non-life insurance brokers, and that worries BIBA members.

Currently, all companies calling themselves "insurance brokers" must register with the Insurance Brokers Registration Council, a quasi-regulatory body set up by the Insurance Brokers Regulation Act of 1977.

However, insurance intermediaries that do not use the title "broker" do not have to register.

Non-life insurance brokers say because they will not be affected by the increased regulation under the bill, the public will perceive them as non-regulated.

BIBA had requested a House of Commons committee to include all brokers and intermediaries, including non-life companies, in the Financial Services Bill to eliminate the differences in the way various companies that provide essentially the same services are regulated. But that idea was rejected.

Now BIBA wants the government to form separate regulatory organizations for all non-life brokers and intermediaries, whether or not they call themselves brokers.

The current Financial Services Bill also poses another problem for British brokers, they note. Since the regulations will only apply to life insurance brokers, large brokers will have to segregate their operations in order for their life insurance operations to comply with the law.

Fewer reinsurers leaving liability market: ROA

By STACY SHAPIRO

LONDON—The rate of reinsurer withdrawal from the product liability and professional liability insurance markets has leveled off, according to a recent Reinsurance Offices Assn. survey.

However, commissions paid by the reinsurers to ceding companies continue to decline, and rates for the reinsurance capacity that remains continue to climb, the survey shows.

The ROA polled its 113 members about results of the year-end renewal season, which traditionally runs from the end of October through February.

But, the renewal season this year lasted until March, which forced the ROA to tally its 1986 renewal season results at the beginning of last month, noted an ROA spokesman.

The survey is based on the responses from 54 companies, including such major reinsurers as Munich Reinsurance Cos. (U.K.) Ltd. and Swiss Reinsurance Co. (U.K.) Ltd.

So far, the ROA has not officially interpreted the results, but an ROA spokesman pointed out that the changes in the British reinsurance market in 1986 were not as dramatic as those in 1985.

For example, British reinsurers have long suggested that commissions paid to ceding companies be reduced in the tightening market. But, in all classes of business, more than 57% of the reinsurers surveyed said that the commission rating remained the same for renewal business.

About 39% or more of the reinsurers in all classes said that commissions were reduced, and the rest said that commissions actually increased.

Specifically, the ROA study discovered:

- For short-tail accident (casualty) business totaling 35 million pounds (about \$53.9 million at current exchange rates) in premium from 1,080 contracts written, 59.8% kept commissions the same, 39.3% decreased commissions and 0.9% increased commissions.

- For 353 long-tail accident (casualty) contracts that produced 36 million pounds (\$55.4 million) of premium, 57.8% kept commissions the same, 41% of commissions decreased and 1.1% increased commissions.

- For 4,272 fire contracts totaling 246 million pounds (\$378.8 million) in premium, 59.5% kept commissions the same, 39.9% decreased commissions and 0.5% increased commissions.

- For 494 engineering contracts totaling 31 million pounds (\$47.7 million) in premium, 70.2% kept commissions the same, 29.2% decreased commissions and 0.6% increased commissions.

- For 1,395 marine contracts totaling 39 million pounds (\$60 million) in premium, 64.3% kept commissions the same, 34.5% decreased commissions and 1.2% increased commissions.

- In 160 aviation contracts totaling 12 million pounds (\$18.5 million) in premium, 67.4% kept commissions the same, 32.6% decreased commissions and none increased them.

- In five London market excess-of-loss contracts, 60% kept commissions at the same level and 40% decreased them.

The ROA did not ask specifically how much commissions decreased or what the current commission rate was.

The number of reinsurers withdrawing from certain lines of business seems to be holding steady, according to the ROA survey.

For example, the same number

of companies—20—that did not write product liability last year will not write it this year.

Also, the number of companies continuing to write professional liability reinsurance increased by just one—to 26—from 25 in 1985.

Only in some areas, like North American liability business, is there any noticeable difference, and even then it is small.

This year, about 17 companies will not write North American liability business, compared with about 13 in 1985.

Although it is not clear from the survey results if the same companies responded to the survey this year as did in 1985, the ROA survey showed:

- About the same number of companies—22—did not write oil rigs this year or last year; about 12

do write it, compared with 11 last year; and about seven write it on a restricted basis, compared with six last year.

- Out of all classes, it seems that more companies withdrew from satellite insurance than any other market. About 32 companies said that they do not write satellites this year, compared with about 27 last year.

Ten underwriters wrote satellites coverage last year, but fewer than five reinsure those risks now.

- About 10 underwriters still reinsure product liability risks, compared with 11 last year, and 11 offer coverage on a restricted basis, compared with 10 last year.

However, the survey showed that rates for non-proportional reinsurance increased dramatically during the 1986 renewal season. In

all classes, and particularly in aviation, more than 78% of reinsurers raised their rates during renewals, about 17% kept their rates the same as last year and fewer than 5% in any class actually reduced their rates.

Specifically, the ROA survey showed:

- In the aviation field, all but 0.8% increased their rates and no one decreased them. Statistics were based on reinsurers that wrote 2,715 contracts producing 17 million pounds (\$26.2 million) of premium income.

- All but 5.1% of reinsurers writing London market excess-of-loss business increased rates, while only 1% decreased rates, based on 8,273 contracts totaling 46 million pounds (\$70.8 million) in premium.

- For long-tail casualty lines,

81.4% increased their rates, 13.8% kept rates the same and 4.8% decreased rates, based on 4,776 contracts totaling 101 million pounds (\$155.5 million) in premium.

- In short-tail liability business, 78.8% increased rates, 15.2% kept rates the same and 6% actually decreased rates, based on 1,895 contracts totaling 23 million pounds (\$35.4 million) in premium.

- For fire business, 88.7% increased rates, 10.6% kept rates the same and 0.7% decreased rates, based on 23,015 contracts totaling 171 million pounds (\$263.3 million) in premium.

- In marine business, 79.9% increased rates, 16.3% kept rates the same, and 3.8% decreased rates, based on 12,744 contracts totaling 69 million pounds (\$106.3 million) in premium.

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Norwegians developing pool for exporters

By STACY SHAPIRO

Two Norwegian insurance companies are developing what may be the first product liability coverage expressly for exporters to the United States.

But, the insurers will require the coverage to be written on one of the strictest claims-made policy forms introduced so far.

The insurers—Vesta Forsikringsselskapet and UNI Forsikring—announced their intentions early last month at a press conference held by the Export Council of Norway, an association of exporters.

They expect the coverage, which they are calling a pool, to be set up and available by July 1, according to UNI underwriter Elisabeth Borgen.

The pool will cover product liability exposures for exports to the United States, Canada or Puerto Rico. The coverage will carry limits of \$10 million, with a \$10,000 deductible. The coverage initially will be available only to Norwegian exporters, she said.

The pool—which will be called The Insurance Pool For Coverage of Product Liability for Export to the U.S.A., Canada and Puerto Rico—will offer coverage to any exporter whose risks are accepted by Vesta or Uni. The premium will be set at a percentage of either sales or revenues produced by the exports covered.

The capital for the pool will be provided by Vesta, Uni and other insurers that may decide to join them in providing the coverage.

The coverage is designed mainly for the 1,800 small to medium-sized Norwegian exporters selling products to North America.

The Export Council of Norway is supporting the formation of the pool because many Norwegian exporters are finding product liability insurance for North American risks either unavailable or prohibitively expensive, according to a spokeswoman for the council.

"Product liability risks in the U.S. have hit a couple of Norwegian exporters hard," the spokeswoman said. "Rates for the coverage and awards from the lawsuits are so high that the risks can bankrupt Norwegian exporters."

Swiss businessman blasts litigious U.S.

BASEL, Switzerland—If current U.S. legal practices in product liability cases continue, doing business there will no longer be attractive to foreign companies, the chairman of Ciba-Geigy Ltd. warns.

There also is a real danger that current U.S. practices could spread to other countries, Chairman Louis Von Planta told the annual meeting of the Swiss multinational chemical company.

"If this state of affairs should continue, it will undoubtedly impair future business development, at least in the United States," Mr. Von Planta said. The current state of affairs, he said, puts a brake on innovation, since new products inevitably contain unknown risks.

"The actual risks inherent in the products are scarcely greater than they used to be, but the public has become more concerned about them," he said.

Mr. Von Planta praised tort reform efforts in the United States at the federal and state levels, but added: "Whether this is going to be achieved in a reasonable period is, however, questionable since the interests of consumer organizations, lawyers, insurance companies and business are still widely divergent."

She said some Norwegian exporters are not even aware that they may be exposed to U.S. product liability risks.

"Many are not aware of the danger they are in," she said, "We want to make sure they have insurance."

The Norwegian insurers have not yet released their claims-made policy. However, they say it will follow a list of strict insurance conditions for 1986 issued by the Export Council of Norway.

Under the terms of the conditions, the policy is triggered when the first product liability claim from one cause is made in writing against the policyholder. All related claims made in writing within a 36-month period are treated as if they were made on the day that the initial claim was filed.

However, when the policyholder is notified of a claim, he or she must notify the insurer in writing within six months or the claim will be voided.

The policyholder also must give written notice to the insurer of any accident that has the potential to produce future claims. In such cases, the notification will be treated as the first claim made, and all subsequent claims from the same accident reported to the underwriter in writing during the 36 months from the day of notification will be treated as if they had been made on the day the insurer first was notified of the accident.

If the policyholder cancels the policy, claims that occurred prior to the termination date of the policy are covered as long as the policyholder notifies the insurer in writing

of the claim within a 12-month period.

There are several exclusions set down in the guidelines, including:

- Claims stemming from any incident that occurred more than one year before the inception date of the insurance policy, even if the claims are first filed during the policy period.

- Some specific products, including marine crafts, pharmaceuticals, fertilizers, explosives, fish-farming equipment, aircraft and spacecraft parts and tobacco.

- Claims related to a product sold by the policyholder more than two years before the inception date of the insurance.

- Liability for damage to the product itself or to parts of it, or expenses of redelivering, late delivery, repair or recall of the product.

- Most pollution claims.

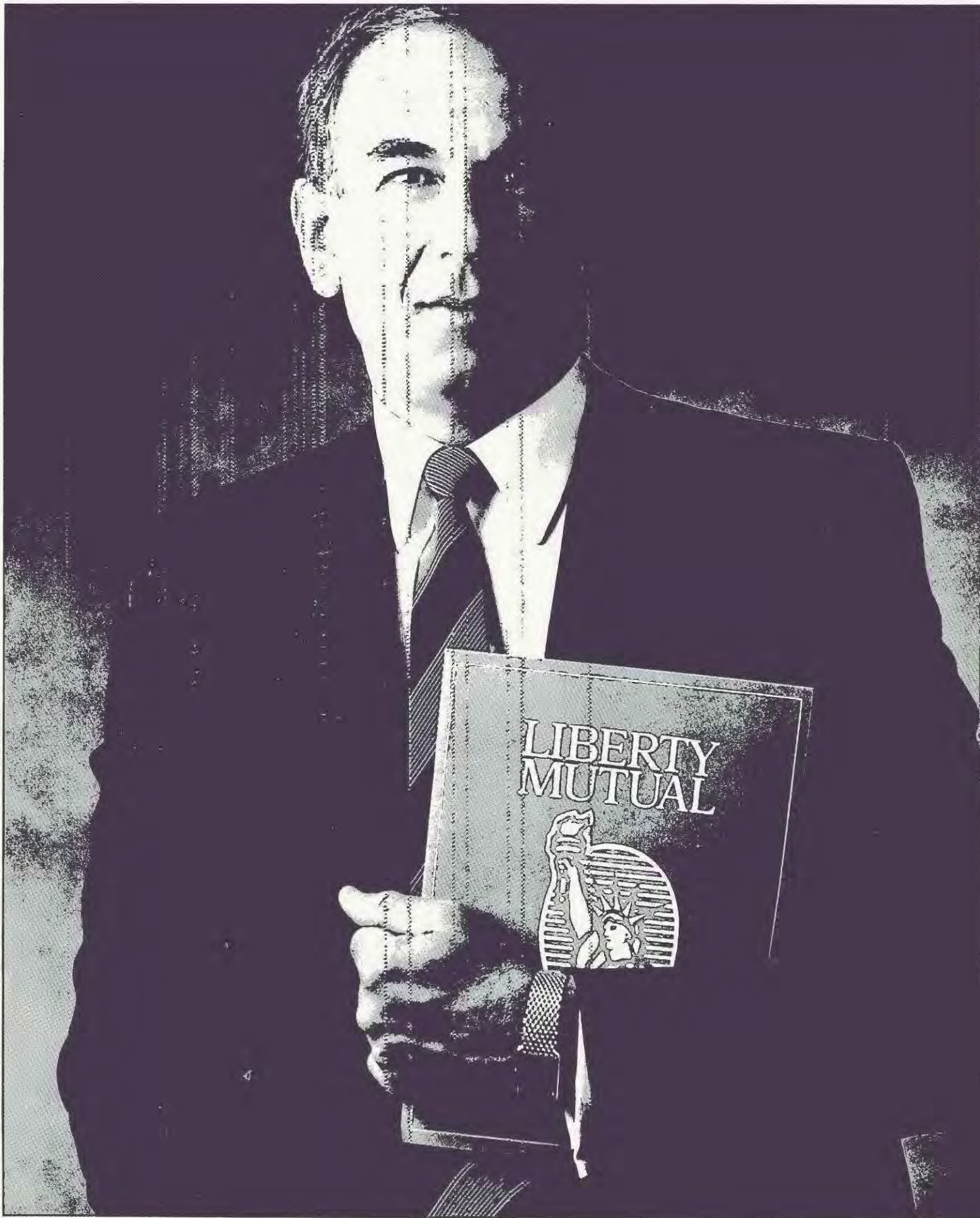
- Liability for damage caused by a product made, assembled, mounted or installed by the insured in the United States, Canada or Puerto Rico.

- Liability for fines, penalties, punitive damages or any other damages resulting from the multiplication of compensatory damages.

And, in the case of a claim, the policyholder must conduct "at his own expense" all investigations and preliminary work the insurer finds necessary.

In addition, the policyholder must be present at any negotiations or court appearances, and he must not admit to any liability without the insurer's consent.

The Chubb Group of Insurance Cos. is acting as a consultant for claims handling.



Germans differ on litigation increase

By MELISSA G. ZOCCOLILLO

West German insurers and industry spokesmen are divided on whether the popularity of legal expense insurance in their country, plus the enactment of the European Community's strict product liability directive, will add up to more litigation in West Germany.

"More litigation is absolutely certain," said Dr. Wolfram Rohde-Liebenau, senior director of Siemens A.G. in Munich.

"I think the developments in Europe as a consequence of the EC directive will be in the long run quite similar to the current American problems in the same field."

Dr. F. Kretschmer, head of the legal department at the Federation of German Industry in Cologne, disagrees. "We simply are not a liti-

gious society," he said. "I don't think things will change drastically. Certainly, we won't become like Americans, suing over trifles."

The EC directive, which was issued in July, gives EC member nations three years to include strict liability provisions in their national product liability laws (*BI*, Jan. 20; Aug. 5, 1985; Oct. 31, 1985).

Under strict liability, it is not necessary to prove a manufacturer negligent to recover damages for injuries caused by a defective product. Instead, the consumer needs to prove only the product was defective and he or she was injured by it.

One might think the introduction of strict liability in West Germany, where most consumers have insurance to protect their legal expenses, might lead to an avalanche of lawsuits, but Dr. Kretschmer predicts

that will not be the case. "We've had that sort of insurance for years," he said.

In West Germany, more than half of the households have some form of legal expense insurance, said A.E. Holdsworth of DAS Legal Expenses Insurance Co., which writes 25% of the German market.

West Germany is often called the "grandfather of legal expense insurance," said Cmdr. Bryan Raincock of the Legal Protection Groups in London. The German market produces an estimated 674 million pounds (\$984 million) in premiums a year, compared with only 15 million pounds (\$21.9 million) in Great Britain. Legal expense insurance was not allowed by laws in Britain until 1967, whereas companies began writing the insurance in Germany in 1911.

Mr. Raincock said the legal expense insurance market in West Germany is primarily personal rather than commercial. When individuals buy automobile insurance, for example, they usually purchase legal expense insurance with it, he said.

Dr. Kretschmer said legal expense insurance usually is used when individuals sue other individuals and has little effect on suits against corporations.

Nevertheless, the availability of legal expense insurance has come under attack by some West German government officials. There are allegations the insurance encourages litigation and the courts are becoming clogged with suits.

"They are saying as every person can buy this insurance, the courts will have more and more claims.

They will have more claims because the private claimant can afford to bring claims," said Stesan Schlehd of CIGNA Corp. in Cologne.

Ruediger Bauer of DAS in Munich said a committee of lawyers, university scholars and government officials studied the issue in 1976 and concluded legal expense insurance did not lead to increased litigation. "The committee determined other social factors were leading to the increases," he said.

Mr. Bauer said another committee is studying the problem now and plans to discuss its findings later this year.

"Any allegations legal expense insurance increases litigation are denied by the market," said Mr. Holdsworth of DAS. "It is the typical situation that develops between industry and governmental or quasi-governmental bodies and is based on ill-informed opinions."

Others, including Mr. Raincock of the Legal Protection Group, think the number of claims filed in Germany will continue to rise, with the availability of legal expense insurance and strict product liability being at least partially responsible.

"Strict product liability is part of a consumer movement in Europe," said Mr. Raincock. "It is another step in creating increasing consumer protection. The more consumer legislation, the more protection, and the more legal actions that arise as people seek that protection. Coupled with legal expense insurance, it may facilitate the use of the law."

Mr. Raincock emphasized he doesn't think more litigation is necessarily a bad thing. "The true evidence of a democracy is that an individual is given rights and is able to protect those rights in court."

Dr. Rohde-Liebenau of Siemens A.G., who also predicts increases in litigation, adds, "I think industry and insurers have to behave in a socially reasonable manner. To the extent there are defective products that have brought about injuries, there should be compensation for those injuries."

Observers agree that these trends are certain to mean higher insurance rates and difficulties for German corporations in finding product liability coverage. Dr. Rohde-Liebenau predicts Germany will face the same problems occurring in the United States.

"Since the introduction of strict liability in America in the mid-60s, claims have kept rising to a degree they have become unsupportable for insurers," said Dr. Rohde-Liebenau. "I predict we will have the same results 20 years from the enactment of strict product liability in Europe."

Dr. Kretschmer believes that although there may be problems on the horizon for corporations in Germany, the difference between German and U.S. legal systems and the attitudes toward litigation will prevent the large-scale problems facing American corporations.

The social security system in Germany provides more complete compensation to workers injured by products than the U.S. workers' compensation system, he said. He also noted there are no juries in civil trials in Germany; claims are heard by panels of one to three judges, which tend to award lower damages than U.S. juries.

"It is still a financial risk to start an action in Germany, whereas in America, there is a fairly low risk," Dr. Kretschmer said. "If you lose here, you have to compensate the court for its expenses and you pay your lawyers and the other side's lawyers. You think twice about bringing a claim, even if it is a good one."

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Opinion aids U.K. insurers in trade freedom dispute

By MELISSA G. ZOCCOLILLO

THE HAGUE, Netherlands—The European Court of Justice has boosted efforts by Lloyd's of London and other insurers to break down trade barriers in the European insurance market.

Sir Gordon Slynn, the court's senior advocate general, has produced a preliminary opinion supporting cases brought by the European Commission against West Germany, France, Denmark and Ireland.

The commission, which is backed by Britain and the Netherlands, seeks to declare illegal existing national regulations that block the cross-border provision of non-life insurance services.

The court is not obligated to follow the advocate general's opinion. But because the former English High Court judge is well-respected in Europe, his opinion will carry great weight, said Sarah Ludford, principal legislative officer at Lloyd's. The court's final judgment is expected this autumn, she said.

"Lloyd's naturally welcomes the advocate general's opinion as a step toward freedom of services in the European insurance industry," said a Lloyd's spokesman. "We must counsel caution, however, and await the court's final decision. We are not out of the woods yet."

The commission brought the cases against France and Denmark in 1983 and against West Germany and Ireland in 1984. The commission is challenging the four countries' requirement that the lead underwriter of an insurance program written by several insurers be both established and authorized to operate in their countries when the risk is situated there.

The issues are wider in the West German case. The West German government requires brokers to place insurance for domestic clients with domestic companies.

Britain and the Netherlands intervened in the cases on the side of the commission. Italy and Belgium intervened on the side of the four defendants in the cases in November.

"Lloyd's naturally supported and welcomed the fact the U.K. intervened," said Ms. Ludford. "We believe the German view of a broker is wrong. A broker should be seen as an independent intermediary."

The commission argued before the court that the restrictions on brokers and on coinsurance syndicates were contrary to the Treaty of Rome and to a coinsurance directive passed in 1970. The Treaty of Rome states that there is freedom to provide services across national borders.

In his 92-page opinion, Sir Gordon rejected the four defendants' arguments, including claims that the requirements are necessary to prevent "the distortion of competition" between insurers.

"This seems to amount to saying that measures whose sole function is to prevent national insurance rates from being undercut are justified on this basis," wrote Sir Gordon.

"That would make a virtue of protectionism that would wholly undermine the operation of Articles 59 and 60" of the Treaty of Rome.

Sir Gordon also rejected arguments the restrictions are necessary to protect consumers.

