

Business Insurance

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N.Y. pulls Midland plan amid creditor concerns

NEW YORK—The New York Insurance Department has withdrawn a proposed runoff reinsurance deal intended to speed the liquidation of the long-defunct Midland Insurance Co.

In a letter to a New York state judge overseeing the liquidation, New York Special Deputy Superintendent Joseph Termini said the Insurance Department has terminated

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Superfund reform on a smaller scale

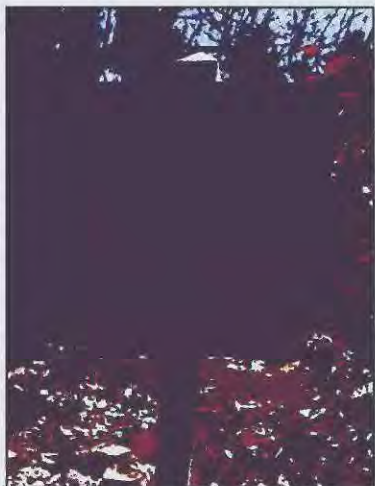
House bill would exempt minor polluters

By MARK A. HOFMANN

WASHINGTON—A narrow Superfund reform bill that would generally exempt from liability parties that dumped very small amounts of hazardous material at waste sites is drawing praise—even from groups that have usually opposed liability carve-outs.

That's in large part because the measure would likely have a very limited impact. Even its chief sponsor has said the bill, the Small Business Liability Relief Act of 2001, falls far short of the type of Superfund reform he has supported in the past.

While the bill may be limited, reform supporters are concerned that its passage would not preclude consideration of more meaningful reform, particularly if Congress attempts to re-institute special Superfund taxes.



"We don't have any problems; the bill is an improvement over the current Superfund program. We would just hope that this will not prevent additional review of the Superfund program," said Kenneth Schloman, Washington counsel for the Alliance of American Insurers.

Under the bill—which the House unanimously approved by a vote of 419-0 on May 22—any size company that disposed of less than 110 gallons or less than 200 pounds of material containing hazardous waste at a Superfund site would be exempt from cleanup costs. Under the measure, only disposals that occurred before April 1, 2001, would be exempt. The exemption would not apply to criminal dumping or to situations where the material, no matter how small, contributed "significantly" to the cost of the cleanup.

See Superfund on page 25

Legal, legislative threats loom

HMOs in hostile territory

By MICHAEL PRINCE

Challenges to how health maintenance organization operate already have resulted in changes in managed care plans' practices, and more changes are likely in the future.

The ongoing assault on HMOs—from a class-action lawsuit in federal court in Florida to patient rights legislation in Congress—has deterred many HMOs from implementing new cost-control measures, for fear of further antagonizing their opponents, said Helen Darling, senior consultant with Watson Wyatt Worldwide in Stamford, Conn.

"They have a corrosive effect on the plans' collective enthusiasm for doing anything," Ms. Darling said.

The result, health care experts say, could be fewer cost controls, leading to increased spending by employers on managed care plans.

The current hostile environment also has forced HMOs to alter their financial arrangements with medical providers, said Ken Jacobsen, national health practice leader for The Segal Co. in Atlanta.

"The HMOs have to back off," Mr. Jacobsen said. "They've been less diligent in how they hold providers accountable."

Specifically, Mr. Jacobsen said that HMOs have: curtailed incentive arrangements that give providers a bonus for keeping costs below a certain figure; cut back on capitation contracts with providers; and reduced the number of procedures that re-

quire physicians to obtain pre-certification from the HMOs.

The multiple attacks on HMOs, with the class-action lawsuits as a leading pressure point, are "dramatically shifting the future of the HMO and managed care industry," he said.

While this may make some plan members happy, Mr. Jacobsen said, fewer restrictions on physician behavior will mean costlier treatment, driving up health care expenses for employers. And employers, in turn, will pass along some of this higher cost to their employees.

But any changes thus far in how the managed care industry operates could pale in comparison to what might happen if the HMOs lose the lawsuits or agree to a big settlement. In that case,

See HMOs on page 26



PHOTO ILLUSTRATION

U.S. Congress again targeting Bermuda taxes

By DOUGLAS McLEOD

WASHINGTON—Captive insurance company owners are lining up with several international insurers to attack proposed legislation that would raise taxes on U.S. underwriters that reinsure business with offshore affiliates.

The legislation, H.R. 1755, introduced earlier this month, would deny U.S. insurance companies deductions for reinsurance premiums ceded to non-U.S. affiliates in low-tax jurisdictions such as Bermuda. Backed by Chubb Corp., Hartford Financial Services Group Inc., Liberty Mutual Insurance Co. and others, the bill would close an alleged tax loophole that its supporters say gives offshore insurance holding companies an unfair competitive advantage over U.S.-based rivals.