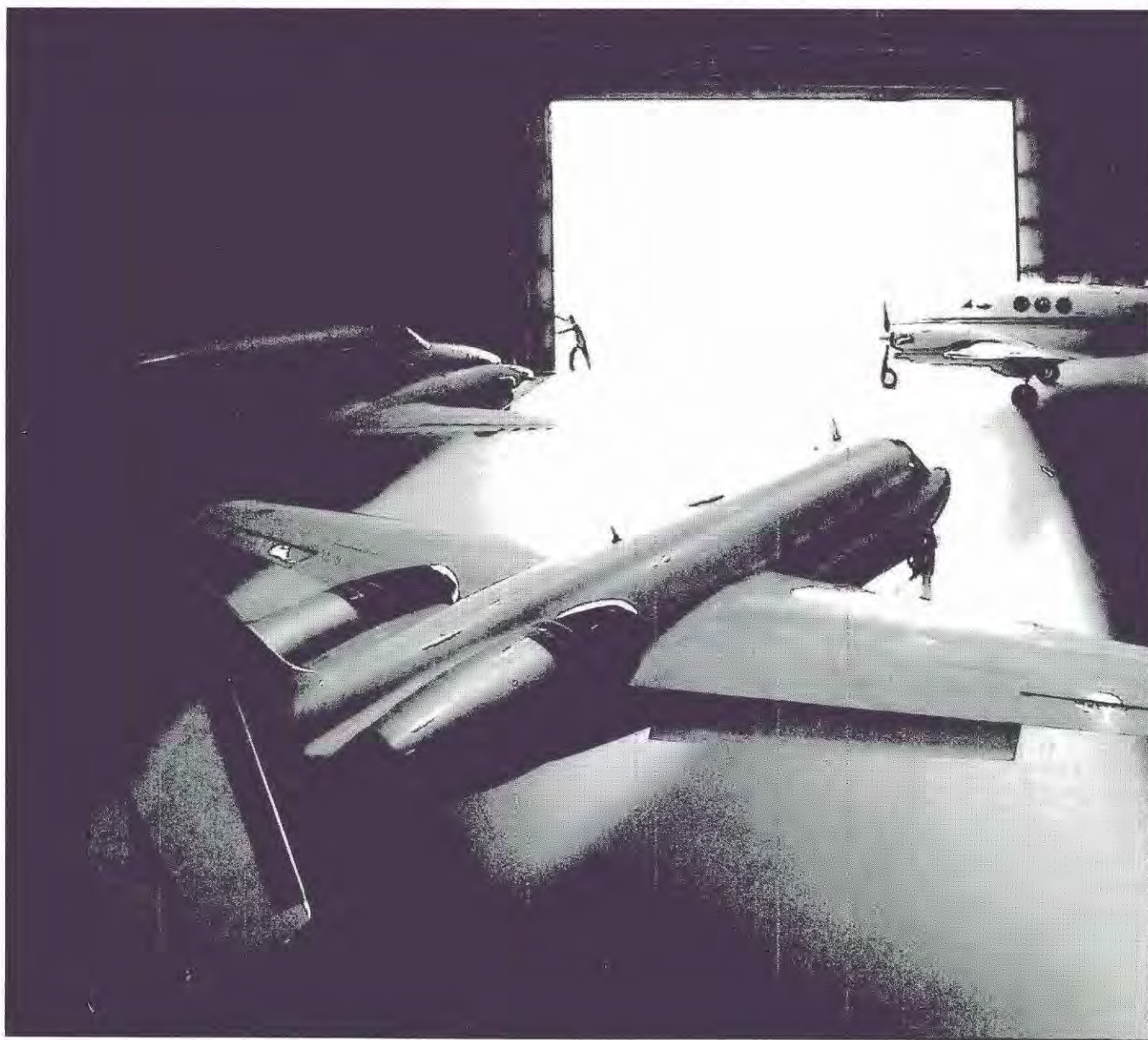
"The real security for the insured lies in the fact that all the coinsurers have to be authorized in the Member State or Member States where they are established," the opinion stated.

The roots of this controversy go back 10 years, said Ms. Ludford, when the commission put out a draft proposal for a freedom of services directive.

The directive would have stated an insurer does not have to be established and authorized in each country within the European Community to do business.

In recommending that the court throw out the defendant countries' restrictions, Sir Gordon recognized the financial burdens placed on insurers required to be authorized and established in each country.

"In the insurance field, moreover, the substantial expense likely to be incurred in setting up a branch or subsidiary in another Member State is itself a considerable potential deterrent..." Sir Gordon wrote.



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• The Metropolitan Chicago Loss Bureau has released a handbook that outlines in checklist fashion **the requisites for a property claim adjustment.** "The Basic Requirements of a Good Adjustment" lists the steps to be taken in the investigation, evaluation, adjustment and reporting processes of claims adjusting. Copies are available for \$5 each from the Metropolitan Chicago Loss Bureau, 343 S. Dearborn St., Chicago, Ill. 60604.

• "Prevent Your Sore Back" is the title of a new 16-page booklet from Dray Publications Inc. that demonstrates ways of **preventing backache and posture problems.** The illustrated booklet also offers simplified exercises to avoid back strain. A sample copy is available from Dray Publications Inc. Route 5, Deerfield, Mass. 01342; 413-773-5491.

• Benefit Communicators Inc. is offering free samples or descriptions of three of its **employee benefit communications products.** Samples are available of its employee benefit communication handbook, which is designed to provide all the information employees need to understand and appreciate their health care coverage. The brochure, "Commcenter 8400," explains the computerized production of summary plan description booklets. And, the company offers a description of "Communicating for Cost Containment," a coordinated communication system of employee health care benefits. Order from Benefit Communicators Inc., 9950 Scripps Lake Drive, Suite 101, San Diego, Calif. 92131.

• "The Worker Who Becomes Physically Disabled: A Handbook of Incidence and Outcomes" is the title of a new publication targeted for **long-term disability and workers compensation managers,** as well as rehabilitation specialists. The data contained in this handbook came from thousands of individual LTD claimants nationwide, from 1982 through 1984. The handbook (TMF-1003-11) is available for \$5 from The Menninger Foundation, Research and Training Center, 700 Jackson, Topeka, Kan. 66603; 913-233-2051.

• The **Total Body & Back Care Catalog** is available free from Darrell Heppner & Associates. The 12-page catalog contains information on a variety of back care products, including the Comp-Vest Back Support, ProFlex Wrist Supports, the PortoPillow, booklets and films. Contact Darrell Heppner & Associates, Catalogue Sales, 367 Bancroft Ave., San Leandro, Calif. 94577.

• Details of a proposed **arbitration clause for insurance contracts, treaties or certificates** are available in a new brochure titled, "Excess/Primary-Reinsurance Arbitration," from the Insurance Arbitration Forum (IAF). The IAF, a non-profit organization which was established more than 40 years ago to handle insurance-related dis-

putes, suggests that the booklet may be of use to primary and excess insurers and reinsurers seeking to resolve disputes through alternatives to costly litigation. For a copy of the brochure contact the Insurance Arbitration Forum Inc., 200 White Plains Rd., P.O. Box 66, Tarrytown, N.Y. 10591-0066; 914-332-4772.

• Descriptive material policy samples are available for **international transit insurance** through the Alexander & Alexander/Reed Stenhouse Transit-Pak program. Coverage is worldwide and provides door-to-door, all-risk replacement coverage on shipments of household goods, personal effects and private passenger automobiles. For free information contact Jonathan Helitzer, Alexander & Alexander, 200 White Plains Rd., Tarrytown, N.Y. 10591-0066; 914-332-4772.

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- The American Society of Safety Engineers has issued eight "Readings In..." collections. Each "Readings In..." publication offers a compilation of articles, which originally appeared in the ASSE's Professional Safety magazine, covering related safety topics. The eight publications are: **Readings In Product Liability and Civil Liability** (\$12 ASSE members; \$15 non-members), **Readings In Hazard Control and Hazardous Materials** (\$20 members; \$25 non-members), **Readings In Behavioral Issues in Safety** (\$20 members; \$25 non-members), **Readings In Workers' Compensation-Loss Prevention/Loss Control** (\$20 members; \$25 non-members), **Readings In Noise Control and Hearing Conservation** (\$12 members; \$15 non-members), **Readings In Stress Management** (\$12 members; \$15 non-members), **Readings In Cost Benefit/Cost Control** (\$15 members; \$20 non-members) and **Readings In Safety Management** (\$15 members; \$20 non-members). For a brochure providing additional information on the "Readings In..." publications, contact Jim Kieley, Manager, Technical Publications, American Society of Safety Engineers, 1800 E. Oakton St., Des Plaines, Ill. 60018; 312-692-4121.

- The response to a **survey of retirees' advice for people about to retire** appears in the May issue of Retirement Advisors' Retirement Planning Advisor newsletter. For a free copy contact Retirement Advisors, 919 Third Ave., Department L, New York, N.Y. 10022; 212-421-2400.

- "Beating the Drug and Alcohol Problem in the Workplace" is the title of a brochure from Personnel Management Services, which describes a step-by-step program of

detection, control and treatment of drug and alcohol abuse in the workplace. In addition, PMS has published the results of a survey covering **fringe benefit practices of 601 Connecticut employers.** Both brochures are free from PMS Survey Center, 45 Reed Street, Milford Conn. 06460.

- A new booklet, "Workers Compensation Insurance 'Issues,'" is now available from the Alliance of American Insurers. The 35-page booklet contains views of the Alliance and its member companies on the unique public policy issues inherent in the **workers compensation insurance** field. The booklet is primarily a policy reference for individuals in the work comp field, but also can provide legislators, risk managers, educators and policyholders with current information on the issues in this line of insurance. Single copies are available free from the Alliance Publications Order Department, 1501 Woodfield Road, Suite 400 W., Schaumburg, Ill. 60195-4980. 312-490-8500.

- A comprehensive evaluation of the new **claims-made commercial general liability policy's changes and impact** has been published in the latest issue of Betterly Risk Management Commentary, by D.A. Betterly Risk Consultants Inc. "The New Claims-Made CGL Policy: Evaluating its Impact, Part I" contains comparisons between the old and new wording and discusses the intent of the changes in the form. Copies are \$25 each from D.A. Betterly Risk Consultants Inc., Department GLI, 446 Main St., Worcester Plaza, Worcester, Mass. 01608; 617-754-1704.

- Merrill Lynch Settlement Services Inc. offers a brochure containing information on how **structured settlement and economic valuation services** can be of value to you. In addition, Merrill Lynch Settlement Services publishes a "Special Self-Insurance Newsletter" detailing information on structured settlement and valuation services for the self-insured. For a free copy of the brochure or newsletter, contact Merrill Lynch Settlement Services Inc., 225 S. Lake Ave., Suite 700, Pasadena, Calif. 91101; 818-793-1800.

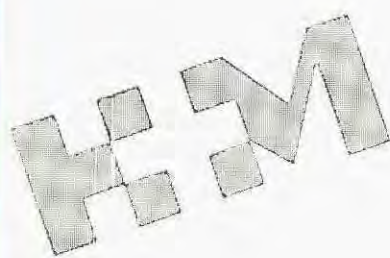
- A listing of **128 Immediate Care Centers in Chicago** with indications if they offer Occupational Medicine, is available from C.A.B. Consultants Inc. The report costs \$25, plus a self-addressed 8x10 envelope with 73 cents postage, to C.A.B. Consultants Inc., 503 N. Clayton, Hillside, Ill. 60162; 312-544-2087.

- "The New CGL Policies: A Guide for Public Agencies" is the title of a new book from the Public Risk & Insurance Management Assn. The 58-page guide is a comprehensive explanation of changes in the **commercial general liability policies** and how they affect public agencies. Written by Jack Gibson, president of the International Risk Management Institute Inc., the booklet is available to PRIMA members for \$15 and to non-members for \$20 from PRIMA, 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

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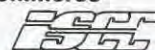
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Companies advised to keep their guard up

By LINDA J. COLLINS

CHICAGO—With more and more businesses shouldering large self-insured retentions or going without coverage altogether, companies must adopt sound risk management practices, a defense attorney warns.

Businesses that assume large retentions or completely go bare need to implement "good risk management, risk assessment and auditing" programs to guard against financial ruin, said Stephen J. Paris, an attorney with the law firm of Morrison-Mahoney-Miller in Boston.

Mr. Paris participated in a panel discussion on "Going Bare," part of a Society of Chartered Property Casualty Underwriters symposium held in Chicago last month.

It can be to a business's advantage to manage its own risk management/self-insurance program, select its own attorneys and develop the skills of its top employees so that they are competent as witnesses in court trials, because such a program provides a company with continuity, said William Shannon, an attorney with Caterpillar Tractor Corp. in Peoria, Ill.

However, it is not easy to set up such a program and it is definitely not cheap, he explained.

"Like selecting a doctor, a lawyer or a financial adviser, you have to pick the right person to get the right results," Mr. Shannon said.

It is "expensive to run your own risk management litigation system," he stressed.

Although Caterpillar has its own internal risk management/litigation/self-insurance program, it still relies to some degree on the commercial insurance market, Mr. Shannon said.

"We are self-insured for a substantial dollar amount and then have a very large umbrella policy going to \$200 million," Mr. Shannon said.

Caterpillar has been forced to tap the umbrella layer to pay for claims only "on three occasions, and we have litigated over 1,200 cases in the last 12 years," he said.

After finding the correct person to supervise a company's risk management litigation program, the company should implement an awareness program to make sure that employees understand and follow guidelines concerning litigation procedures.

The awareness program "has to be believable and company resources have to be committed for this type of program to succeed," Mr. Shannon said.

A company should appoint a technical coordinator who is responsible for talking to outside counsel, Mr. Shannon added.

"And in setting up (self-insurance) reserves, a business needs a knowledgeable person who can evaluate claims and set reserves. We use outside auditors once a year to tell us how we are doing," Mr. Shannon said.

He also advised that individual job descriptions of top personnel specify that these people will be "responsible for participation in litigation," if necessary. This explains to a jury their actions as representatives of the company and why those actions were undertaken, he explained.

Proper implementation of an in-house risk management/self-insurance program requires a good records management system that does not incorporate subjective information, Mr. Shannon continued.

In a courtroom situation, written company memos or other internal documents that reach the hands of a plaintiff's attorney can have a devastating effect on the business if careful internal reporting proce-

Businesses that assume large retentions or completely go bare need to implement 'good risk management, risk assessment and auditing' programs to guard against financial ruin, says Stephen J. Paris, a Boston attorney.

dures are not followed, he said.

Self-insured businesses should also have a good claims reporting system, he said.

Companies should establish a product safety committee and conduct product safety audits to reveal any latent defects or potential hazards in using products manufactured by the business, Mr. Shannon advised.

A company also needs an early

warning system—a program designed to gather all the information possible about accidents for which the company might be held responsible, Mr. Shannon said.

A business can be placed at a "gross disadvantage" if it does not prepare for a potential claim and the claimant waits until the last possible minute to file a lawsuit. By the time the suit reaches the courts, it might be extremely difficult for

the company to reconstruct the events leading up to the incident, Mr. Shannon explained.

Above all else, a business "must maintain contact with a broker and obtain catastrophe coverage," Mr. Shannon stressed. "I don't believe in going without insurance entirely."

While it may be advantageous to have someone within an organization manage the litigation process, "There is no legal advantage to not having insurance," Mr. Paris agreed.

Even if a company cannot afford any liability insurance because of exorbitant rate hikes or is unable to find insurance at any cost, a jury will not take that into consideration, he said.

Such information is not admissible as evidence, Mr. Paris ex-

plained, although it is discoverable when the jury is determining the amount of a settlement.

Even if a business does not have a full-blown internal litigation management program, Mr. Paris suggested that someone, either internally or externally, coordinate litigation efforts for the company to provide it with some consistency in its defense efforts.

Caterpillar was not forced to "go bare," Mr. Shannon stressed. It implemented its litigation management program because it "felt it didn't have the continuity of defense" with the lawyers appointed by its insurers that it does with its own carefully managed program.

Also participating in the panel discussion was James Baxter, an attorney with the law firm of Calvey, Mitchell & Baxter in Milwaukee. ■



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Businesses finding other ways to fund risks

By LINDA J. COLLINS

CHICAGO—By 1987, one-third to one-half of all commercial property/casualty insurance needs will be satisfied by captives and other alternative risk financing methods, a risk management consultant predicts.

And when businesses leave the commercial insurance market in search of such alternatives, they may never return to their former insurance programs, other experts add.

Captives, pools and other risk funding mechanisms were the topics of a panel discussion at the Society of Chartered Property Casualty Underwriters' Symposium in Chicago last month.

Even "if the unavailability and unaffordability of insurance do not

persist for very long, or only through 1987, it is my contention that one-third to nearly one-half of all commercial insurance premiums will be financed by non-traditional sources" by the end of that period, said Mitchell Cole, vp and principal with Tillinghast, Nelson & Warren Inc. in New York.

"This non-traditional form of risk capital... is shifting control over the markets, albeit gradually, to risk managers and financial managers. It also will possibly shift control of the industry away from the traditional players to financial institutions such as money center banks," Mr. Cole predicted.

Many types of commercial lines coverages are no longer being underwritten by traditional insurance markets because of the insurers' dwindling capacity and skyrock-

eting rates, added Joseph Smetana, president of AIG Risk Management Inc. in New York.

Currently, "primary markets are stripped of their capacity and the reinsurance market is limited in capacity," Mr. Smetana said, warning that it is difficult for businesses to cope with dwindling capacity for catastrophe coverage.

Those shortages forced many businesses to assume higher deductibles or self-insured retentions, which "were frequently raised well above financially prudent levels in 1985," Mr. Cole said.

There is also "a growing trend among mid-sized accounts to self-insure," Mr. Cole noted. Unfortunately for insurers, these accounts have traditionally been the most profitable.

This shift "represents a consum-

erist movement that is unlikely to die as market conditions soften," Mr. Cole added. This trend "may well revolutionize the way insurance is purchased," he said.

Mr. Cole recommends supplementing non-traditional risk financing with some form of excess coverage above a self-insured retention.

"In no case would I counsel a client to leave entirely the insurance market," he said.

The use of captive insurance companies also has increased in recent years, Mr. Cole said.

"At the close of 1984, captives represented about \$6.5 billion of gross premiums and \$6 billion of capital and surplus. Group/association captives increased from 267 in 1983 to 467 in 1985," according to Mr. Cole's figures.

"If the trend in captive development continues, total captive gross premiums could increase to about \$10 billion in the next three years, when consideration is given to increased premiums of, on average, 50% to 75%," he added.

"A substantial number of group and association captives will be started in the next 12 months, of which a significant number will not be successful over a period of five years. A number will go broke, but many of those that survive will become an important factor in future markets," predicted William S. McIntyre, president of ARTEX Insurance Agency Inc. in Dallas.

Mr. McIntyre was involved in the formation of American Risk Transfer Insurance Co. Ltd., a Bermuda-based group captive owned by 19 construction and highway contractor shareholders.

Four captive options are available to businesses, he explained:

- Single-parent captives wholly owned by a corporation.

- Group captives formed by several companies that band together.

- Association captives owned by a trade association or by its key members.

- Rent-a-captives, through which a business purchases stock in a third-party-owned captive, which can be sold later at a profit.

When the availability of reinsurance to back a captive poses a problem, a structured line of credit "can be used by a single-parent captive to cushion or offset the effect of not having any or sufficient reinsurance," Mr. Cole said. "It can also serve as excess coverage for a self-insured program or to fill in an incompletely subscribed layer."

The structured line of credit is a loss stabilization technique that works like aggregate stop-loss coverage, he explained.

"It is a dedicated letter of credit which is attachable only when losses exceed a pre-determined amount," he said.

When the line of credit is used, the commitment fee "increases on a pre-established escalation formula for the unused portion of the line of credit. The funds drawn-down convert immediately to long-term debt at a pre-established rate of interest," Mr. Cole said.

He added that group or association captives "should be of equal or greater interest to medium-sized insureds" than single-parent captives because a group captive is more affordable to these businesses.

Buying coverage from a group captive also increases the chance that a business can "preserve the deductibility of premiums and defer the taxation of the captive's income," which will decrease funding requirements.

Mr. Cole said his comments applied equally to risk retention group pooling arrangements for product liability and environmental impairment liability risks.

But, "it is almost too late to form a group captive to address the current market problems," because it takes between 12 and 18 months to get a group captive under way, Mr. McIntyre pointed out.

"Businesses should form captives in soft markets to have them ready when they are needed," he added.

Another alternative risk financing technique businesses can use is to "structure a long-term insurance contract with a minimum guaranteed premium and a profit share," Mr. Cole suggested.

The long-term contract "clearly makes use of available capacity in a new approach, which explicitly recognizes the reinsurance market's desire for financial commitment for a period of time," Mr. Cole added.



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More execs to face criminal charges: Prosecutor

By STEVE TARAVELLA

SAN FRANCISCO—More corporate officers will be charged with murder and manslaughter following the death of employees in on-the-job accidents, predicts an Illinois prosecutor.

Such criminal actions are "very much of a coming field," says Gareth C. Leviton, assistant Cook County state's attorney and one of three prosecutors in the now-famous Film Recovery Systems Inc. murder case.

In the Film Recovery case, the president, plant manager and plant foreman of the Elk Grove Village, Ill., company were sentenced to 25-year prison terms for the murder of factory worker Stefan Golab (*BI*, July 8, 1985).

Mr. Golab died of acute cyanide toxicity while working in unsafe conditions at the factory, which used the chemical to extract silver from used X-ray and photographic film.

The Film Recovery case is believed to be the first in which corporate officers were convicted of murder in the work-related death of an employee.

And, although Mr. Leviton called the case a "prosecutor's dream" because of the company's poor safety practices, it nonetheless reflects a trend, he says.

Mr. Leviton offered insight into the Film Recovery case during a recent conference of the American Bar Assn.'s Tort and Insurance Practice Committee on Workers Compensation and Employers Liability Law in San Francisco.

"I don't think we'll see tons and tons, but the potential is devastating," he told conference attendees, who included both plaintiffs' and defense attorneys.

Prosecutors in at least five other jurisdictions are pursuing criminal charges against executives of businesses where job-related deaths have occurred, Mr. Leviton reported.

For example, the Los Angeles County district attorney's office has a full-time staff of six who do nothing but investigate industrial accidents, he said.

That office recently filed its first felony charges against a company officer in the work-related death of an employee. The case, against Michael Maggio, president of Maggio Drilling Inc. in West Covina, brings to six the number of criminal cases brought against employers by the district attorney's OSHA section. The other five are criminal misdemeanors.

The suit, filed in Los Angeles Superior Court in late March, charges Mr. Maggio with involuntary manslaughter. It was brought after an employee, working as a subcontractor at a downtown Los Angeles building project, was killed last October while removing an underground obstruction to an elevator shaft.

Kevin Bauman, 23, went into convulsions after being lowered into the hole that was to become the elevator shaft. Firefighters freed him from the hole but could not revive him. He died of asphyxiation.

Mr. Maggio, who supervised the digging of the shaft, is charged with not testing the air quality in the hole before sending Mr. Bauman into it; sending him down without a safety harness to pull him up in an emergency; and not casing the hole to prevent the dirt from caving in, according to Jan Chatten-Brown, special assistant to the district attorney.

Among other criminal cases, a chief executive officer recently pleaded guilty in Seattle to charges stemming from a work-related death, Mr. Leviton said.

"We don't have to win a case to win; we merely have to bring a case to win," he says, noting that the attention generated by these cases can put other businesses on notice.

Mr. Leviton stressed that prosecutors are pursuing criminal actions only in cases in which the work-related death is judged to stem from criminal activity, not negligence.

The prosecutor said negligence becomes criminal, as it did in the Film Recovery case, "if they knew

this was bound to happen."

Of this point of law, Mr. Leviton explained: "We know that these individuals committed the acts; they operated the process. We know what the result was—someone died. Was it foreseeable that those acts would lead to this result?"

Some business practices that pose known hazards are not likely to prompt criminal charges after an employee's death, he explained, because prosecutors accept that certain industries are, by their nature, accident-prone.

But not Film Recovery's, he pointed out.

"Yes, cyanide is a dangerous substance, but it's used safely in industry every day," he said.

"In construction projects it's very common, in building a major building, to assume that one or two deaths will occur; that is not a criminal matter. It's one thing to anticipate based on prior construction projects that death will occur, but something else to see the particular defective condition and do nothing about it," he said.

In the Film Recovery case, workers had complained to their bosses on a daily basis for 2½ years of reactions like nausea, vomiting, ulcerated sores and contact dermatitis.

Film Recovery's business required its workers, most of whom were illegal Polish or Mexican immigrants with little comprehension of English, to stir pieces of used X-rays in vats of a sodium cyanide solution.

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Job deaths

Continued from previous page

X-rays, the silver flakes, still wet with cyanide solution, were then baked in an oven to dry—the very oven that workers often used to heat their burritos at lunch, he said.

The company's executives ignored applicable safety warnings on the cyanide product, Mr. Leviton said.

The employees worked with poor ventilation, no windows and without access to a cyanide safety kit.

On Feb. 10, 1983, Mr. Golab, who had worked at the company for approximately 2½ years, staggered from an open vat into an employee lunchroom, shaking violently and foaming from the mouth, according to witnesses (BI, June 24, 1985).

He then collapsed and died a short time later.

Conditions at the plant were so poor that cyanide fumes even affected food in the lunchroom, which was adjacent to the work area, Mr. Leviton said.

After Mr. Golab's death, Film Recovery System's executives tried to keep other workers from quitting by letting them believe the 61-year-old man was recuperating from a heart at-

tack, Mr. Leviton said.

One executive subsequently acknowledged that workers were not informed of the hazardous conditions to which they were exposed because, "If they know what they're dealing with, they might not want to work here," Mr. Leviton said.

"The fellows I prosecuted are not businessmen as you and I understand the term," he said.

According to Illinois' criminal code, under which the men were charged, a person has murdered "if he knowingly commits acts which create a strong probability of death or great bodily harm."

Intent was not alleged in this case; Mr. Leviton says there was no evidence that the executives wished to kill Mr. Golab. Rather, prosecutors alleged recklessness.

"Our pleading basically reflected that we thought they didn't give a damn whether someone (died) or not," he said.

Mr. Leviton also offered advice to conference attendees on avoiding such criminal suits.

Attorneys should encourage employers to practice "preventive medicine," he said. "They don't want to ever be in the position of having a guy like me decide whether they get charged with a crime or not."

If facing criminal charges stemming from a

workplace death, employers have several defense strategies, Mr. Leviton advised:

- First, they could argue that the federal Occupational Safety & Health Act of 1970 pre-empts any such action by a state or municipal prosecutor (see related story).

- Second, the employer could show that he has made "every legitimate, diligent effort that he could" to ensure workers a safe working environment.

- Third, employers also could assert that they have complied with applicable laws and safety regulations "to the utmost of their ability."

In this defense, which he calls "the agency defense," the business' executives would reason: "If we comply with the law, if we do everything our insurance inspectors tell us, if we do everything the federal government tells us and somebody still dies, don't we have a right to rely upon their expertise?"

Six Flags Corp. recently used this defense successfully against criminal charges of manslaughter and aggravated manslaughter, he notes.

Those charges stemmed from a 1984 fire at Six Flag's Great Adventure in Jackson Township, N.J., that killed eight teen-agers (BI, Feb. 11, 1985; July 29, 1985).

Appeal 'critical' to enforcement of safety rules

By STEVE TARAVELLA

SAN FRANCISCO—The outcome of two appellate cases that seek to hold employers criminally liable for their treatment of employees "is absolutely critical" to local enforcement of workplace safety, an Illinois prosecutor says.

The appeals are important because the employers' defense, if successful, could prevent local or state authorities from ever bringing criminal charges against corporate officers for work-related accidents, according to Gareth C. Leviton, assistant state's attorney for Cook County, Ill.

The cases on appeal, both filed initially by the Cook County state's attorney's office, are against officers of Film Recovery Systems Inc. and Chicago Magnet Wire Corp., both in Elk Grove Village, Ill. They are pending before the Illinois Court of Appeals.

Officers of both companies are expected to assert "the agency defense"—that local prosecutors are pre-empted by the federal Occupational Safety & Health Act of 1970 from bringing any criminal action against them, he explains.

In the Film Recovery case, three officers of the company are appealing their 25-year sentences for the murder of an employee who died of acute cyanide toxicity (BI, June 24, 1985; July 8, 1985).

In the Chicago Magnet case, the appellant is Cook County, not the employer. Prosecutors are appealing an Illinois Circuit Court's recent dismissal of the case.

In its dismissal of the indictment, the court cited the precedence of federal jurisdiction, Mr. Leviton explained.

Five Chicago Magnet officers, as well as the business itself, had been charged with aggravated battery and reckless conduct, a felony and a criminal misdemeanor, respectively.

Conditions at the company, whose wire and steel cable manufacturing process produced phosphine gas, created long-term, chronic health care problems among its workers, Mr. Leviton said.

The company is a unit of North American Philips Corp.

When other businesses in the company's industrial complex complained about the gas, Chicago Magnet bolted the windows shut, intensifying the danger to employees, he said.

The charges against Chicago Magnet resulted from a 4½-month investigation by state prosecutors and the Elk Grove Village Police Department. Chicago Magnet's attorney, Robert M. Stephenson with Cottrill & Crowley, expects arguments to be heard this fall.

Chicago Magnet's executives are expected to assert that federal authorities are responsible for regulating everything that happens in the workplace and that, unless the state has enacted its own federally-approved Occupational Safety & Health Administration plan, it was without power in these cases.

To date, 25 states now have authority to administer their own OSHA programs, according to OSHA's Washington office. Illinois is not among them.

"If the federal pre-emption (strategy) works, the states are out of business in terms of criminal law enforcement for anything that happens in the workplace," he said. "It would put the monkey on the federal government's back."

He speculates that if this defense works, other states will rush to submit their own OSHA plans for federal approval.

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Wrongful termination suits avoidable: Lawyer

By STEVE TARAVELLA

SAN FRANCISCO—Employers can take steps to ward off wrongful termination suits by former employees, says a plaintiffs' attorney who calls these actions "the litigation of the '80s."

Many cases alleging wrongful termination are prompted because the employer has not adequately explained the reasons for the employee's firing, says John A. McGuinn, a San Francisco attorney with McGuinn, Hillsman & Palefsky.

"When one is fired, one should be told the reasons for it and those reasons should be honest, sincere and truthful," he advises.

Too many businesses terminate an employee with a pat, "staged" dismissal speech, Mr. McGuinn says.

Perhaps employers do so because they do not want to disclose the true reason, or because they are trying to be nice, he says.

"You shouldn't be nice; you should be frank and honest," he advises.

"You can say it in nice words, but don't ever let an employee leave that place of employment without he or she fully understanding the reasons for it."

Mr. McGuinn spoke in San Francisco recently at a conference of the American Bar Assn.'s Tort & Insurance Practice Section's Committee on Workers Compensation and Employers Liability Law.

His advice echoed that presented at a similar seminar conducted recently at the 24th annual Risk & Insurance Management Society conference held in Toronto (BI, April 21).

In fact, forums like these are helping employers reduce the incidence of wrongful termination actions, said Mr. McGuinn, who specializes in wrongful termination and bad-faith cases.

The number of wrongful termination suits already has reached its apex, and he suspects it will now begin to decline.

Knowing how to steer clear of wrongful termination suits can be a valuable business skill, Mr. McGuinn explained, particularly in light of the success rate of these actions.

He cited surveys, conducted by another San Francisco law firm, indicating that plaintiffs win in 85% of wrongful termination cases. Jury members are "extremely sympathetic" toward the discharged employee because most have felt wrongfully treated by an employer at one time or another, notes Mr. McGuinn.

"It's almost impossible to find a bad potential juror in a wrongful termination case," he says.

Wrongful termination suits have sought both general and punitive damages, but insurers only now are beginning to address these cases in their general liability policies, he says.

Some commercial policyholders have asked their insurers to defend them in these cases, and others have expected the insurers to pay the award.

As they become aware of their exposure to these awards under their CGL policies, insurers have begun to cite wrongful termination as a named coverage exclusion, he says.

He is unaware of any insurer that offers liability insurance specifically to respond to wrongful termination claims.

Mr. McGuinn suggests there are many more former employees who seek to file such suits than eventually do so.

Of those employees who come to him for counsel in these cases, he only takes the approximately 10%

'When one is fired, one should be told the reasons for it and those reasons should be honest, sincere and truthful,' to avoid a wrongful termination suit, advises San Francisco attorney John A. McGuinn.

that have "a legitimate basis" for a wrongful termination claim.

Under federal laws, employees cannot be fired because of race, sex, national origin or age.

But employers also must comply with various state employment regulations. In California, for example, employees cannot be fired because of marital status or a physical handicap.

Mr. McGuinn said about 30 states

now prohibit firing a person in violation of public policy. This would give someone recourse if he or she is fired for performing jury duty or acting as an election officer.

Violating public policy is at issue in a case Mr. McGuinn expects to file soon, he said in a subsequent interview.

In that case, a nurse is suing a Tucson, Ariz., health maintenance

organization for allegedly firing her because she notified authorities when she suspected a burn patient was a victim of child abuse.

The HMO asked her not to report it because the organization did not want to involve itself in the case, which would have required testimony and paperwork, he said.

The potential plaintiffs in wrongful termination cases are any of the approximately 65 million Americans working in white-collar, management, non-union or non-civil service positions, says Mr. McGuinn, who is also a director of the San Francisco Trial Lawyers Assn.

The suits do not appear more frequently in any particular industry, but recent ones have been filed against electronics firms and both property/casualty and life/health

insurance companies, Mr. McGuinn notes.

If there is a common characteristic of the companies being sued, it's that they are major employers. Mom-and-pop operations are rarely the object of these actions, Mr. McGuinn says.

Most suits are brought by long-time workers who perceive their termination as a violation of an implied promise by the employer that they would only be fired for just cause.

For long-time employees, terminations can be "one of the most emotionally wrenching experiences one can find," Mr. McGuinn says.

Often, the person's self-esteem and self-worth suffer, affecting the employee's personal and family relationships as well, he says.

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Chrysler expects to cut costs with new TPA

Chrysler Corp. estimates it will save about \$1 million to \$2 million a year in self-insured dental plan costs as a result of more aggressive claims handling and lower administrative costs under a new third-party administrator, Jardine Insurance Brokers Inc.

The plan covers about 64,000 employees—both management and United Auto Workers employees outside of Michigan, Ohio and Missouri—on about 40% of Chrysler's employees. Dental coverage currently costs Chrysler more than \$40 million a year, said Walter Maher, director of employee benefits.

"This is an expensive plan," said Mr. Maher. "As a result of the cost of the plan, we had to look for ways to save."

The self-insured plan had been administered by Aetna Life & Cas-

benefit beat

ualty since 1957, he said. "We changed from Aetna to Jardine because we'll be able to lower costs in two ways: a lower monthly charge from Jardine to administer our claims and a better job of claims reviewing" by Jardine, he said.

Aetna had no comment on the change.

Chrysler has always required dental claims for expensive treatments such as orthodontia or bridge work and crowns to be reviewed before treatment, said Mr. Maher.

But, "Jardine has put in place a very aggressive cost-containment program and made estimates to Chrysler that the savings from this program would help them to fund

their dental plan," said Thomas P. McDonough, senior vp at Jardine in Schenectady, N.Y.

Under the Jardine-administered plan, expensive claims will be reviewed by American Dental Examiners, an independent dental review consultant based in New York, said Mr. McDonough.

"We estimate that \$1.5 million to \$2 million in savings will be generated solely through the claims review process," he said. All claims of more than \$200 are automatically reviewed and "we have a checks and balances system that kicks the high claims out."

But, "what is unique about the plan now is that as a result of the

savings, both Chrysler and Jardine will share in that savings. Most of the money saved will revert back to Chrysler, but some will be passed on to Jardine as an incentive to keep reviewing claims aggressively" at a reasonable administrative cost, he added.

Mr. Maher said employees will pay the same copayments under the Jardine-administered plan as they did under the Aetna plan.

According to a schedule of benefits, employees pay 10% of the charges for restorative treatments and 50% of the charges for orthodontic treatments and bridge work. There is no copayment for preventive services and employees do not pay deductibles under the plan.

A yearly limit of \$1,000 on routine dental care and a lifetime limit of \$800 for orthodontic treatments

remain the same, he said.

Bank's flex plan

Employees at Bankers Trust Co. now have the opportunity to choose their benefits under a new flex plan.

Under the plan, effective April 1, "98.3% of our 8,000 employees made changes in their benefits," according to Elizabeth A. Avery, a vp at the New York bank holding company.

Employees were allotted benefit dollars to buy the benefits desired.

Under the plan, employees have four medical options, ranging from catastrophic to low coverage, Ms. Avery said. The medical plans are self-insured, with claims administered by Blue Cross of New York.

Under the catastrophic plan, employees pay a \$3,000 individual deductible, a \$6,000 family deductible and 20% of the first \$10,000, up to a maximum out of pocket expense of \$5,000 for individual coverage and \$10,000 for family coverage.

Under the other options, the deductibles are salary-related, she said.

For example, under the second option, employees earning \$20,000 or less pay a \$50 deductible for individual coverage and \$100 for family coverage. Those earning \$20,000 to \$30,000 pay a \$75 individual deductible and a \$150 family deductible. Employees earning \$30,000 to \$40,000 pay a \$100 deductible for individual coverage and \$200 for family coverage and those earning more than \$40,000 pay a \$125 individual deductible and a \$250 family deductible.

In addition to the deductibles, employees also pay 20% of the first \$5,000, up to a maximum out of pocket expense of \$1,000 for individual coverage and \$2,000 for family coverage.

Employees also have the option of enrolling in a health maintenance organization, said Ms. Avery.

Three dental options, including a prepaid plan, are also offered.

Under a basic plan covering diagnostic and preventive care and routine fillings, employees do not pay a deductible. However, they do pay a 20% copayment on these services. There is a \$250 yearly limit on coverage under this plan, which is underwritten by Metropolitan Life Insurance Co.

Under a comprehensive plan, employees do not pay a deductible for diagnostic and preventive services. However, they do pay a \$25 deductible for major restorative services.

There is also a 20% copayment up to \$1,000 on diagnostic and preventive services and a 50% copayment on restorative and orthodontic services. There is a \$1,000 annual limit on dental services and a \$750 lifetime limit on orthodontic services. This plan is also underwritten by Metropolitan.

Under Dental, a prepaid plan underwritten by Blue Cross of New York, Bankers Trust and employees share a cost of \$206 for individual coverage and \$299 for a family plan, said Ms. Avery. Employees also pay a 50% copayment on orthodontic services.

In addition to medical and dental coverage, employees can purchase anywhere from one-half to five times their annual salary in life insurance under the plan.

However, the company provides employees with enough benefit dollars to purchase the same amount of coverage they had before the flexible plan was instituted, said Ms. Avery.

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Mercer-MPA, Fraser merge operations

William M. Mercer-Meidinger Inc.'s London-based actuarial consulting firm, William M. Mercer-MPA Ltd., has merged with Duncan C. Fraser & Co.—also a London-based actuarial consultant—to form William M. Mercer Fraser Ltd.

The merger, effective this month, increases Mercer-Meidinger's total actuarial staff to about 514 from 450, said Diljit S. Juneja, president of Mercer-Meidinger.

Terms of the merger transaction were not made public.

The new company will have 1,000 employees, including 90 actuaries, with offices in 23 cities in the United Kingdom, said Mr. Juneja.

"Duncan C. Fraser is one of the three major actuarial consulting firms in the United Kingdom, so the company is bringing strong actuarial capabilities to Mercer-Meidinger," said Mr. Juneja.

Mr. Juneja could not reveal projected revenues of the new company, but Duncan C. Fraser reported 1985 revenues of about \$15 million, he said. Mercer-MPA reported 1985 revenues of about \$21 million.

Peter Coster, executive vp of Mercer-Meidinger Inc. and chairman and chief executive of Mercer-MPA, is now chairman and chief executive of the new company.

And, Peter E. Felton, who was senior partner of Duncan C. Fraser, is now deputy chairman of the new company. He is in charge of U.K. operations.

"We are very pleased with this merger because a number of major actuarial firms have joined us. This is an endorsement of our commitment to strengthen our capabilities in the United Kingdom and Europe," said Mr. Juneja.

Mercer-MPA and Duncan Fraser will maintain their separate offices in London for the time being, the spokeswoman said. However, offices the two companies have in the same European cities may eventually be consolidated, the spokeswoman added.

Financial guarantee

Continental Insurance Co. has formed a new underwriting management company to administer the insurer's bond, credit and financial guarantee products.

Continental Guaranty & Credit Corp. "offers a broad product including contract and miscellaneous surety coverage and commercial and financial fidelity coverage," said Beverly B. Wadsworth, president of the new company.

The company is made up of three units specializing in surety and fidelity bonds, financial risk and credit insurance, Ms. Wadsworth explained.

Through the credit unit, the company offers credit insurance for short-term trade receivables, guaranteeing payment to a manufacturer on accounts receivable.

The financial risk unit offers commercial, consumer and municipal entities industrial development bonds, insurance on limited partnership investor notes and municipal lease insurance.

In addition, the company offers financial guaranty coverage for educational loans, said Ms. Wadsworth.

"This is a fairly new product," said Ms. Wadsworth.

A bond unit offers various surety bonds to guarantee performance of construction contracts and fidelity bonds for commercial and financial enterprises to protect against fraud and larceny perils, she said.

Along with Ms. Wadsworth, other officers of the company are:

markets

Wayne H. Fisher, chairman; Michael J. Beernaert, executive vp of the surety and fidelity bonds unit; Clifton J. Brown, senior vp of the financial risk unit; and Stephen L. Taylor, senior vp of the credit insurance unit.

Combined gross revenues of the units are expected to be more than \$100 million in 1986, said Ms. Wadsworth.

Mergers/acquisitions

ABI Management Inc., an insurance brokerage based in San Francisco, has acquired **Patrick C. Ross Associates** of Woodland Hills, Calif.

In Denver, **First Security Insurance Agency Inc.** has merged with **Rollins Burdick Hunter of Colorado Inc.**

The insurance agency **Jay Adams & Associates Inc.** of Daytona Beach, Fla., has merged with Richmond, Va.-based **Hilb, Rogal & Hamilton Co.**

Alexander & Alexander Inc. has acquired **Association Underwriters of America Inc.** and **S.Z. Goodstein & Co. Inc.**, both of Fort Washington, Pa.

Name changes

INSTECH Inc., a subsidiary of Security Savings & Loan Assn., has

changed its name to **Security Insurance & Financial Services Inc.** The insurance agency, which offers commercial and personal lines coverage and and risk management consulting services, is located at 450 N. Sunny Slope Road, Suite 170, Brookfield, Wis. 53008-0954; 414-785-9490.

The law firm of **Kroll, Tract, Pomerantz & Cameron** has changed its name to **Kroll, Tract, Harnett, Pomerantz & Cameron** with the addition of former New York Insurance superintendent Thomas A. Harnett to the partnership. The firms is located at 500 Fifth Ave., New York, N.Y. 10110; 212-921-9100.

T/N Broker Resources Inc. has changed its name to **Broker Resources Inc.** The insurance broker's office is located at 839 N. Jef-

erson St., Milwaukee, Wis. 53202; 800-472-9002; in Wisconsin, 414-271-7717.

New offices

The Ministry of Finance Insurance Department of the Bahamas has relocated to Parliament Building, Top Floor, Rawson Square, P.O. Box N 3017, Nassau, N.P., The Bahamas; 809-328-1068.

The Simkiss Agency Inc., Frankenfield & Co. Inc. and Risk Management Systems & Services Inc. have relocated to St. Davids Center, 150 Radnor-Chester Road, St. Davids, Pa. 19087; 215-254-5000.

The Insurance Information Institute has relocated to 10 S. Riverside Plaza, Suite 1620, Chicago, Ill. 60606; 312-902-1799.

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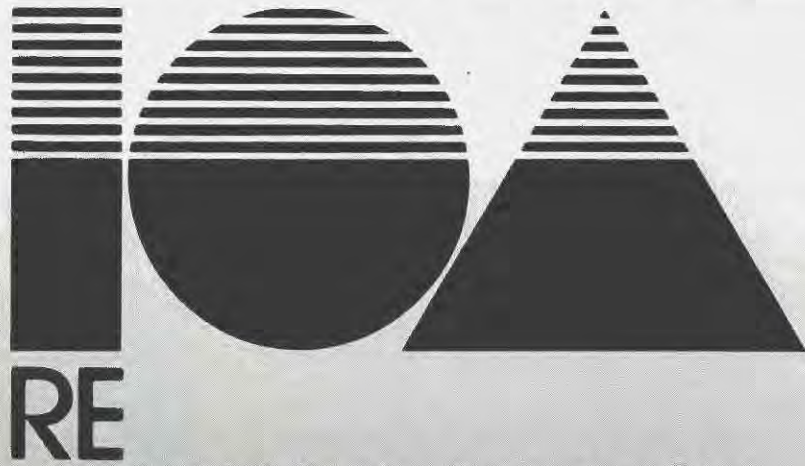
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comings & goings: buyers

Ryder System appoints risk management director

W. Michael McDonald, 42, has been named director-risk management at Ryder System Inc. in Miami. In this newly created position, Mr. McDonald will oversee operations of the recently reorganized corporate risk management department and will report to Terry M. Ashwill, senior vp and controller. Prior to joining Ryder, Mr. McDonald was risk manager-foreign administration at United Technologies Corp. in Hartford, Conn. He holds a bachelor of arts degree in economics from North Carolina State University in Raleigh. In addition, through his affiliation with the Risk & Insurance Management Society Inc., Mr. McDonald is chairman of RIMS' International Cooperation Committee; president of the Connecticut Valley Chapter of RIMS; co-chairman for the Association Europeenne des Assures de L'Industrie/RIMS International Risk Management Conference; chairman for the RIMS Asia/Pacific International Risk Management Conference; executive vp of the International Federation of Risk & Insurance Management Association (IFRIMA); a member of the Machinery and Allied Products Risk Management Council (MAPI). He holds the Associate in Risk Management designation.

Also joining Ryder's corporate risk management department is **Mary E. Ging**, 26, who has been named financial consultant-risk management. In this newly created position, she will be responsible for the financial analysis of Ryder's property/casualty insurance and will report to Mr. McDonald. Prior to this appointment, Ms. Ging was senior financial analyst for Ryder

Truck Rental Inc., Ryder System's vehicle leasing and services subsidiary. She holds a bachelor of arts degree in economics and a master of business administration in finance from Vanderbilt University in Nashville, Tenn.

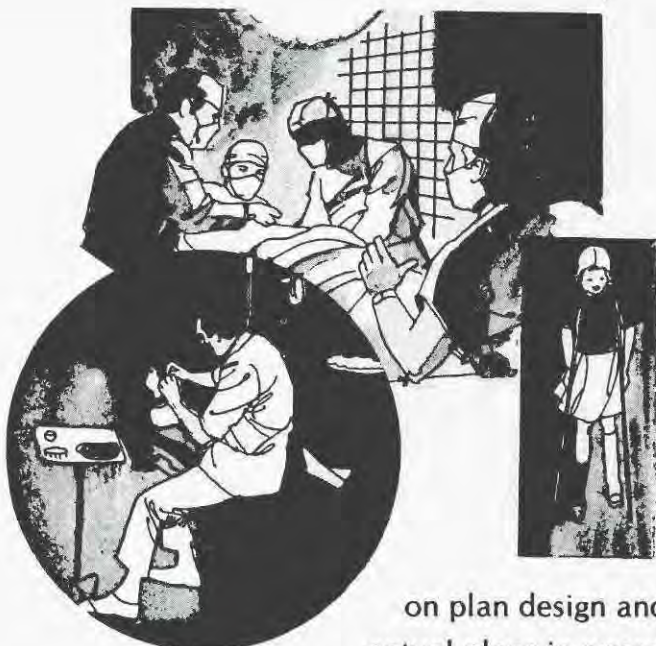
Albert G. Dege, 59, has been named risk manager-special projects at Ryder System. In this newly created position he will report to and assist the director of corporate risk management with special insurance and risk-related projects, such as development of a workers compensation claims administration system and feasibility studies of offshore captive insurers. Mr. Dege was director of corporate insurance before this appointment and has been with Ryder for 16 years. He holds a bachelor of arts degree in journalism from Fairleigh Dickinson University in Rutherford, N.J., and is a deputy member of the Risk & Insurance Management Society.

Richard Cote, 43, has been named corporate risk manager at Ryder System. In this newly created position, he will be responsible for the company's risk management program, including property/casualty insurance, and will report to Mr. McDonald. Mr. Cote, who joined subsidiary Ryder Truck Rental Inc.'s insurance department in 1976, was corporate insurance manager at Ryder System before this appointment. Prior to joining Ryder, Mr. Cote was assistant vp-underwriting at General Insurance Co. in Miami. He received a bachelor of science degree in business administration from the University of Miami in Coral Gables, Fla. Mr. Cote is vp of the Florida Chapter of the Risk & Insurance Management Society.

Susan L. Drake, 34, has been named manager-workers compensation at Ryder System. In this new position, she will be in charge of nationwide claims management and will report to Mr. McDonald. Prior to joining Ryder, Ms. Drake was a consultant in new product research and design at Erisco Inc. in New York.

Lawrence E. Wiesen, 41, has been named executive vp-human resources at Fireman's Fund Insurance Cos. in Novato, Calif. In this new position, he will be responsible for employee benefits as well as recruitment, compensation, employee training and development, employee relations and the Fireman's Fund Credit Union. Mr. Wiesen, who joined Fireman's Fund as senior vp in 1985, will report to William M. McCormick, chairman and chief executive officer. Prior to joining the insurance company, Mr. Wiesen was senior vp at American Express Travel Related Services Co. in New York. Mr. Wiesen holds a bachelor of science degree in psychology from Cornell University in Ithaca, N.Y., and master of science and doctorate degrees in organizational psychology from Case Western Reserve University in Cleveland. In addition, he received a master of business administration degree from New York University in New York City. He is a member of the American Psychological Assn., the American Society for Training and Development and the American Society for Personnel Administration.

J. David Baird, 48, has been
Continued on next page



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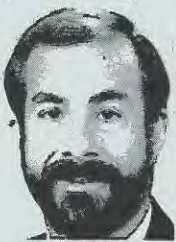
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named corporate vp-financial services at Tracor Inc. in Austin, Texas. In this newly created position, he will have corporatewide responsibilities in the area of risk management, including property/casualty and employee benefits insurance, as well as bank relations, loan administration and cash management. He will report to Jim A. Smith, vp, treasurer and chief financial officer. Mr. Baird, who prior to this appointment was director of financial services, joined Tracor in 1968 as corporate insurance manager. Tracor produces technological products and services, including sonar, military telecommunications and electromechanical components. Mr. Baird received a bachelor of business administration degree from the University of Texas at Austin. He is a member of the National Assn. of Accountants, a board member and treasurer of the Texas Self-Insurance Assn. and holds the Chartered Property Casualty Underwriter designation.



Mr. Baird

Garry A. Pew, 41, has been appointed director of risk management and assistant treasurer at Pacific Lighting Corp. in Los Angeles. Formerly director of insurance for Lear Siegler Inc., Mr. Pew will be responsible for Pacific Lighting's risk management functions, including property/casualty insurance, and will report to Peter C. Brockett, vp and treasurer. Pacific Lighting is involved, through its subsidiaries, in natural gas distribution, oil and gas exploration and land development. Mr. Pew received a bachelor of science degree in business administration and finance from California State University in Los Angeles. Mr. Pew is a deputy member of the Risk & Insurance Management Society, a member of the Insurance Arbitration Forum, American Arbitration Assn. and is a Chartered Property Casualty Underwriter.



Mr. Pew

James Kroviak, 36, has been named vp-strategic development for Dillingham Corp. in San Francisco. In this position, he will be responsible for coordination with senior officers in the development, analysis and evaluation of strategic alternatives for the general, commercial and industrial construction company. Prior to this appointment, Mr. Kroviak was director of risk management and assistant treasurer for the corporation. Mr. Kroviak will continue to manage the risk management and insurance functions for Dillingham and will report to J. Joseph Casey, president and chief executive officer. Prior to joining Dillingham in 1982, Mr. Kroviak was director of insurance at Sunbeam Corp. and Greyhound Corp. He holds a bachelor of science in business from Ohio State University in Columbus, and a master of business administration from Arizona State University in Tempe. In addition, Mr. Kroviak is a deputy member of the Risk & Insurance Management Society and a Chartered Property Casualty Underwriter.

Ted L. Young, 26, has been named corporate risk manager for Cox Enterprises Inc. in Atlanta. In this newly created position he will administer the company's risk management program, including loss control and safety programs,

claims settlement and insurance contract negotiation. Mr. Young will report to Raymond J. Tucker, vp and assistant secretary for Cox Enterprises. Prior to joining the diversified communications company, which is involved in newspaper publishing, television, radio and cable broadcasting and auto auctions, Mr. Young was manager of benefits and insurance for Piedmont Natural Gas Co. in Charlotte, N.C. Mr. Young received a bachelor of business administration degree in risk management and insurance from the University of Georgia in Athens and is a local director of the Atlanta Chapter of the Risk & Insurance Management Society Inc.

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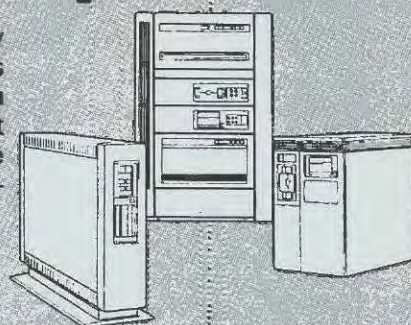
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london line

Former Halford officers forming new brokerage

By STACY SHAPIRO

LONDON—A major management shakeup has occurred at Halford Shead & Co. Ltd., the leading specie and jeweler's block insurance broker and an Alexander Howden Ltd. subsidiary.

Co-chairmen John Evans and Brian Hough, along with six other executives, have left Halford Shead to form another specie and jeweler's block specialist broker. The new firm, Hartley, Cooper Associates Ltd., will be a subsidiary of Lloyd's of London broker Gibbs Hartley Cooper Ltd.

Mr. Evans and Mr. Hough will be the main directors of the new company, but their titles have not yet been decided.

Mr. Evans, who has been with Halford Shead for 24 years, said he left because he had "philosophical differences" with Howden over how the brokerage should be run, but he would not elaborate.

Taking over as chairman of Halford Shead will be Dick Drain, who also will remain as chairman of the North American casualty, non-marine and political risks division of Howden. In addition, Jim Clark, former senior director of jeweler's block business at Minet Holdings P.L.C., will be managing director.

"We expect to continue to recruit people of the highest professional standing" at Halford Shead, Mr. Drain said.

Halford Shead will continue to be operated as a separate specialist company as it always has, said Mr. Drain, "maintaining its enviable reputation as the leader in the jeweler's block business."

D&O facility line slip

LONDON—Insurance brokers are still looking for the last 20% of coverage for a financial institutions' directors and officers liability insurance facility.

So far, about 80% of the line slip has been completed and is expected to be led by Lloyd's underwriting

agency Merrett Syndicates Ltd. and non-Lloyd's underwriting agency H.S. Weavers (Underwriting) Agencies Ltd., said James Anderson, director of Lloyd's broker Stewart Wrightson North America.

When completed, it will be called the Maxi-financial Institution Line Slip with a limit of \$10 million, he said. Already, there is a \$1 million Mini-financial Institution Line Slip that expires July 1, of which Stewart Wrightson is the sole administrator, he said.

However, since Weavers has stopped writing new business until July and Merrett has cut back, it is unlikely that orders could be placed with the new facility at the present time, even if the coverage is found.

The need for a financial institution insurance facility arose last year when financial institutions were excluded from a London market D&O insurance facility with \$10 million per-risk capacity. The new facility could be an adjunct to this market D&O facility, Mr. Anderson says.

The market facility, which renewed April 1, still does not include financial institutions. This line slip is 100% complete, subject to reinsurance, said Alan Milsom of Willis Faber P.L.C., chairman of the brokers committee.

Six brokers, and not three as previously reported (BI, May 5) have access to the market facility and attend weekly meetings at Willis Faber to discuss its status. The brokers are Willis Faber, Stewart Wrightson, Minet Holdings P.L.C., J. Besso & Co. Ltd., C.T. Bowring & Co. Ltd. and Sedgwick Group P.L.C.

Merrett recovering

The financial picture is brightening at Lloyd's of London underwriting agency group Merrett Holdings P.L.C., which is recovering from last year's 50% decline in profits.

This year, Merrett will have a profit of 4.5 million pounds (approximately \$6.93 million), up from 3.3 million pounds (\$5.1 million) in 1984, predicts Chairman Stephen Merrett.

The acquisition of Pulbrook Underwriting Management and Anton Group are expected to make a "healthy contribution" to that profit, Mr. Merrett said (BI, May 5).

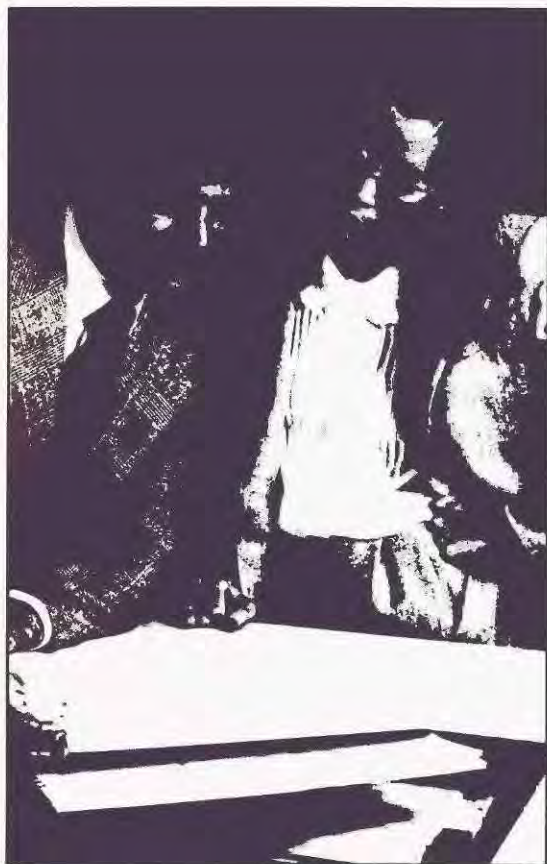
Mr. Merrett made this forecast as he announced last year's poor results. He had warned last year that profits would drop by 50% due to the sharp decline in commissions earned on the 1982 underwriting accounts of the group's managed syndicates.

In fact, Merrett announced profits for the year ending Dec. 31, 1985, were 1.8 million pounds (\$2.8 million), down from 3.3 million pounds (\$5.1 million) in 1984.

This year, however, there is a "return to very satisfactory levels of profits" for the marine and aviation accounts of 1983, which are closing this year under Lloyd's three-year accounting system, he said.

Merrett continues to be one of the leading agency groups at Lloyd's, managing syndicates with more than 8,000 Lloyd's members and capacity of 422 million pounds (\$649.9 million).

Further acquisitions are being investigated, and may include companies other than Lloyd's underwriting agencies "to reduce the sensitivity of its results to the underwriting cycles," he said.



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National Council of Self-Insurers meeting

Work comp self-insurance under attack

By CAROL CAIN

SAN FRANCISCO—The new president of the National Council of Self-Insurers is positioning himself and the NCSI to do battle anywhere in the country to defend the concept of self-insuring workers compensation risks.

"We have to preserve that privilege... which comes under attack many times and from many places," said Richard D. Schafstall, director of safety and environmental health for The Cincinnati Gas & Electric Co.

Mr. Schafstall was elected president of the NCSI during its annual meeting held last month in San Francisco. Mr. Schafstall also is president of the Ohio Self-Insurers Assn.

"Each of us in our individual

Cut carefully, lawyer tells reformists

By CAROL CAIN

SAN FRANCISCO—Drafters of workers compensation reform too often concentrate on "meat ax" measures and the result, generally, is not successful, an expert says.

"If you want to accomplish anything, you really need to talk to the other side," says John H. Lewis, a Florida lawyer who has been called in by various businesses, labor groups and state legislatures to study or help draft workers comp reform programs.

Workers compensation reform is ideally a 2-to-2½-year, well thought-out process that relies on

communication and education to work, he told last month's annual meeting of the National Council of Self-Insurers.

"My version of reform is not the meat ax approach: Let's cut benefits, let's get all the lawyers out of the system, let's bash the doctors, let's jump on the carriers," said Mr. Lewis, who in recent years has worked in several states, including Pennsylvania, Massachusetts, Hawaii, Alaska, Kentucky and California.

Communication among the parties is where the process begins, he said, adding that communication is also vital in working with legislators.

"Very few legislators understand workers compensation. They need that education," he said.

"Where does that put self-insurers? In some instances, that ought to put self-insurers out in front," said Mr. Lewis. Self-insurers probably have more workers compensation knowledge and more multistate knowledge than others in the workers compensation arena, he said.

"But self-insurers haven't been out there... You've got that information, why aren't you out there?" he said, referring to state lobbying efforts and special state workers compensation task forces or study groups.

And, employers need to talk among themselves in a reform effort.

Continued on next page

states are constantly having that privilege picked away," Mr. Schafstall said.

In recent years, several states have increased the security requirements of employers that want to self-insure their workers compensation risks. And various state courts, in their interpretation of work comp statutes, have eroded some aspects of self-insurance.

Members of the NCSI have testified both at state and federal levels when legislators propose changes in workers compensation laws, and Mr. Schafstall believes they will be called upon to do so in the coming year.

In addition to Mr. Schafstall, other members elected to the NCSI's Executive Committee in-

clude: Vp Robert McCallister, corporate manager of workers compensation for Crown Zellerbach

Corp., Vancouver, Wash.; Treasurer Richard J. Boehm, manager of field personnel operations for ASARCO Inc., New York; and Secretary Phil DeRousseau, executive secretary of the Washington Self-Insurers Assn.

The NCSI represents employers that self-insure their workers compensation risks. The 41-year-old organization has more than 250 cor-

porate, professional and association members throughout the United States.

There are 24 state associations and 24 employers represented on the NCSI's board of managers.

States that have associations with representation on the board of managers are: Arizona, Arkansas, California, Florida, Georgia, Illinois, Indiana, Kentucky, Louisiana, Maine, Massachusetts, Maryland, Michigan, Montana, Nevada, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Utah and Washington.

The employers with representation on the board of managers include: Aluminum Co. of America, ASARCO Inc., AT&T Technologies

Inc., Bethlehem Steel Corp., The Boeing Co., Caterpillar Tractor Co., Chesebrough-Pond's Inc., Chrysler Corp., Container Corp. of America, Crown Zellerbach Corp., E.I. duPont de Nemours & Co., General Motors Corp., Georgia-Pacific Corp., K mart Corp., Procter & Gamble Co., Roadway Services Inc., Shell Oil Co., Southern California Edison Co., The Trans-Lease Group, Union Oil Co. of California, U.S. Steel Co., Westinghouse Electric Co., Weyerhaeuser Co. and Yellow Freight System Inc.

Additional information about the NCSI and its programs is available from its executive director, Douglas F. Stevenson, 10 South Riverside Plaza, Suite 1530, Chicago, Ill., 60606; 312-454-5110.



Mr. Schafstall



Mr. McCallister



Mr. Lewis

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'Have you hugged your surety lately?'

SAN FRANCISCO—Workers compensation self-insurers that have been able to obtain or keep their surety bonds in the current tight market might want to do more than just thank their insurer.

"Have you hugged your surety lately?" joked Lloyd Provost, president of the Surety Assn. of America. He put the question to employers while he was describing the surety bond market at the National Council of Self-Insurers' annual meeting last month in San Francisco.



Mr. Provost

Most states require employers that self-insure workers comp risks to file bonds or some other security, Mr. Provost said.

Other types of securities include cash, depositor's security, escrow deposits or irrevocable letters of credit, he said.

The tightening surety bond mar-

ket is making it expensive to self-insure, and rates for this type of financial guarantee insurance are not expected to drop soon, said Mr. Provost, who explained that the SAA files advisory rates in each state, as well as keeps statistical information.

"Our rates are not developed actuarially. . . . They are market-driven, and there's a good deal of competition," he said, stressing that the market is "very thin" and made up of the large property/casualty insurers.

"The market for these bonds is not going to get any better in the immediate future. Rates will go up," Mr. Provost said.

"Some of you (self-insurers) may be asked to post all or partial collateral for your surety," Mr. Provost said.

"Some, or all of you, may be asked to fund all or part of your outstanding claims in escrow accounts."

And he added: "Those of you who have bonds right now. . . . Have you hugged your surety lately?"

Work comp reform

Continued from previous page
fort, Mr. Lewis said.

"Before you go public, think about what issues are really important to you," he said. "I hear a lot about 'wish lists,' 'our side vs. their side'; I'm not so sure how healthy that is in the long run," Mr. Lewis said.

Instead, he advises employers to search out what really are the important changes to be made and concentrate on them.

And part of that process is to research and prove that the changes will be for the better.

"In most fights I've been in, the best defense is to have data: facts and information," Mr. Lewis said.

Finally, once work comp reform is secured from a state legislature, the next step is to make it work, not go back for more, he noted.

"Legislators don't like to deal with workers compensation every year. You have to know when to quit. . . . You have to say 'it's over and now let's make it work,'" Mr. Lewis said.

Even after legislation is passed, there is a tendency to go back to the old way of doing things, Mr. Lewis said.

"You have to do a follow-up. . . . You have to monitor the system."

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Pooling conference

Keep tabs on pool planning, experts say

By MEG FLETCHER

HOUSTON—Public entity risk managers considering forming an insurance pool should take steps to maintain control of both the planning and implementation process, experts say.

It normally takes eight to 15 months to conduct a study that determines interest and feasibility and refines the pool design to implement the pool, said Michael Kaddatz, a principal with the risk management consulting firm of Advanced Risk Management Techniques in Laguna Hills, Calif.

Mr. Kaddatz was one of several speakers at an intergovernmental risk-sharing conference May 1-2 in Houston sponsored by The Joseph Ivy Co., an Austin, Texas-based independent risk and insurance management consulting firm.

Although Mr. Kaddatz said he established one pool in just eight weeks, he has heard of pooling projects that fell apart because the studies moved too quickly and overlooked important details.

However, one shortcut prospective pool participants may want to consider is whether a formal feasibility study is essential for public officials, or whether a simpler survey could be used. Public officials sometimes need a formal study as a "security blanket" and to help get other officials to approve the plan, he said.

Regardless of which approach is used, pool planners should consider their deadlines and the types of coverage they want to pool, including property, liability, workers compensation and employee health and life insurance.

Including employee benefits in a pool "is a very difficult problem" that can often derail a pool because benefits offered by public entities tend to vary.

To pool benefits, it is important they be uniform, perhaps with some options, Mr. Kaddatz said.

Pool planners also need to decide whether they will require the assistance of consultants, brokers and staff members or some combination of the above.

If a consultant is used to explore a pool's feasibility, a steering committee should be designated to work with the consultant.

As questions emerge, the consultant should discuss the advantages and disadvantages of different alternatives and let steering committee members decide which option to choose.

That approach will help build support for the pooling program and help guarantee that the feasibility study is responsive to pool planners and not a consultant-dictated "plastic" report, Mr. Kaddatz said.

The steps in the feasibility study include surveying potential participants both in writing and personally, tabulating data, studying legal and organizational options and projecting costs for losses, claims handling, loss control, general and administrative costs and excess insurance.

The study also should consider how to allocate costs among participants, which "must be a compromise between equity and simplicity," Mr. Kaddatz urged.

Determining how losses should be shared is the biggest problem, Mr. Kaddatz pointed out, because most public entities want to share as little as possible in another mem-

ber's losses.

Different types of public entities, like schools and fire districts, can participate in the same pool as long as all members perceive the cost allocation plan as fair, Mr. Kaddatz said.

Finally, a feasibility study should determine when payments and adjustments should be made, summarized in a written report or series of exhibits that planners can then discuss.

Once a pool is considered feasible, it should be structured carefully so that "form follows function" and the pool's structure reflects, among other things, its purpose and relationship to the sponsoring organization, Elizabeth D. "Sue" Puddington, executive direc-

tor of the New Hampshire School Boards Insurance Trust, said in another session.

She urged public entities to become actively involved with the pool-structuring process so they have an early awareness of the practicality and tradeoffs within it.

That is much better than hiring a consultant or broker to structure the program, hire service personnel like claims administrators and then present the completed pool to the sponsoring organizations, Ms. Puddington said.

Options for providing pool services include using or developing internal staff and other resources, contracting for continuing services from external sources or coordinating for joint responsibility be-

tween both internal and external sources.

Criteria for organizing services include cost, control, capability and the possibility for change as the pool program matures, Ms. Puddington said.

Factors to be considered in choosing the structure include: size of the initial and potential group; availability of expertise and time to perform necessary planning, organizing, directing and control functions; whether the staff is internal or administration is purchased through contracts with consultants, brokers and service providers; the pool's geographic area; and existing competition.

A pool-sponsoring organization should aim for at least a moderate

degree of involvement in pool management, she said.

The advantages of even moderate involvement include increased control over marketing and finances, control over reserves and investment income, an ability to focus on necessary services and an ability to link costs directly to amounts of services, Ms. Puddington explained.

With low involvement in pool management, there is "little or no control over services, finances, reserves or data," she said.

"Financial control is the key," Ms. Puddington said.

The disadvantages to this approach are the staff time needed to monitor service providers, finances and contract administration.



Mr. Kaddatz

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Pools should be run like tight ship: Expert

By MEG FLETCHER

HOUSTON—The administration of self-insurance pools must be carefully organized and tended if pools are to remain financially solvent alternatives to commercial insurance, experts say.

A pool cannot be a charity, but instead must be a "tightly run, well-managed business enterprise," said Bill Martin, president of The Joseph Ivy Co., an independent consultant based in Austin, Texas.

He was speaking at a Joseph Ivy-sponsored conference on intergovernmental risk-sharing pools, which was held May 1-2 in Houston.

However, pools are different from commercial insurance companies because they are service-rather than profit-motivated, although they want to be financially

solvent, said Eugene F. Berrodin, director of insurance services for the Michigan Municipal League's pooling operation.

In addition, public entity pools have a limited clientele, are more carefully controlled and should provide better communications than commercial insurers, Mr. Berrodin said.

For a pool to operate well, it is important that the pool's board be able to provide a "broad perspective."

The mix should include officials and administrators with backgrounds in a variety of disciplines like accounting, law and investments, as well as women and minorities, Mr. Martin said.

In addition, it is important that board members understand their legal and fiduciary responsibilities,

said Shannon Ratliff, a partner with the Austin-based law firm of McGinnis, Lochridge & Kilgore.

A pool trustee must act prudently and for the sole benefit of the pool itself, even if the decision adversely affects the public agency that employs him or that he was elected to represent, he said.

Also, under Texas law, a board member can be held liable for actions of the board taken during a meeting he did not attend unless he finds out what occurred and files a written dissent, Mr. Ratliff said.

A good pool needs to be operated through a strong structure of committees including, for example, executive, underwriting, finance, budget/audit, nominating and legislative liaison committees, said Francis J. Fey, a Joseph Ivy vp.

The board members and their

staff aides need to be concerned about the short- and long-term goals and objectives of the pool, said Mr. Fey.

"I can't emphasize this enough," he said.

Long-term planning is usually where pools fall apart, he added. Mr. Fey suggested holding an annual strategic planning retreat to help develop agreement about the pool's mission, service and strategy for marketing.

A consensus about the pool's objectives is especially important because pools operate in "a glass bowl" due to laws that require public entities to hold most meetings in public, Mr. Martin said.

"At any time you can be called on to demonstrate how you made a decision," he explained.

In keeping with the openness of pool operations, most pools keep their members and state insurance officials well-informed about the pools' activities, even if the officials do not regulate the pools as such.

Experts suggest that is a good practice anyway, because it reduces the impact of misinformation critics may promulgate and creates a positive history that can blunt criticism from opponents.

"We take our best shots and they take their best shots," said Mr. Berrodin. It is up to the buyer to decide.

Once a pool is operating, it is important to assess its effectiveness on

a regular basis, evaluate the performance of service providers, assess its equity, financial stability and soundness, said C.C. "Bud" Griffin, chairman and chief executive officer of risk management consultant Warren, McVeigh & Griffin Inc. in Newport Beach, Calif.

The frequency with which audits should be performed depends upon many factors, although many experts suggest annual financial audits.

Frank E. James, general manager of the Sonoma, Calif.-based Redwood Empire Municipal Insurance Fund, recommends pools conduct both an annual claims and actuarial audit.

Although financial audits are sometimes seen as a necessary evil, the process can be a healthy experience if the pool has appropriate financial controls in areas like claims handling, internal financial procedures and accounting and investment procedures, experts say.

In formulating investment policy, state laws and client attitudes create the framework for the type of investments that can be made, said Paul H. Weyrauch, a financial consultant who is the retired vp and treasurer of Gulf Oil Corp.

The objective of portfolio management is to maximize total financial return, he said.

"Too often, failure of a board to be interested in or have knowledge of what portfolio management really involves almost invariably results in setting extremely tight guidelines, thereby constraining the manager in his ability to raise yield by basing his investments on informed market judgments," he said.



Mr. Fey

Challenge #101

"Another company's recent disaster has prompted our client to require immediate coverage for Aviation Accidental Death Insurance on crews going to and from — and working on — offshore oil rigs. What do you say?"



We responded with a competitive same-day quote for this major oil company for its offshore rig crews throughout the world. The policy was written — Sum Insured: 2 times salary.

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Challenge #37

"My client says that his voice is worth \$50,000 a month to him. What do you say?"



We said "Fine," and responded with a same-day competitive quote on an Individual Disability Income policy including Loss of Voice coverage for this noted New York radio/TV broadcaster. The policy was written for a 5-year Term including a 5-year Indemnity Period, a 90-day Elimination Period and a \$50,000 per month Benefit.

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Challenge #117

"My client's off to do a photo essay on rebel forces in one of those Central American hotspots and needs AD&D including War Risk. Help!"



Adding urgency to it all was the fact that the photographer was leaving within days. We provided our usual same-day competitive quote, which was accepted. The policy covered him for \$100,000 AD&D including War Risk; Term: 1 month. Unfortunately the man was killed in crossfire between the combatants.

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Pooling entities told to be wary of problems

By MEG FLETCHER

HOUSTON—Public entities, which are scurrying to establish insurance pools or forming new ones because commercial protection is scarce, should be wary of potential problems with some pooling arrangements, experts say.

Their comments were culled from presentations at a conference on intergovernmental risk sharing pools, which was sponsored May 1-2 in Houston by The Joseph Ivy Co., an Austin, Texas-based independent consulting firm.

Some large pools have been "very foolish" in not having their tax-exempt status affirmed by an Internal Revenue Service private letter ruling, said Bill Martin, president of Joseph Ivy.

Although it is logical to think that a pool of tax-exempt entities would automatically be exempt from taxes, the IRS does not view it that way, Mr. Martin said.

Without an affirmed tax-exempt status, a pool faces the possibility that the IRS could require it to pay taxes on the accumulated premiums that exceed expenses and allowable reserves, said Henry G. Zapruder, a tax specialist and partner with the Washington, D.C.-based firm of Morgan, Lewis and Bockius.

The Texas Municipal League, which is the largest intergovernmental self-insurance pool in the United States, was the first to have its tax-exempt status affirmed under Section 115 of the IRS code, Mr. Martin said. Prior to his current position, Mr. Martin was the chief executive officer of the TML's self-insurance pool.

The Michigan Municipal League's pool, and some others, have also received similar letter rulings, he said.

TML has blazed what is now a "well-plowed" path to tax-exempt status that takes about four months to get, Mr. Zapruder said. The cost of doing so consists of legal and accounting fees, he said.

To avoid other tax problems, pools should operate "at arm's length" from non-governmental associations that may sponsor them, Mr. Zapruder said. Potential tax problems could stem from a sponsoring municipal organization using a pool's office space or its equipment, he said.

However, a league could probably lease office equipment to a pool, if the rates are comparable with the commercial rental market.

In responding to questions, Mr. Zapruder said he was not concerned by the potential tax consequences of a pooling organization's workers compensation pool loaning money to its liability pool, even if the public entities belonging to the respective pools are different.

He also said that investment income could probably be used for a common reserve, rather than having to allocate it on a pro rata basis.

However, there could be a problem if the pooling program was structured so that a broker receives 20% of any leftover income without providing any additional service, Mr. Zapruder said.

Tax reform proposals that could result in taxing the insurance in-

dustry bear watching, because they may also affect pools and require them to pay tax, he warned.

The National Assn. of Insurance Commissioners' model pooling bill also inhibits the development of self-insured pools, said Tony Koriath, TML's general counsel and lobbyist for its insurance funds.

He urged pool officials not to be hostile to opposing interest groups, but to jointly find ways to work with them, or around them.

Pools should also use the power that comes from large assets generated by premiums and reserves, he said. The TML has its funds deposited in about 100 banks. As a result, when the TML is having problems with a recalcitrant legislator, it can often arrange to have a bank official in that legislator's area call

that legislator on TML's behalf.

A pool member's city attorney should not be used to defend cases, advised Frank E. James, general



Mr. James

he said.

The Michigan Municipal League's pooling operation uses one large law firm with four offices across the state to represent the pool, although cases in outlying areas may

be assigned to other local counsel, said Eugene F. Berroddin, the league's director of insurance services.

Mr. Berroddin said he meets monthly with the head of that law firm to check on the status of cases. The league's approach is generating a "wonderful" database on lawsuits and their outcomes, he added.

In addition, Mr. James urges that a pool require that attorneys who defend it—and therefore get to know its priorities and method of operation—agree not to represent



Mr. Berroddin

plaintiffs who sue the pool in the future.

Pools can avoid a lot of legal and administrative headaches if they use good procedures to keep track of the "onslaught" of paper that is part of pool operations, said Francis J. Fey, vp of Joseph Ivy. He previously was responsible for operating the TML's workers' compensation, liability and property self-insurance pool.

Pool administrators especially need to make sure that a pool member signs and returns pooling agreement contracts before a claim occurs, he said. Otherwise, the contract might be returned after a claim has been filed with a change in the deductible limit initiated by the new pool member. "Then it's your word against theirs," Mr. Fey said.

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Travelers offers small firms complete package program

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A new multiple-line insurance package is being offered by Travelers Corp. to companies with 100 to 500 employees.

The Intergreator program provides one-stop shopping for employers for multiperil property/casualty insurance, workers compensation coverage and employee benefits plans, according to Hal Smullen, a director in the corporate accounts department of the Hartford, Conn.-based insurance company.

"It seems to be the general trend these days to market combination or multiline programs," he said.

Through the program, employers can obtain general liability, automobile liability and workers compensation insurance.

In addition, a full employee benefits program—including medical, dental, 401(k) savings plans, wellness programs and utilization review under Travelers' Patient Advocate service—is available.

Underwriting and claims administration is handled jointly by Travelers' employee benefits and property/casualty departments, Mr. Smullen said.

The package, which has been available on a limited "pilot" program since November, will be available on a nationwide basis June 1, he said.

"Our customers view this program as an opportunity to gain additional leverage with the insurance company when they can purchase all of their insurance from one carrier," Mr. Smullen said.

"But, there are a couple of states where the package will not be available, including six monopolistic states," where insurers are prohibited from selling workers compensation coverage, he said.

The Intergreator was created based on a similar plan marketed to companies with more than 500 em-

ployees, Mr. Smullen said. Under the Total Account program, Travelers has offered these services for about 20 years, he said.

Cost containment

In-house claims administrators can check medical costs with Data Management Ventures Inc.'s Fee Facts.

The 61-page report contains the results of a mail survey of prevailing chiropractic and physical therapy fees in all 50 states, according to Stuart L. Perry, vp of the Atlanta-based company.

More than 13,000 chiropractors, osteopaths, orthopedists and physical therapists reported their current fees for 40 separate types of services, including examination procedures, diagnostic procedures such as X-rays and lab tests, treatment procedures and supplies.

Fee Facts is divided into 113 geographic zones, which take into account differences in economic climate and population densities within individual states.

"With Fee Facts, claim administrators will gain the ability to evaluate with confidence claims from any part of the United States, applying their 'usual, reasonable and customary' contractual provisions to effect claim savings," he noted.

Fee facts is published twice yearly and is available on a subscription basis. A \$600 subscription consists of one copy of each semi-annual issue. Additional copies are available for \$14 apiece.

For more information or to obtain a subscription form, contact Stuart L. Perry, Data Management Ventures Inc., P.O. Box 724258, Atlanta, Ga. 30339; 404-438-9193.

PPO adds drug plan

Mutual of Omaha has added nationwide prescription drug insurance program to its "Mutually Preferred" preferred provider organization.

Employees in groups enrolled in Mutual's PPO will be able to purchase medications at more than 5,000 pharmacies across the United States with only a small co-payment, normally between \$2 and \$5 per prescription.

Employees can have any number of prescriptions filled under the program, although the use of generic drugs is encouraged as a cost-containment measure.

Employees can save even more money when buying medications prescribed for longer than 21 days by using the mail-order feature of the program, the firm says.

Nineteen national and regional pharmaceutical chains are participating in the program.

The prescription drug program also is available to companies enrolled in other Mutual of Omaha group insurance programs. There may be an additional charge for non-PPO members, the company says.

For more information, contact Jim Braun, Assistant Vp-Group Insurance, Mutual of Omaha Cos. Mutual of Omaha Plaza, Omaha, Neb. 68175; 402-978-2482.

Work-saving software

Insurance Software Packages Inc. has developed two new software packages for processing workers compensation claims and group health insurance claims.

Continued on next page

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Continued from previous page
the IBM Personal Computer or any compatible system, are designed to streamline the claims administration process, according to A. Allan Machesney, president of the company, which is based in Tampa, Fla.

The workers compensation software package determines a claimant's eligibility, validates payments against state fee schedules, issues checks and tracks a company's self-insured workers compensation reserves.

In addition, the package creates all the major state forms, including the initial notice of injury, interim reporting forms and federal reporting forms.

The group health software package also determines eligibility and issues checks, as well as performing the additional functions of claim adjudication, plan maintenance and answering on-line inquiries.

It pays claims according to plan coverages, limits and deductibles, and accommodates for payments to preferred provider organizations, Mr. Machesney says.

The software also automatically creates letters to policyholders and providers that reject claims or request more information.

The user can modify these form letters by inserting appropriate paragraphs, which are stored in the memory, that explain the reasons for actions taken, explained Mr. Machesney.

The workers compensation package is priced at \$11,895, and the employee benefits software costs \$24,800.

For more information, contact Insurance Software Packages Inc., 5118 N. 56th St., Tampa, Fla. 33610; 1-800-237-8133 or 813-621-6069.

NCCI manual

A two-volume manual that answers many of the typical questions asked by underwriters and agents regarding workers compensation and employers' liability insurance is now available from the National Council on Compensation and Insurance.

"Scopes of Basic Manual Classifications" includes descriptions of the operations and processes contemplated by the industry classifications in the Basic Manual for Workers Compensation and Employers' Liability Insurance, said Joseph Volman, NCCI secretary for underwriting operations.

"With 'Scopes,' we have for the first time, a unique, comprehensive listing of the scope of virtually all basic manual classifications," he said.

"Each listing in 'Scopes' contains the classification phraseologies, including cross-references and footnotes, and distills the classification decisions of the Underwriting Committee and those contained in the NCCI code files into a detailed, yet easily used, classification aid," Mr. Volman added.

Because classification decisions are made throughout the year, NCCI also is offering a semiannual update service for "Scopes."

And, later this year, the council will release supplemental state classification codes.

"Scopes" is available from the NCCI at a cost of \$100 for members and \$125 for non-members. The semiannual update service is available for \$25 to members and \$50 to non-members.

For further information, contact Jane Conlon, NCCI, 750 Park of Commerce Drive, Boca Raton, Fla. 33431; 305-997-4559.

Captive directory

"The 1986 Captive Insurance Company Directory," lists approximately 2,200 single-parent, group and association, credit life and senior captives domiciled throughout the world, according to its publisher, Tillinghast, Nelson & Warren Inc.

ren Inc.

The directory includes the most current information from public records, captive owners, managers, other service providers and confidential sources.

All listings are by captive name, cross-referenced by parent. Also included is a worldwide listing of captive managers detailing number of captives under management, office staff and ownership.

Cost of the 1986 directory is \$80, or \$55 for subscribers of "Captive Insurance Company Reports," also published by Tillinghast.

To order, write Tillinghast, Nelson & Warren Inc., 722 Post Road, Darien, Conn. 06820-4798 or call 203-655-9791.

Annual reports

Annual financial reports and quarterly updates on U.S. domestic non-admitted insurers are now provided on an annual subscription basis from the National Assn. of

Professional Surplus Lines Offices Ltd.

The information, made available through NAPSLO's Quarterly Financial Information Service, consists of a year-end 1985 annual financial report and three 1986 quarterly reports.

The annual financial reports include more than 65 separate ratios and other information reflecting a company's financial performance, cash flow, surplus position, reserving and reinsurance practices.

The quarterly reports provide specific financial information on company income surplus and reserves.

The new service also identifies and explains the 11 NAIC Early Warning Ratios that are contained in the reports.

Cost for the service is \$100 for NAPSLO members and \$250 for non-members.

For more information, contact NAPSLO's Security and Review Coordinator, P.O. Box 1507, Ros-

well, Ga. 30077 or call 404-998-9075.

Substance abuse aid

A new videotape program developed by Du Pont helps companies root out substance abuse problems.

"Substance Abuse: Managing Its Effects on Job Performance" consists of informative "docu-dramas" and expert guidance on how to conduct effective training meetings, according to Du Pont.

"It is a perfect complement to an existing employee assistance program or an effective and practical step toward the development of one," the company says.

The purpose of the program is to improve productivity; reduce medical costs and damage to equipment and property; and improve safety performance, attendance and punctuality.

Separate programs for supervisors and employees detail a five-step program for dealing with substance abuse, a problem Du Pont

says costs American industry \$20 billion annually.

Like other training programs from Du Pont, "Substance Abuse" is based on procedures that have been used at numerous company locations.

The four-hour supervisors' program, which costs \$995, includes three videotapes totaling 62 minutes, plus discussion question and answers.

The one-hour employees' program includes a 38-minute videotape plus discussion Q&As for \$595. If purchased together, both programs are available at a discounted price of \$1190.

Companies can preview the programs for a \$50 fee, which includes shipping and handling and can be applied to the purchase price.

The previews are limited to 48 hours.

For more information, contact Du Pont's Training Services, Barley Mill P19-1210, Wilmington, Del. 19898; 302-992-3620.

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The complexity of today's employee benefit plans can overwhelm existing corporate benefit administration systems.

Designed to perform specific functions, these systems cannot respond to changing requirements for comprehensive management information. Lack of effective interface with payroll, accounting, and third parties can be a drawback. Extensive manual manipulation of data can be another.

Ideally, an administration system should automate the handling of all types of benefit plans. It should be simple to implement, control benefit data, and coordinate precisely with other personnel systems.

The J&H BeneNet Consulting Group now is licensing state-of-the-art benefit administration software that meets these requirements. The system acts as a conduit of benefit information for key departments, third parties, and employees. It automatically processes enrollment and enrollment changes, calculates premiums and deductions, passes information to other systems, and generates benefit confirmation statements.

The system maintains spending accounts, records transactions, and handles disbursements while providing management reports in both on-line and hard-copy form. It also can generate periodic and exception reports.

For more information, call your J&H office or the J&H BeneNet Consulting Group: Tony Polito at (609) 520-2420 or Bill Schneider at (213) 552-8912.

Tasco new Marsh & McLennan chairman

Frank J. Tasco has been elected chairman of Marsh & McLennan Cos. Inc. of New York. Mr. Tasco, 58, had been president of M&M since September 1984. Previously, Mr. Tasco was president of Guy Carpenter & Co. Inc., M&M's reinsurance brokerage intermediary, which he joined in 1954. Mr. Tasco retains his responsibilities as chief executive officer of Marsh & McLennan.

Mr. Tasco succeeds **John M. Regan Jr.**, who remains the chairman of the executive committee until his retirement in June.



Mr. Tasco

A.J.C. Smith succeeds Mr. Tasco as president of M&M. Mr. Smith, 52, had been vice chairman of M&M since September 1984. Mr. Smith, who joined M&M in 1961, was president of M&M's Consulting and Financial Services division prior to this election.

Other agent/broker changes:

William M. LaMorte named director of the international division of Alexander & Alexander Inc. of New York, a subsidiary of Alexander & Alexander Services Inc. Mr. LaMorte previously was man-



Mr. Smith

ager of the reverse foreign brokerage international department at Reed Stenhouse Inc. in New York.

Lynn E. Larsen named president and chief executive officer of Corroon & Black of Ohio Inc., a subsidiary of Corroon & Black Corp. Mr. Larsen previously was executive vp and chief operating officer. Also, **J. Griffin Weld** named executive vp. His responsibilities will include directing production efforts.

Susan Hackley appointed senior vp in the client services division at the Chicago office of New York-based Fred S. James & Co. Inc. Ms. Hackley will be responsible for the administrative management and

daily operations of claims management services. Ms. Hackley joined James in 1983 as vp-claims.

Henry F.G. Wey III named senior vp of Jardine Insurance Brokers Inc. of Boston. Mr. Wey will be responsible for the New England states. He previously was senior vp in the international division of Alexander & Alexander Inc.

Also at Jardine of Boston, **Ellen Clements** named vp and manager of the commercial lines department.

John A. Salaverry named executive vp of Frank B. Hall & Co. Overseas Inc., a subsidiary of Frank B. Hall & Co. Inc. He will be responsible for management and

development of Hall's overseas operations. He previously was a vp for Marsh & McLennan Cos.

Reinsurance

Diane M. Larzelere, Arthur T. Dougherty Jr. and Robert K. Race elected vps of intermediary Cole, Booth, Potter Inc. of Edison, N.J., a subsidiary of Combined International Group.

John J. Pfautz and Thomas C. Burke appointed vps of treaty underwriting for Christiania General Insurance Corp. of New York. Mr. Pfautz previously was an assistant vp for Christiania. Mr. Burke previously was vp of underwriting property and casualty reinsurance business for Constellation Reinsurance Co.

John F. Storey appointed senior vp of Continental Reinsurance Corp., a unit of New York-based Continental Corp. Mr. Storey will be responsible for the domestic and international assumed treaty and facultative reinsurance operations and will be senior officer in charge of worldwide marketing efforts. Mr. Storey most recently was managing director of Continental Re (UK), which last year was integrated with Unionamerica, another Continental subsidiary.

North American Reinsurance Corp. of New York has made several appointments: **Joseph E. Carney** named senior vp-casualty underwriting; **George C. Cartwright** named senior vp in the brokerage and retrocession department, where he retains his duties as director; **William R. Morse** named senior vp-ocean marine; and **Jean F. Webb IV** named senior vp-property underwriting.

Also at North American: **Gary Patrik** named vp-actuary, responsible for managing the actuarial department; and **Dennis J. Stokes** named vp-casualty underwriting.

Other suppliers

Staunton E. Boudreau named vp on the employee benefits consulting staff in the St. Louis office of Atlanta-based Tillinghast, Nelson & Warren Inc. Mr. Boudreau will specialize in international employee benefits consulting. Previously, Mr. Boudreau was manager of international benefits for Monsanto Co.

John W. Baldwin named senior vp and regional executive of the central region for Adjustco Inc. of Tarrytown, N.Y., a unit of Frank B. Hall & Co. Inc. Mr. Baldwin, who will be based in Chicago, will manage operations in 11 states and seven offices. He succeeds **Michael J. Reid**, who has been appointed to the firm's national marketing unit. Mr. Baldwin previously was executive vp of Frank B. Hall & Co. of Illinois.

Joe Luggia named claims manager of Lancer Claims Services in Anaheim, Calif., a subsidiary of The Cal-Surance Group. Mr. Luggia will be responsible for handling professional liability claims.

Excess/surplus

J. Larry Vickery and John D. Richardson named senior vps at The Crump Cos. Inc. of Memphis, Tenn. Mr. Vickery will manage the utility department, which provides underwriting brokerage and risk management services to public and private utility companies. Mr. Richardson retains his duties as manager of the property department of Crump London Underwriters, a subsidiary.

Also at Crump, **Helen G. Easley** named vp. Ms. Easley retains her duties as head of the commercial automobile insurance department of Crump London Underwriters. ■

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Asbestos coverage

Continued from page 2

"We're very pleased with the opinion," said Jerold Oshinsky with the Washington law firm of Anderson Baker Kill & Olick. "It's different verbiage but you get pretty much the same result as Keene."

Abex has no plans to file a petition for a rehearing with the full appeals court, Mr. Oshinsky said.

The Abex case is one of many lawsuits between companies and their insurers over who will pay for the massive defense and indemnification costs associated with asbestos and other toxic tort litigation.

According to the appeals court, the major issue in the Abex case is how to define "occurrence" under comprehensive general liability policies, which in turn would determine the event or events that trigger the insurers' duty to defend and indemnify Abex.

Abex, a manufacturer of brake linings for railroad cars, automobiles, trucks and industrial machinery, is facing more than 200 lawsuits from victims of asbestos-related diseases.

Between 1943 and 1974 Abex was insured by policies issued by Maryland Casualty Co., Travelers Insurance Co., and Liberty Mutual Insurance Co., although Maryland Casualty contests that it ever provided coverage.

These insurers refused to defend or indemnify Abex in all but one asbestos case, according to court papers.

As of late last year, Abex had spent more than \$1.5 million defending and settling cases. Abex contends the 13 policy years at issue in the case provide approximately \$39 million in coverage.

In 1982, Abex brought a declaratory judgment action against the insurers in the U.S. District Court of the District of Columbia, seeking the broad coverage provided under the Keene decision.

In 1985, the district court agreed with Abex, holding that the three insurers must defend and indemnify Abex for asbestos claims in accordance with the Keene ruling. The insurers then appealed.

In its decision, the appellate court said it was obligated to interpret and apply the appropriate state law, which in this case the parties agreed was New York law.

Citing its decision in *Eli Lilly & Co. vs. Home Insurance Co.*, the court said the Keene decision was only relevant insofar as the applicable state court would adopt it (*BI*, June 24, 1985).

And it was clear, the court said, that it should defer to the American Home Product decisions, which interpreted New York law but rejected Keene as well as other coverage theories.

Under the American Home rulings, which involved coverage for suits involving various drugs including the anti-miscarriage drug DES, insurance obligations arise when "real injury" occurs during the policy period, the appellate court said.

"Thus, unlike the approach in Keene, under the injury-in-fact trigger the central issue is when injury actually occurred. Injury need not be manifest, but it must exist in fact," the ruling stated.

Another reason the appeals court said it would follow the American

Home rather than Keene decision is that the American Home decision is "more consistent with our own reading of the insurance contracts than is Keene."

"The plain language of the definition of 'occurrence' used in the CGL policy requires exposure that 'results during the policy period in bodily injury' in order for an insurer to be obligated to indemnify the insured," the court said.

"The unambiguous meaning of these words is that an injury—and not mere exposure—must result during the policy period," the court said.

The court then remanded the case to the district court because there was no evidence in the record of when asbestos-induced injury occurred.

The court said the district court does not have to pinpoint the exact date of injury but only that "injury, sickness or disease" more likely than not occurred during a period of coverage.

"Once the court determines that asbestos exposure causes injury at a particular time and in a particular manner, it may be appropriate to apply these findings to all similar cases," the court added.

"Such an approach would avoid the need for repetitive minitrials on this issue for each of the tort claims against Abex."

On the issue of duty to defend, the court said that under New York law the insurers owed Abex a defense if the underlying tort complaints "permit proof" that injuries occurred during policy periods or the complaints do not exclude the possibility of injury-in-fact during the policy period.

Only if the insurers establish "as a matter of law that there is no possible factual or legal basis on which the insurer might eventually be obligated to indemnify" would they escape their duty to defend Abex, the court said.

It added that the insurers have failed to establish that no coverage is possible as a matter of law.

"Because it is possible for asbestos-induced injuries to occur at any time following initial exposure, the tort complaints against Abex 'permit proof' that the injury-in-fact occurred during the policy periods of all three insurers," the court said.

In other issues, the court also:

- Delayed determining whether Maryland Casualty had a duty to defend or indemnify Abex until the district court determines whether the insurer actually insured Abex under the early policies. Abex has the burden of establishing the existence of the coverage, the court said.

- Remanded to the district court the issue of interpreting, according to New York law, provisions in the Liberty Mutual policies known as "deemer" and "other insurance" clauses that could limit the insurer's duty to indemnify Abex.

Last week, attorneys for insurers in the case said the decision was very significant and marked a retreat from the Keene decision.

These attorneys say the ruling is significant because it came in an asbestos case decided by the same court as the Keene decision—although a different panel—and appears to reject Keene as the trigger of coverage.

Twice in the opinion, the appellate court says Keene is inconsis-

Asbestos producers receive setback.

By STEPHEN TARNOFF

WASHINGTON—The U.S. Supreme Court has dealt asbestos producers another setback in their efforts to force the federal government to pay for asbestos claims brought by shipyard workers.

Last week, the high court let stand a decision by the 1st U.S. Circuit Court of Appeals holding that the federal government could not be held liable for asbestos injuries in its capacities as a shipyard employer and a vessel owner at the Portsmouth Naval Shipyard in Kittery, Maine.

It also let stand a decision by the same appeals court that said a private shipyard, Bath Iron Works, could not be held liable in certain third-party lawsuits brought by asbestos producers.

In the PNS case, various producers sued by shipyard workers brought third-party complaints against the government for alleged negligence in its capacity as the employer and the owner of the shipyard.

The producers also sought contribution or indemnity from the government because of its alleged status as owner of the vessels on which the plaintiffs in the underlying cases worked at the time of their asbestos exposure.

Also, Raymark Industries Inc. and others sought to recover from Bath in its capacity as an employer for alleged shipowner negligence based on the Longshore and Harbor Workers' Compensation Act. However, in two decisions last summer, the ap-

peals court in Boston ruled that the producers could not recover from either PNS or Bath shipyards.

In the PNS cases, the court required that the asbestos producers' third-party claims against the government in its capacity as employer be dismissed.

On the issue of the government as vessel owner, the court also found that the federal government could not be found liable for negligence under the Longshore Act.

In the Raymark case, the court found that the Maine Workers' Compensation Act and the Longshore Act barred recovery for contribution and indemnity by asbestos producers against a compensation-paying employer.

Companies seeking certiorari in the decisions included Raymark, Eagle-Picher Industries Inc., Owens-Illinois Inc., Armstrong World Industries Inc., Fibreboard Corp., Owens-Corning Fiberglas Corp., H.K. Porter Co., Southern Textile Corp. and Celotex Corp.

"It is a very significant decision," said Thomas R. McNaboe, a Raymark attorney with the Portland Maine, firm of Thompson, McNaboe & Ashley. He said the case pertained to a "major route" in which companies were seeking to recover from the federal government.

"Obviously, we're gratified by the decision letting stand the result favorable to the United States," said J. Patrick Glynn, director of the Justice Department's torts branch. "We believe the result in the 1st Circuit is correct."

tent with its reading of the insurance contracts, the attorneys point out.

In addition, the attorneys say the decision is significant because rather than just relying on general insurance principles like the reasonable expectations of the insured or the policy's dominant purpose of indemnity that favor the policyholder as the Keene panel did, it emphasizes the need to determine the "plain meaning" of the policy language.

Also, rather than relying on general insurance principles, the decision follows the *Eli Lilly* decision in looking to the applicable state law. Some states will not provide as broad coverage as the Keene decision and will provide less coverage to policyholders, they say.

The decision should also reduce the number of policyholders that deliberately file coverage lawsuits in the District of Columbia to take advantage of the Keene decision, they say.

"We're very pleased obviously," said Gerald V. Weigle Jr., who represents Liberty Mutual in the litigation. "It does represent a significant retrenchment from Keene."

"The big question is whether it kills Keene or hits Keene in the head and slows it down a bit," Mr. Weigle said.

"It is a very significant opinion because it comes from the same court as Keene," said Margaret H. Warner, a partner with the Washington firm of Carr, Goodman & Lee representing Travelers. "We are very pleased with the decision."

"It certainly appears that this panel believes the injury-in-fact approach comports with the language of the CGL policy rather than Keene," she said.

An attorney for Maryland Casualty also said the decision is very significant and, because of the court's reliance on state law, departs from the Keene ruling.

William A. Bradford Jr., with the Washington firm of Hogan & Hartson, said the decision suggests the

panel that decided the Keene case was wrong.

On the issue of applying general principles rather than state law, "It's fair to say that Keene has lost virtually all its force," he said.

However, Mr. Bradford said the ultimate impact of the decision will depend on how the district court determines what injury-in-fact is and how it applies that test to underlying cases.

Insurers and policyholders differ on when injury-in-fact occurs. It is possible that the court could define injury-in-fact in asbestos cases as multiple injuries extending from exposure through manifestation, which would be the equivalent of Keene, some say.

Or, courts could isolate injury-in-fact to one policy period or a period of time that is much more restrictive than from exposure through manifestation.

Abex attorney Mr. Oshinsky, though, maintained there is not a significant difference between the Keene and American Home Products cases when properly analyzed.

And, he said, both the Keene and Abex cases "say that injury triggers coverage," with the only dispute of establishing when and how injury occurred.

He asserted there is injury from the time of exposure through manifestation and, therefore, the effect of the American Home decision will be to provide as much coverage as Keene.

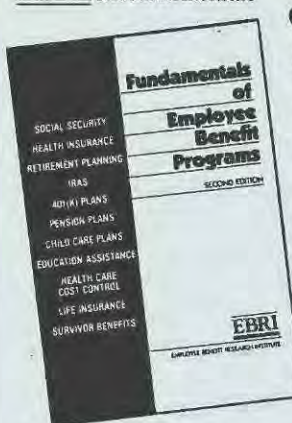
"The bottom line is that in the asbestos cases, since there is no longer any question there is injury from exposure to manifestation, it makes no difference if you use Keene or Abex verbiage," he added.

Mr. Oshinsky added that for Abex itself, the decision was very beneficial.

"The overwhelming bulk of Abex's damages are defense costs," said Mr. Oshinsky. "The court has given Abex the bulk of the money it was seeking to recover from its insurance carriers."

He also disputed the insurer attorneys' view that Keene did not address state law but only general insurance principles.

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BI 5/26

Hospital plans appeal of \$7.8 million award

NEW YORK—A Long Island hospital says it plans to appeal a \$7.8 million award granted by a state Supreme Court jury to a 16-year-old boy in a malpractice suit.

Harvey Wachsman, the plaintiff's attorney, said John Mann of Babylon, N.Y., was brought as an infant to St. John's Episcopal Hospital in Smithtown, N.Y., in September 1969 after he suffered a short seizure.

Although the baby continued to have seizures over a 26½-hour period, he received virtually no treatment, said Mr. Wachsman.

As a result, the attorney said, the boy has a 40 I.Q.,

limited use of his right arm, weakness in both legs and periodic convulsions.

The jury awarded Mr. Mann \$2 million for pain and suffering, \$1.8 million for loss of earning capacity and \$4 million for nursing and custodial care.

Mr. Wachsman said he understands the hospital has \$2.065 million in insurance to respond to the award, but a hospital spokesman said she had no information on coverage.

She had no additional comment, citing the hospital's plans to appeal.

Employee Benefit Communications:

It's becoming increasingly clear that employers must effectively communicate benefit programs so that employees can make informed choices.

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HUMANA INC., Group Health Division
Panelist, *Communicating Healthcare Alternatives:*
The PPO

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Keynote Address

Mr. Moynahan's dynamic address will set the tone for the *Business Insurance* 1986 Conference, as he describes today's changing healthcare environment and the developing trends in the marketplace.

Panel: *Communicating Healthcare Alternatives*

This three part panel will discuss how to best communicate the unique features of a particular type of healthcare plan so that employees can make informed choices. Speakers will point out weaknesses in how employers communicate alternative plans and how alternatives can be effectively communicated.

The Indemnity Plan: The changing healthcare environment has transformed the traditional plan to include innovative cost containment programs. *Equitable* suggests that as employees become active healthcare consumers, employers must develop comprehensive communication programs that motivate employees to get involved with their healthcare choices.

The PPO: The entry of preferred insurance into the marketplace requires the employee to have a greater understanding of the services provided. *Humana* stresses that while effective communications are essential for the total understanding of the plan, the employer must also assure employees that the quality of services has not been sacrificed for a lower cost plan.

The HMO: Healthcare management in the form of HMOs is in an evolutionary stage, suggests *US Healthcare*. The widening range of benefits — health programs such as health check and dental plans — point toward the need for increased communication by employers so that employees can make educated choices.

Panel: *Computer Communications*

This panel consists of employee benefit specialists whose companies are on the cutting edge of communications technology. Discussions will focus on why their companies opted for computer communications and how they combined market trends with technological innovations to implement state-of-the-art interactive communication vehicles.

Metropolitan Life blended the skills of benefits, technological and communication experts to develop an employee communications program called "SHOWCASE." Employees can directly access information about their benefits from interactive computer terminals housed in kiosks in the company lunchroom and lobby.

NCR Corporation is using NCR pc's as communication vehicles and interactive decision aids in employee retirement planning. NCR developed "EstiMATE," a software package that enables employees to do long-range forecasting of their future retirement income.

RCA Corporation's interactive communication system is tapped by employees for benefits data approximately 7,000 times a month. The system is designed to expand the applications to include interactive video, job postings, local health provider information and more.

Hanes Group, a subsidiary of Sara Lee Corp., developed a program using microcomputer disks to introduce a new 401(k) feature to their Retirement Savings Plan. In one-on-one meetings, employees were able to experiment with the percent of deferred pay and immediately see the impact of their decisions on take-home pay and benefit projections.

EBC Awards Luncheon

Recognizing outstanding communications programs Alfred Malecki, Publisher, *Business Insurance*, presents the 14th Annual EBC Awards.

Case Study Sessions

Informal workshops will be presented as concurrent giving you the opportunity to attend all sessions.

Total Benefits Communication

Bell Atlantic Enterprises' communication program, "A Wave in Benefits," is a 1985 award winning example of a total communication effort, effectively communicating the full range of benefits. Mr. Olsen will review the program, including such aspects as management objectives, budgetary considerations and strategies.

Print & AV Go Hand In Hand

This session will focus on how *Colgate-Palmolive* combined audio-visual and unique print to build a 1985 EBC award winning communications program, "More Financial Power." They chose a marketing approach to introduce a new 401(k) feature to their employee savings plan, by using identifiable packaging and slogans. Mr. DiStefano and Ms. Kekich will explain why Colgate chose this approach and will give an overview of the components of the program.

Computer Communications Workshops

The Computer Communications panelists, along with their consultant or marketing firm, will provide personal computers so that attendees may have an unprecedented opportunity to experiment with these communications vehicles.

A Changing Environment Offers New Choices

Come to the BI Conference ... listen, learn and contribute. The choice is yours!

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You Be The Judge

The BI Conference opens Sunday, August 3, with registration check-in and a cocktail reception from 5-7pm. Sessions begin Monday, August 4 at 8:30am. The conference adjourns Tuesday, August 5 at 3:45pm.

The cost is **\$625**. A 10% discount is offered to additional registrants from the same company. The fee includes sessions, workbook, and educational materials, and scheduled functions.

Payment required with registration. All registrations will be confirmed.

Cancellations must be received in writing. A refund will be made on cancellations received prior to July 1. A **\$100** service charge will apply to cancellations received after July 1. No refund will be made on cancellations received less than 5 business days prior to the conference. If your plans change, you may substitute the name of another person from your company without penalty.

To register, complete the form and send it with your payment to:

**Business Insurance, Communication Services Department,
 220 E. 42nd St., Suite 930, New York City, NY 10017
 For information call: Ann Vazquez, Registrar, at (212)210-0137.**

HOTEL ACCOMMODATIONS

We have set aside a block of rooms at a special **\$125** room rate at the new Marriott Marquis Hotel in New York City. These rates are available to Conference Registrants only, and will be honored until July 14.

You must mention the *Business Insurance Benefits Conference* when making your reservations. Hotel cards will be included with your Conference Registration Confirmation. Or call the Marriott Marquis Hotel at (212)704-8700; or toll free at (800)228-9290.

Awards Luncheon

A luncheon ticket is included with your Conference registration. A limited number of additional seats are available for the EBC Awards Presentation Luncheon.

Tickets are **\$60** each, available on a first come-first serve basis; **reservations required**. Contact Registrar.

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Task Force Sessions

In an all new format, this session provides a challenging forum for attendees. You can select employer specific task force units to discuss and evaluate proposed communications problems, and then present your findings to all. Use the registration form to pre-select one of these communication issues:

- Communicate plan changes from first-dollar medical coverage to co-payment with deductible.
- Improve participation in a two-year old 401(k) program.
- Introduce a flexible employee benefits program.
- Induce part of your employee population to take early retirement.
- Update a long standing, but not very effective communications program.
- Design a communications program for top level executives only.

Pre-Retirement Counseling Programs: New Approaches

rather than designing a pre-retirement counseling program, Mr. Esteban proposes that 'retirement planning education' be presented as a "life planning" vehicle built into a company's total benefits package. He suggests that employee groups be broken down by age periods and that the design of such programs meet the specific needs of each group.

You Be The Judge

Mr. Zeltner returns to the BI Conference to lead attendees in an energetic session. He will introduce selected audio-visual programs submitted to the EBC competition, offering insight as to what other industry professionals are doing in this medium.

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 - ☐ Update a long standing, but not very effective communications program.
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*The size of each session is limited, each Task Force will be filled on a first-come, first-serve basis

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Pollution exclusion

Continued from page 2

much the same way that hostile fires would be excluded without the revised language.

For example, in a case in which a farmer is required by government agencies to burn off crop stubble to prevent infestation, "the farmer would be in the position of being required by law to burn the crop stubble, but would have no coverage in the event of any smoke damage," Mr. Zarnowski says.

An ISO official says ISO is engaged in ongoing discussions with the IIAA and other producer groups over the issue of damages resulting from friendly fires.

Mr. Riley notes that the revision dealing with hostile fires is recommended to state regulators by ISO whether or not the new CGL forms have been approved in a given state. This is important, he says, because some insurers have included pollution exclusions in the existing comprehensive general

liability form that are similar to the exclusion contained in the new CGL forms.

Therefore, Mr. Riley explains, to obtain the expanded coverage offered under the revision, an agent or policyholder must ask the insurer to endorse all existing policies with the new language.

"It is extremely important to make certain that agents know this is being filed in all jurisdictions effective June 1," he says, adding, "I would recommend that all agents contact their carriers and ask them to endorse all outstanding policies with this new revision, whether under the old liability form or the new one."

The new language revises the pollution exclusion to read: "This exclusion does not apply to 'bodily injury' or 'property damage' caused by heat, smoke or fumes from a hostile fire. As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out where it was not intended to be."

Administration backs IRA restrictions

WASHINGTON—The Reagan administration says it supports a provision in the Senate Finance Committee's tax-overhaul package that repeals most tax deductions for contributions to Individual Retirement Accounts.

Repeal of the IRA deduction is an important part of the tax package, an administration spokesman said last week.

The Finance Committee's package would reverse a provision in the Economic Recovery Tax Act of 1981 that allows employees covered under employer-sponsored pension plans to also make annual tax-deductible contributions of up to \$2,000 to IRAs.

Instead, the committee would restrict tax-deductible contributions to IRAs to in-

dividuals not covered under employer pension plans.

Despite the administration's position, the battle over IRAs is far from over.

Last week, senators were informally discussing a number of proposals to restore the IRA tax deduction when the bill goes to the full Senate next month.

One proposal would allow tax deductions for IRA contributions for individuals covered under pension plans if they have not yet vested. Another would reduce the maximum IRA tax-deductible contribution for those covered by employer plans to \$1,000.

A third proposal would allow the full tax deductions for those in the new 15% tax bracket.

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Product liability

Continued from page 1

better than giving juries the "unfettered" right to set the amount.

However, Mr. Ford questioned whether this is time for the federal government to intervene and pass federal product liability legislation to pre-empt state statutes and case law.

Supporters of federal legislation "are saying, 'Government, fix it (the liability system).' I'm saying, 'Government, stay out,'" the senator said.

Sen. Ernest Hollings, D-S.C., compared the drive to pass federal product liability legislation with a "lynch party" and said he was surprised to see Reagan administration officials, who favor reducing the role of the federal government and give more power to the states, lead such an effort.

If there is a problem with the liability system, then those problems should be resolved at the state level, Mr. Hollings said.

Some committee members said flatly that the administration's product liability bill, which has been warmly received in business and insurance circles (BI, April 28), cannot pass in its current form.

"The chances that the administration bill—or anything like it—can pass is, to say the least, remote," Mr. Gorton said.

The only kind of product liability bill that Congress will pass is one that retains justice, but "justice" is absent in the administration's bill, Mr. Gorton said.

"A bill must be balanced between consumers' and manufacturers' rights. The administration's bill fails that test," added Sen. John D. Rockefeller, D-W.Va.

And, Mr. Rockefeller said legislators need more statistics before they can decide on the best approach to solving the liability problem.

As a result, Mr. Rockefeller, along with Sen. Paul Simon, D-Ill., and Rep. Charles Schumer, D-N.Y., introduced legislation last week to require property/casualty insurers to turn over detailed underwriting and claims information to the Commerce Department (see story, page 2).

Congressional staffers say that Commerce Committee Chairman John Danforth, R-Mo., would like

the panel to begin voting on a product liability bill on June 3.

But some committee members say more time is needed to study the issue before voting begins.

"It is obvious that the committee hasn't had time to review the bills," said Sen. Donald Riegle, D-Mich., referring to the administration proposal and legislation, S. 1999, introduced by Mr. Danforth that would give manufacturers and consumers financial incentives to settle product liability claims before they go to trial (BI, May 19).

Mr. Riegle noted that the full Senate also is slated on June 3 to take up the tax-overhaul legislation recently passed by the Finance Committee, and that a built-in time conflict should be avoided by delaying a vote on product liability legislation.

But backers of federal product liability legislation say if there are more delays at the committee level, there won't be time to pass a bill this year.

"Stalling could be fatal to a bill's chances," said Sen. Larry Pressler, R-S.D.

And if the Commerce Committee and full Senate don't pass a bill this year, the strong reform momentum developed in the business community could erode, endangering whatever chance Congress would act next year, observers believe.

But for now, the most immediate problem faced by employers that favor enactment of federal product liability legislation is that the administration and Commerce Committee members seem to be at loggerheads on the shape of reform legislation.

Aside from attacking the administration's proposal as one-sided, committee members appeared angry that Attorney General Meese only read a prepared statement and had time to answer only one question as the television cameras were rolling.

Responding to Committee Chairman Danforth's question on whether the administration's product liability legislation was handed down on tablets of stone, Mr. Meese said: "They have a habit of breaking," adding that he hoped the administration's bill was a significant contribution.

And with that brief response, Mr. Meese left, leaving his aide, Mr. Willard, to field questions.

"It really isn't sufficient for the attorney general to leave before answering questions. It gives the impression that he is ducking questions," complained Mr. Riegle, adding that he didn't find Mr. Meese's explanation for an early departure—a tight schedule—satisfactory.

And Mr. Rockefeller seemed angry that Mr. Meese had not responded to a one-page letter he wrote several weeks ago asking if there was anything the Justice Department could do about the cancellation of West Virginia professional liability insurance policies by several major insurers (BI, May 19).

Mr. Willard said he didn't know why Mr. Rockefeller's letter had not been answered, but would see to it that the Justice Department responds.

But there also were developments at the hearing encouraging to those who want to see product liability legislation approved.

Consumer groups, which historically had attacked all federal product liability legislation, supported a provision in the Danforth bill that gives plaintiffs and manufacturers incentives to settle product liability suits before trial.

Gene Kimmelman, legislative director of the Consumer Federation of America in Washington, said the alternative in the Danforth bill to litigation was a major step forward and could lead to faster settlements.

Under that provision, which would be an alternative to traditional litigation, a plaintiff could offer to settle a claim by asking a manufacturer to pay economic losses and up to \$250,000 in pain and suffering damages for severe and permanent injuries.

If a manufacturer agreed to pay the claim, but disputed the amount, the claim would go into binding arbitration.

And, if the manufacturer ignored the settlement offer and the plaintiff sued and won, the manufacturer would have to pay awarded damages, plus a 25% penalty and interest payments starting from the time the claim was filed.

On the other hand, a manufacturer could offer to settle a claim by paying for a plaintiff's economic losses, like uncovered medical bills, and any "dignitary losses." Dignitary losses are defined as: mental anguish associated with the death

of a parent, child or spouse; permanent disfigurement; permanent loss of a limb or organ; or serious and permanent impairment of a bodily function.

If the plaintiff rejected the settlement offer and sued, the plaintiff's maximum recovery would be economic losses, plus up to \$250,000 in dignitary losses.

Manufacturers testifying at the hearing did not go into much depth on their views on the Danforth "expedited settlement system," but they seemed a bit cool.

Martin Connor, Washington corporate counsel for General Electric Co., who testified on behalf of the National Assn. of Manufacturers, said NAM still was studying the settlement provision, but it appeared to be complex.

"We'd like to see it simpler," Mr. Connor said.

Victor Schwartz, counsel for The Product Liability Alliance, a Washington-based business-backed lobbying group that is seeking enact-

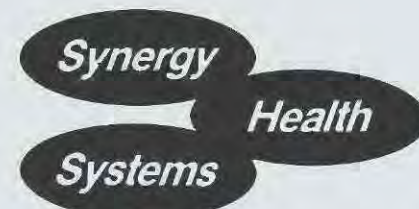
ment of federal product liability legislation, said his group agreed with a settlement approach, but thought the Danforth proposal was too harsh on manufacturers.

"The penalties set forth in S. 1999 (the Danforth bill) are virtually tantamount to settle in almost every case. They are so severe that it diminishes the power to make an objective judgment about whether a claim is worthwhile or not," Mr. Schwartz said in his written statement.

Meanwhile, Mr. Gorton, as expected, introduced his own federal product liability measure last week as an amendment to Mr. Danforth's legislation.

Aside from establishing a complex settlement mechanism, the Gorton proposal would give capital goods manufacturers more protection from product liability suits in cases in which the product was more than 25 years old, while consumer-type goods would be presumed safe after 12 years. ■

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Insurer disclosures

Continued from page 2

we are going. This is not an unreasonable request," added Sen. Paul Simon, D-Ill.

In their effort to get more facts and information, Rep. Schumer, Sen. Simon and Sen. John D. Rockefeller IV, D-W.Va., last week introduced comprehensive legislation—entitled the Insurance Forecasting Act—to require licensed property/casualty insurers to file annual financial reports with the Commerce Department on claims, settlements, expenses and premium income for individual lines of coverage they write in every state.

Information in insurers' annual reports, which would have to be filed by March 31, would include:

- Total amount of premiums written and earned.
- Total number of "units of exposure" such as the number of children in covered day-care centers.
- Highest and lowest premium per risk in a line of coverage.
- Total amount of claims paid, including those made in out-of-court settlements.
- For in-court judgments, payments for pain and suffering, economic losses and punitive damages.
- Total amount of administrative expenses.
- Total amount of reserves.
- Total legal costs.

In addition, insurers would have to report the percentage of policies canceled or not renewed. They also would have to list classes of businesses in which premiums rose by more than 25%, dropped by 15% and where coverage limits increased by 25% or decreased by 15%.

Insurers also would have to report total investment income and the percentage of investment income earned by commercial operations.

These financial reports filed by insurers would have to be certified by an independent public accountant. Insurers that refused to file reports with the Commerce Department could be fined up to \$300,000.

However, the commerce secretary would have the authority to exempt an insurer from reporting if it were determined that compiling such a report would impose an unreasonable burden on the company.

By Sept. 30, the Commerce Department would issue a report summarizing the statistical information reported by the property/casualty insurers. That report, which would be available to the public, would include:

- A compilation of the data reported, broken down for each class of business within each state.
- An analysis of any differences among states or among insurance companies in coverage of similar classes of business.
- An analysis of any relationship between claims paid and changes in premiums and coverage limits.

Rep. Schumer said that without the kind of detailed information he and the other congressmen are seeking, "We would be forced to legislate in the dark. Maybe the (number) of tort cases has expanded. Is joint and several liability a problem? We don't know," he said.

Insurers said they understand why Congress wants more claims information to determine if the legal system is to blame, but they questioned if a new reporting system will provide answers.

Leslie Cheek III, vp-federal affairs in the Washington office of Crum & Forster, noted that the reports would not provide a full or accurate picture of trends.

"The reports only deal with insured exposures, leaving out major self-insurers, who, in the distress lines, probably have a significant portion of the expenses and losses," Mr. Cheek said.

As a result, data obtained via the reports would be highly unrepresentative since it would leave out the experience of virtually all of the nation's largest enterprises, he said.

In addition, Mr. Cheek said the Commerce Department lacks the resources to analyze the thousands of reports that would come flooding into the department.

Steve Broadie, counsel for the Alliance of American Insurers in Washington, said the legislation is unnecessary since states are moving ahead to obtain more claims and underwriting information from insurers.

And, Mr. Broadie expressed concern that the financial reporting could be the first step toward federal regulation of the property/casualty industry. ■

ISO proposal

Continued from page 1

program proposed earlier this year, but "an effective defense cost containment program" the ISO spokeswoman said.

However, she was unable to say what kind of program ISO is committed to, explaining it depends on comments from the task force.

However, she conceded that no changes in defense cost coverage will be made by the original July 1 target date.

At least one other task force member, Nevada Insurance Commissioner David Gates, says ISO should drop the defense cost proposal.

"My personal opinion is that ISO can't do anything to improve it—they should give it up," Mr. Gates said.

That message also was informally conveyed to ISO by regulators in the past few months, he said.

Regulators have told ISO that the recent changes in CGL coverage—including a new claims-made form and a new occurrence form—are so major it should back off from the defense cost proposal, Mr. Gates said.

The task force has been meeting since February. In the meantime, several organizations have officially opposed any change in coverage for defense costs, including a section of the American Bar Assn.

And, just last week, the Risk & Insurance Management Society issued its most forceful blast yet against any change in coverage for defense costs, in the form of a strong speech by its general counsel.

ISO first said in June 1985 that it would file to amend CGL forms to charge all defense costs against policy limits because of the rising cost of defense. The cost of defending suits had risen 140% between 1978 and 1984, ISO said, to about one third of indemnity losses. ISO called its proposal a "defense cost containment" program (BI, May 20, 1985; July 1, 1985).

But, confronted with objections from insurance buyers and insurance regulators, ISO in December said it had revised its plans and would seek a primary CGL policy amendment allowing insurers to charge against the policy limit defense costs that exceeded 50% of the policy's aggregate limit.

ISO also said it would file endorsements that would allow insurers to either include all defense costs within the aggregate policy limit or provide coverage for defense costs up to 300% of the aggregate policy limit (BI, Dec. 16, 1985; Dec. 23, 1985).

In response, the NAIC passed a resolution at its December meeting advising states against approving the defense cost proposal until the NAIC had time to study the issue and formed its task force.

ISO then then said it would delay

filing any policy amendments on defense costs until at least Feb. 15, but that it fully intended to file its amendments so that insurers could begin using them by July 1.

At the first meeting of the NAIC task force created to study the issue, however, the commissioners appeared unwilling to approve the proposal, primarily because policyholders can't control defense costs (BI, Feb. 17).

And, earlier this month, the Tort & Insurance Practice Section of the American Bar Assn. sent a resolution to the task force opposing ISO's change in defense cost coverage. That group had been studying the issue since October 1985 (BI, Dec. 9, 1985).

The resolution states that the proposals, if adopted, could result in:

- The clear potential of impairing the indemnity limits of policies for the payment of claims.

- Unmanageable conflict of interest questions for the legal profession in defending policyholders and prosecuting claims.

- An adverse impact on the adversary judicial system by restricting or eliminating a citizen's right, regardless of economic circumstance, to contest claims made against him through a liability insurance mechanism.

- Increased excess exposures for policyholders and potential bad faith and punitive damage claims against insurers and defense counsel.

- A chilling impact upon the tort liability system by the subtle transformation of the liability insurance mechanism into a no-fault result.

Meanwhile, RIMS, which had raised objections to ISO's proposal in the past, last week came out with its strongest statement to date on altering coverage for defense costs.

While predicting earlier last week that ISO's defense cost proposal would not be accepted by state regulators if it were filed, RIMS nonetheless launched a "pre-emptive strike" last week in an effort to kill the proposal.

RIMS director of governmental affairs and general counsel, Jon Harkavy, delivered a caustic attack on the proposal in remarks to a group of insurance company legal officers meeting in Washington.

"I don't believe the proposal would be approved if filed, but I am delivering this speech as a preemptive strike to put the nail in the coffin," Mr. Harkavy told BI last Wednesday before addressing the American Insurance Assn. Legal Officers' Symposium on Thursday.

In his remarks, a copy of which was given in advance to *Business Insurance*, Mr. Harkavy charged that ISO had adopted "a legal cost containment euphemism" to sell its proposal.

"Let's recognize defense within limits for what it is—the continued attempt by the carrier community to shift potential liability formerly

assumed by the insurer to the policyholder," he said.

"There is nothing morally wrong with the carrier's understandable desire to put a cap on its defense obligations, but please don't shroud these pecuniary desires in a noble public policy objective," Mr. Harkavy said.

Noting that RIMS "reluctantly decided to no longer oppose the approval of the claims-made CGL based on the industry's prior promises of insurance availability or affordability," Mr. Harkavy asked, "Doesn't it make more sense to see if the past round of CGL modifications fulfill the promises made to obtain their approval before further coverage restrictions are granted?"

If, however, insurers insist on including some portion of defense costs within primary policy limits, Mr. Harkavy warned it would be tantamount to "rolling the dice."

"In return for a cap on defense costs, which will be triggered in just a small percentage of cases, the insurer may very well have involuntarily delegated complete control of the litigation to the policyholder," Mr. Harkavy said.

Policyholders, then, would use this control to their best advantage, which would not necessarily be in the best interests of the insurer, he warned.

For example, a policyholder could resist spending money on defense early in the policy year until the nature and number of claims the policy covers are more certain. "The insurer, on the other hand, may wish to apply defense resources early with the hope that doing so will permit it to resolve cases earlier and thus reduce its own overhead," he said.

And, if at the end of the year, the policyholder has only a few smaller claims outstanding, "ironically, considering ISO's defense cost containment argument, you may have a policyholder willing to litigate the heck out of claim which should be settled."

Conversely, Mr. Harkavy pointed out, if the policyholder faced numerous claims at the end of the year, only a few of which could exceed a single occurrence limit but collectively would not exceed the policy's aggregate limit, "the insured is going to want to use its defense dollars where it will do the most good. This would be for those cases involving a potential judgment in excess of the occurrence limit, which the policyholder would be responsible for. The insured may very well be willing to abandon the defense of other claims which were within the occurrence limits if it thought collective litigation costs could exceed 50% of the aggregate limit."

Furthermore, Mr. Harkavy predicted that plaintiffs' attorneys, realizing that defense costs might deplete the available insurance coverage to pay awards or settlements, could interject themselves in the debate.

"The carrier will be presented as frittering away hundreds of thousands in defense costs rather than indemnifying the poor plaintiff," he said.

Mr. Harkavy predicted that "true reduction in litigation expenses will result only from civil justice reform and the development of alternative dispute resolution mechanisms."

But, even if ISO withdraws its defense cost proposal now, the issue will remain under study by the NAIC, said Illinois Insurance Director Mr. Washburn.

"There's no doubt that the money has gone up and we want to take a look at it," Mr. Washburn said, observing that more dollars are being spent on defense that could be paid to plaintiffs.

"I'm not sure the NAIC can do anything, or should do anything about it, but it's a serious cost and we should look at it," he said.

Hazardous substance bill

Continued from page 2

- To notify those workers of these risks and to encourage them to enter a medical surveillance program.

- To prevent the onset of the diseases or to reduce their intensity.

The bill authorizes a \$25 million appropriation for the program each year for 1987 and 1988, but is silent on future appropriations.

"I find it difficult to believe that anyone can oppose the concepts embodied in H.R. 1309. And, since there is nothing in place now that provides for those purposes, I cannot understand how anyone can oppose this bill," Mr. Gaydos said.

However, employers and insurers believe the bill duplicates several other federal efforts, most notably provisions scheduled to take effect May 25 under the Occupational Safety and Health Administration hazard communication standard adopted in 1983.

By May 25, employers were required to develop a written employee hazard communication program that included provisions for container labeling, material safety data sheets and an employee training program.

That written program must contain a list of the hazardous chemicals in each area of the workplace and the means by which the employer will inform employees of the hazards in the workplace (BI, Sept. 30, 1985).

"We felt the OSHA hazard communication standard is going to provide an instructive mechanism for employees," said Elizabeth Ramsey, NAM's associate director of loss prevention and control.

"NAM is in favor of notifying workers of hazards, but we feel this bill is redundant and unnecessary," she said, noting that OSHA and several other federal agencies already are charged with protecting employees.

Employer groups also say that some of the provisions in the bill are difficult to prove from a scientific and medical point of view.

For instance, the bill requires that the secretary of health and human services identify "populations at risk" and notify employees within those populations.

It defines populations at risk as an employee population facing hazardous occupational exposures within which an associated disease occurs at a rate 30% greater than a comparable but unexposed population.

"That's almost a meaningless figure in terms of epidemiology," Mr. Krebs said, citing testimony presented since the bill was introduced in February 1985.

Employers also point to another provision that they believe will lead to lawsuits and additional workers compensation claims.

Under that provision: "If, following a determination by the secretary of health and human services, it is medically determined by the employee's personal physician in consultation with the employer and its medical representative, that the employee should be transferred to a less hazardous or non-exposed job, the employee shall maintain the earnings, seniority and other employment benefits as though the employee had not been transferred from the former job."

The bill "is likely to trigger a large number of claims under workers compensation... it all ties into the insurance liability issue and is almost an invitation to a lawsuit," Mr. Krebs said.

Employers also criticize what they consider the excessive cost of implementing the bill.

The bill also would provide for a system of preventing "hazardous" diseases by encouraging notified employees to enter into a program of health testing, evaluation and medical surveillance. The program's cost would be borne by employers that believe it will increase insurance premiums.

Initially, when the bill was introduced, employers and insurers thought it would get little or no attention. However, there now is considerable momentum on the proposal, notes David M. Farmer, vp with the Alliance of American Insurers in Washington.

Meanwhile, organized labor is counting on the bill's adoption, based on the growing awareness of toxic health threats in the workplace.

"If someone is at high risk, they ought to be told about it. In most cases, the government and employer knows about it, but not the employee," said Brian Turner, executive assistant to the president of the AFL-CIO's industrial union department.

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Insurers forming line slip

HARTFORD, Conn.—Five insurers last week announced the formation of the American Excess Insurance Assn., a line slip that is expected to provide excess liability insurance with limits of \$75 million excess of at least \$25 million.

The five insurers—Aetna Life & Casualty Co., Chubb Group, CIGNA Corp., Crum & Forster Inc. and Travelers Insurance Co.—have agreed to provide a total of about \$40 million in capacity on a quota-share basis, sources say.

Additional U.S. insurers are expected to make up the \$35 million difference, according to John Sinnott, executive vp of Marsh & McLennan Inc., which organized the slip with Johnson & Higgins.

Applications for coverage will not be available until the association receives necessary regulatory clearances, according to an Aetna spokesman.

American Excess Insurance Assn. will operate separately from X.L. Insurance Co., which is expected to offer its own limit of \$75 million excess of \$25 million.

M&M, which helped organize X.L., said in March that X.L. might be used to support the line slip (BI, March 17).

Policies written by the line slip will be on a claims-made form, and extended tail coverage will be available for an additional premium, the Aetna spokesman said.

The line slip will not write directors and officers liability coverage, the Aetna spokesman said.

Dyna Span opposition

Continued from page 1

sation, by purchasing insurance as a group or forming an insurance company to pool their risks. Such groups would be largely exempt from state regulation.

The provisions of the bill, however, are now under negotiation with insurance commissioners who are concerned they lack enough authority to properly regulate the groups. In the meantime, the bill has not been scheduled for a full Senate vote (BI, May 12).

The current Risk Retention Act applies only to product liability risks (BI, March 31; April 28).

The 1981 law provides for the formation of two types of groups:

- A risk retention group, which is essentially a captive insurance company that must be chartered or licensed as an insurer in at least one state. A group may also have been licensed as an insurer in Bermuda or the Cayman Islands before Jan. 1, 1985, as long as it also meets the capitalization requirements of at least one state.

- A purchasing group, defined as a group that has as one of its purposes the purchase of product liability or completed operations liability insurance.

The states that have taken action against Dyna Span and its agents charge that it has acted as a risk retention group without meeting the requirements of the federal law.

Dyna Span, however, argues that it is operating legally as a purchasing group and that both it and its insurer, New England International—which is unrelated to New England Reinsurance Corp., a Hartford Insurance Group unit—are exempt from state regulation.

Dyna Span has asked the Florida department for a hearing on the administrative complaint and has asked some of the other states to withdraw their cease-and-desist orders.

"If there are areas of state law that they think are not preempted, we will be glad to sit down and work with them," said Peter M. Feaman, an attorney with the Boca Raton firm of Marchbanks & Feaman, which represents Dyna Span. "We want to work with them, not against them."

Mr. Feaman added, however, that Dyna Span may question the legality of cease-and-desist orders issued by some states on the grounds that Dyna Span was not allowed a hearing before the orders were issued.

"We get hit with these things out of the blue," he said. "What ever happened to due process?"

Mr. Johnson, Dyna Span's president, charged that state regulators, upset by the Risk Retention Act's intrusion on state insurance department jurisdiction, are out to get Dyna Span.

"They detest the federal law coming into their private sanctum," Mr. Johnson said. "I think it's a conspiracy (among state regulators) to fight the federal act more than Dyna Span."

States that have issued cease-and-desist orders against Dyna Span or agents representing it include Alaska, Minnesota, Massachusetts, Colorado, Ohio, Arizona and Michigan, according to insurance department officials in these states.

And, in addition to its complaint against Dyna Span, the Florida Insurance Department also filed a complaint against New England International, charging that the insurer issued policies although it is not authorized in the state. And the department filed complaints against Grahame Sanders, identified by the Florida department as a vp of Dyna Span, and Frank L. Barnhardt, a Jacksonville, Fla., agent, who are accused of improperly selling New England International policies.

New England International—which now insures 100% of Dyna Span members' risks—is not admitted in any state, though it is applying for admitted status in one state, according to Messrs. Johnson and Sanders. They would not identify the state.

State regulators 'detest the federal law coming into their private sanctum. I think it's a conspiracy to fight the federal act more than Dyna Span,' Mr. Johnson contends.

Mr. Sanders also said New England International has made formal application to be licensed as an insurer in Panama.

However, Damaris Fogarty Herrera, Panama's superintendent of insurance and reinsurance, said New England International is not licensed as an insurer or reinsurer and has not applied for a license.

Jaime Padilla-Gonzalez and Hendrik Rienstra, two executives of New England International, visited Ms. Herrera about two months ago to find out what steps the company would need to take to become licensed, according to Ms. Herrera. But she says she has not heard from anyone at New England International since.

Mr. Johnson, Mr. Sanders and Dyna Span's lawyer, Mr. Feaman, also say New England International is in the process of establishing trust accounts at U.S. banks for the payment of claims. The three men would not provide any details, however, concerning where the accounts are being opened or how much is being deposited.

Although Dyna Span claims to be a purchasing group, the states that have taken action against it charge that it has acted as a risk retention group without being licensed in at least one state.

In an interview in February, Hal Beasley, an analyst with the Florida department, noted that Dyna Span kept a \$4,000 retention on each policy it issued over and above each member's deductible, with coverage above the Dyna Span retention provided by New England International.

In a May 19 letter to Mr. Feaman, Alaska Insurance Director John L. George notes that policies sent to producers by Dyna Span are headed, "Dyna Span Corporation, A Risk Retention Group," are signed by Mr. Johnson, the company's president, and do not mention any other insurer. Dyna Span's name alone also appears on the policy's declaration page and on endorsements, the letter notes.

Mr. George's letter also pointed out that materials supplied to producers by Dyna Span referred to New England International as Dyna Span's reinsurer and that an undated letter from New England International's Mr. Rienstra "to whom it may concern" confirms that New England International has agreed to reinsure Dyna Span.

"Only an insurance company buys reinsurance," Mr. George's letter says.

The exact status of Dyna Span has been further confused by a letter that Delaware Deputy Insurance Commissioner Catherine S. Mulholland sent to Mr. Johnson on Feb. 24.

In the letter, Ms. Mulholland tells Mr. Johnson that the Delaware department has informed other states that "we have recognized Dyna Span Corp. as a 'purchasing group' licensed to act as an insurer in the state of Delaware."

The letter should have read, "we have recognized Dyna Span Corp. as a 'purchasing group' and not as a 'risk retention group' licensed to act as an insurer in the state of Delaware," according to Ms. Mulholland, who said the department informed Mr. Johnson of the mistake by phone in late February and in a letter dated March 7.

That letter said, "It has come to our attention that a copy of

the incorrectly transcribed letter of Feb. 24, 1986, has been used as evidence of Dyna Span's authorization to act as an insurer in the state of Delaware. The use of that letter for such purposes is strictly forbidden."

Mr. Johnson replied in a letter dated March 13 that he understood the mistake, assumed it to mean only that Delaware would approve the insurer chosen by the Dyna Span purchasing group and that he explained this to people with whom he discussed the letter.

However, Mr. Johnson attached the Feb. 24 letter to another letter he wrote to Michigan Insurance Commissioner Herman W. Coleman on Feb. 28 to protest Michigan's cease-and-desist order against Dyna Span.

Mr. Johnson conceded that he never explained the mistake to Mr. Coleman, but said that he did not think he would have to explain it to an insurance regulator who presumably understood the act.

On April 1, however, Ms. Mulholland wrote to Mr. Johnson, rescinding the Delaware department's recognition of Dyna Span as a purchasing group and ordering it to discontinue promoting itself as having that recognition.

Mr. Feaman, Dyna Span's lawyer, noted that the federal act does not require state recognition of purchasing groups and that Delaware's action has no legal effect.

While maintaining that Dyna Span has always presented itself as a purchasing group and has acted within the bounds of the act, Mr. Feaman confirmed Dyna Span has revised certain aspects of its program "to more clearly reflect the fact that they are a purchasing group under the act."

Dyna Span no longer retains \$4,000 per occurrence on each policy, according to Mr. Johnson, who explained that this was simply a deductible intended to reduce the cost of members' coverage.

In addition, policies issued through Dyna Span now bear the name of New England International, which covers 100% of each risk over the members' deductibles, Mr. Johnson said.

Despite these changes, though, some insurance regulators still question Dyna Span's compliance with the federal act.

"A purchasing group is authorized to purchase insurance, not sell insurance, and any way you cut it, that's what they're doing—selling insurance," the Florida department's Mr. Beasley said.

Mr. Beasley added that the Risk Retention Act may require purchasing groups to buy coverage from a licensed insurer.

Although the act doesn't specifically require this, the exemptions from state law granted to purchasing groups under the act may not include an exemption covering insurers writing the group's coverage, he said. Without a specific exemption, state law may apply and could require use of an admitted insurer, Mr. Beasley explained.

He noted, though, that the Florida administrative complaint does not address Dyna Span's status as a purchasing group, but only charges that it has acted as a risk retention group without meeting the act's requirements that it be licensed in one state.

Mr. Feaman, however, maintains the act not only exempts Dyna Span from state regulation but also New England International.

In addition to the states issuing cease-and-desist orders against Dyna Span:

- Then-New Jersey Commissioner Gluck issued a May 2 press release warning businesses against buying the policies from Dyna Span.

- The Surplus Lines Assn. of California April 18 warned surplus lines brokers at the California Insurance Department's request against using New England International.

Regulators in California, Texas and New York also confirmed they are investigating Dyna Span's activities in their states.

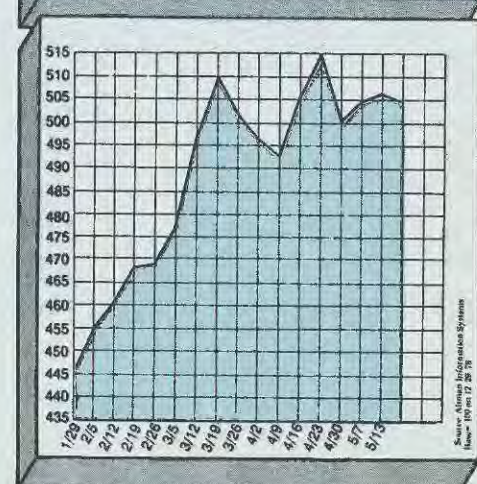
BI Industry Stock Report

May 21, 1986

5/14/86 thru 5/21/86

Brokers		Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)			Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol.(000)
Alexander & Alexander Svcs	NYSE	37.25	-1.3	0.4	1.00	2.7	37.50	36.75	480.1	Continental Corp	NYSE	44.75	-3.0	0.0	2.60	5.8	45.88	44.75	931.1
Baldwin & Lyons Inc	OTC	107.00	-0.9	53.8	0.80	0.7	112.00*	107.00	1.0	Crown Life Ins Co	OTC	290.00	-3.3	17.5	0.00	0.0	300.00	290.00	0.0
Corroon & Black Corp	NYSE	34.25	0.0	18.3	0.65	1.9	34.75	34.13	197.9	Durham Corp	OTC	45.00	-3.2	12.1	1.36	3.0	46.25	45.00	5.7
Crump E H Cos Inc	OTC	24.50	0.0	20.8	0.25	1.0	25.00	24.50	53.0	Farmers Group Inc	OTC	82.50	1.2	14.8	2.00	2.4	82.50	80.50	1,153.5
Emett & Chandler Cos Inc	OTC	18.75	0.0	25.3	0.00	0.0	18.75	18.75	12.0	Fairmont Finl Inc	AMEX	27.13	6.9	20.4	0.00	0.0	27.13*	25.25	161.2
Gallagher Arthur J & Co	OTC	45.00	-6.2	19.4	0.40	0.9	47.50	45.00*	30.2	Fireman Fd Corp	NYSE	36.50	0.3	0.4	0.30	0.8	36.50	36.00	2,118.1
Hall Frank B & Co Inc	NYSE	23.50	1.1	0.0	0.00	0.0	24.13	23.13	387.0	Freemont Gen Corp	OTC	26.50	-3.2	0.0	0.48	1.8	27.13	25.38	968.4
Marsh & McLennan Cos Inc	NYSE	61.25	11.1	24.3	1.50	2.4	61.25*	56.13	498.3	Great West Life Assurn Co	OTC	700.00	7.7	7.0	18.00	2.6	700.00*	650.00	0.5
Poe & Assoc Inc	OTC	12.25	0.0	0.0	0.53	4.4	12.25	12.25	46.6	Home Group Inc	AMEX	28.50	0.4	62.0	0.00	0.0	28.75	27.13	931.4
			=====		=====					Hanover Ins Co	OTC	59.75	1.3	32.0	0.56	0.9	59.75	58.50	48.6
AGENTS/BROKERS	AVERAGE			3.7		1.4				Hartford Steam Boiler Inspn	OTC	84.50	3.7	13.4	2.00	2.4	84.50*	80.75	29.5
										Kans City Life Ins	OTC	33.00	0.8	13.0	0.87	2.6	33.00	32.75	4.8
Conglomerates & Holding Cos.										Kemper Corp	OTC	94.25	-0.3	16.7	1.80	1.9	95.25	93.75	367.8
American Express(Fireman's Fd)	NYSE	56.88	-4.2	13.3	1.36	2.4	60.13	56.88	4,399.9	Liberty Corp S C	NYSE	37.75	-2.6	15.9	0.72	1.9	38.50	37.50	7.6
Anderson Clayton(Ranger/PanAm)	NYSE	51.13	0.0	29.2	0.00	0.0	51.13	51.13	404.4	Lincoln Natl Corp Ind	NYSE	54.88	-3.1	12.4	2.00	3.6	56.00	53.63	531.6
Arco Inc	NYSE	9.88	0.0	0.0	0.00	0.0	9.88	9.75	680.8	Mission Ins Group Inc	PAC	3.88	-0.0	0.0	0.00	0.0	4.38	2.88	385.0
Berkley W R Corp	OTC	51.00	8.5	26.3	0.36	0.7	51.00	47.75	243.4	Monumental Corp	OTC	38.13	-2.9	13.6	1.40	3.7	38.75	37.63	58.4
CIGNA Corp	NYSE	62.38	-0.8	0.0	2.60	4.2	63.00	60.88*	2,174.5	Nac Re Corp	OTC	34.75	-1.4	0.0	0.00	0.0	35.50	34.50	81.1
CNA Finl Corp (CNA)	NYSE	59.00	-2.5	18.6	0.00	0.0	60.50	57.88*	218.3	Nobel Ins Ltd	OTC	16.25	-0.8	21.4	0.25	1.5	16.75	16.25	117.1
General Re Corp	NYSE	119.00	2.7	36.6	1.76	1.5	119.00	116.00	433.3	Northwestern Natl Life Ins	OTC	29.13	-9.3	12.8	0.86	3.0	31.88	29.13	334.4
ITT (Hartford Group)	NYSE	45.50	-3.2	24.7	1.00	2.2	46.50	44.88	2,193.8	Ohio Cas Corp	OTC	86.75	1.8	20.1	3.00	3.5	87.00	84.75	101.1
Sears Roebuck & Co. (Allstate)	NYSE	45.38	1.7	13.2	1.76	3.9	45.38	43.50	4,375.9	Old Reg Intl Corp	OTC	37.50	-1.3	13.7	0.78	2.1	38.13	37.38	167.1
Teddyne Inc (Argonaut)	NYSE	337.00	-1.4	8.1	0.00	0.0	340.50	328.75	99.9	Orion Cap Corp	NYSE	36.00	-1.0	0.0	0.76	2.1	36.50	35.50	61.2
Transamerica Corp (Occidental)	NYSE	33.13	-0.4	15.8	1.68	5.1	33.63	33.00	734.3	Protective Corp	OTC	23.25	1.1	12.7	0.70	3.0	23.50	22.88	215.9
			=====		=====					Provident Life & Acc Ins Co	OTC	28.88	2.2	10.1	0.84	2.9	28.88	28.38	353.3
CONGLOMERATES/HOLDING COS.	AVERAGE			16.9		1.2				St Paul Cos Inc	OTC	92.25	1.7	27.9	3.00	3.3	92.25	89.75	335.0
										SAFECO Corp	OTC	59.25	-3.9	16.0	1.68	2.8	59.25	55.75	341.4
Insurers										Sri Corp	OTC	21.00	-2.3	0.0	0.80	3.8	21.50	21.00	73.2
Aetna Life & Cas Co	NYSE	59.63	0.6	13.1	2.64	4.4	59.63	57.63	2,376.1	Seibels Bruce Group Inc	OTC	20.00	1.3	0.0	0.80	4.0	20.25	20.00	64.7
American General Corp	NYSE	37.75	-1.0	11.4	1.12	3.0	38.38	37.50	1,953.8	Statesman Group Inc	OTC	6.25	-7.4	39.1	0.06	0.9	7.00	6.25	181.2
Ameri Heritage Life Invt Co	NYSE	41.75	1.5	15.3	1.32	3.2	41.75	41.13	2.8	Tokio Marine & Fire Ins Co	OTC	340.50	-7.3	64.1	1.05	0.3	364.50	339.25	12.0
American Indty Finl Corp	OTC	19.50	-3.7	0.0	1.12	5.7	20.25	19.50	12.1	Torchmark Corp	NYSE	31.25	-2.7	13.6	0.60	1.9	32.13	31.25	336.3
American Intl Group Inc	NYSE	124.25	3.2	23.1	0.44	0.4	124.25	117.25	755.8	Travelers Corp	NYSE	49.88	1.5	12.6	2.16	4.3	50.25	49.75	2,839.0
Aneco Reins Ltd	OTC	2.88	-4.2	0.0	0.00	0.0	3.00	2.88	21.7	United Fire & Cas Co	OTC	26.50	-1.9	21.0	0.80	3.0	27.00	26.50	104.1
Avenco Corp	NYSE	42.25	0.0	15.6	0.75	1.8	42.25	41.25	5.0	United States Fid & Gty Co	NYSE	41.50	-1.5	0.0	2.32	5.6	42.13	41.50	1,521.3
Business Mens Assurn Co Amer	OTC	25.50	-3.8	15.4	1.10	4.3	26.50	25.25*	372.3	UsLife Corp	NYSE	41.50	0.3	11.1	1.12	2.7	41.50	40.25	374.4
Chubb Corp	NYSE	70.88	1.4	139.0	1.56	2.2	70.88	69.38	1,040.7	Washington Natl Corp	NYSE	34.13	0.4	15.0	1.08	3.2	34.13	33.50	73.8
Combined Intl Corp	NYSE	56.00	-5.1	11.2	2.24	4.0	59.00	56.00	282.5	Zenith Natl Ins Corp	OTC	26.50	-4.5	132.5	0.80	3.0	27.50	26.13	189.5
										INSURANCE COMPANIES	AVERAGE			10.8		2.1			

BI Insurance Index



The Business Insurance stock index fell 0.4% during the most recent trading period. The BI index of insurance industry stocks closed at 504.1 points on May 21, down 2.0 points from 506.1 points on May 13. A total of 28 stocks fell, 24 issues gained and eight remained the same during the latest trading period. The stocks posing the biggest losses were Northwestern National Life Insurance Co., down 9.3%; Statesman Group Inc., down 7.4%; Tokio Marine & Fire Insurance Ltd., down 7.3%; Arthur J. Gallagher & Co., down 6.3%; and Combined International Corp., down 5.1%. The leading gainers during the period were Marsh & McLennan Cos. Inc., up 11.1%; W.R. Berkley Corp., up 8.5%; Great West Life Assurance Co., up 7.7%; and Fairmont Financial Inc., up 6.9%.

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A. You bet. They can really help limit and even prevent losses from accidents and disasters.

Q. I assume your broker's a Hartford fan, too?

A. Sure—we've seen eye-to-eye on The Hartford for years.

Q. Smart. So tell me, are your rocket skis being well received?

A. Oh yeah. They're very big with the jet set.



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