The Captive Insurance Cos. Assn. has joined Bermuda and European insurers and others, though, in blasting the bill, sponsored by Reps. Nancy Johnson, R-Conn., and Richard Neal, D-Mass.

"What is especially unbelievable is that companies which were at the forefront of opening insurance markets in other countries to the U.S. industry now want to take a protectionist view when their open markets and profits are at stake," CICA President Carl A. Modecki said in a statement.

Raising taxes for foreign affiliate reinsurance would force companies based outside the United States to hike the price of

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Firmer P/C pricing drives up profits in 1st quarter page 3

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• Panelists at the Harold H. Hines Jr. Memorial Symposium agreed on one thing: that a patients' bill of rights will be passed in this term. PAGE 6

• The modest reform of Superfund recently passed by the House is a step in the right direction, this week's editorial says. PAGE 8



• The growth of 401(k) plans, the impact of baby boomers nearing retirement and how employers are coping with retirement in a tight labor market are among the stories covered in this week's Spotlight Report on Pension/Retirement Plans. PAGE 10



• The Australian government is establishing a royal commission to investigate regulatory adequacy in the wake of the collapse of HIH Insurance. PAGE 21

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UPDATES

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the proposed deal with Berkshire Hathaway's National Indemnity Co. Inc. unit. New York regulators proposed the runoff plan in February. State Supreme Court Justice Martin Shoenfeld agreed earlier this month, though, to hear a request from several Midland creditors for more information about the deal, and delayed any approval of the plan until September (BI, May 21). After the New York department protested, Judge Shoenfeld scheduled a hearing on whether to postpone ruling on the plan pending discovery efforts by creditors. He refused, though, to reinstate a June 11 date for ruling on the plan itself. "Given the above circumstances, the proposal has been, in effect, defeated," Mr. Termini said in his letter to the judge. "Accordingly, the agreements set forth in the proposal for approval have been terminated." A lawyer for the creditors—which include ASARCO Inc., Eli Lilly & Co., Owens Corning and the Transit Casualty Co. receivership—expressed surprise about the Insurance Department action. "We did not set out to kill the proposal. We were simply seeking the information needed to assess whether or not it fairly compensated creditors," said Neil K. Roman, an attorney with the Washington firm of Covington & Burling. "The fact that the superintendent has elected to withdraw the proposal rather than to provide information that would allow creditors...to evaluate it may suggest something about the merits of the proposal," Mr. Roman added. Under the reinsurance deal, National Indemnity would have guaranteed a dividend to creditors of 32% on allowed claims up to an aggregate limit of \$2 billion of allowed claims, equating to a total payout of \$640 million. National Indemnity would have received all of Midland's assets, which consist largely of reinsurance recoverables. Midland reported \$690 million in assets and \$1.47 billion in liabilities as of Sept. 30, 2000. The payments from National Indemnity would have been the first distribution to Midland creditors since the insurer collapsed in 1986.

OWENS CORNING TO APPEAL Owens Corning will appeal the dismissal of its lawsuit seeking reimbursement from the tobacco industry for amounts the company paid to treat workers with asbestos-related health problems. Jefferson County Circuit Court Judge Lamar Pickard dismissed Owens Corning's suit last Thursday, ruling that the company was prohibited by a Mississippi law that prohibits recovery for an indirect injury. Owens Corning, which filed for bankruptcy protection last fall, claimed many workers with asbestos-related health problems were also smokers and their injuries were caused, at least in part, by tobacco. The suit did not seek a specific damage amount. Owens Corning will appeal to the Mississippi Supreme Court, said a spokeswoman for the Toledo, Ohio-based company. Tobacco manufacturers welcomed the ruling. "This ruling in Mississippi is a serious blow to attempts by several other asbestos manufacturers who have filed similar suits in Jefferson County," Jeff Raborn, attorney for Brown & Williamson Tobacco Corp., said in a statement.

RATES STILL UP: MARSH Insurance rates increased across the board at April 1 renewals, continuing a broad-based hardening in the commercial insurance market, according to Marsh Inc. In an update to its "Market Review and Forecast," the New York-based brokerage said that insurers continued to hike rates in an effort to boost their still-depressed financial results. Property rates saw increases that averaged 20% to 25% at April 1, according to Marsh. And 15% of renewing policyholders faced rate increases of more than 50%. In addition, "some programs have gaps, a new phenomenon," the brokerage reported. Primary casualty rates increased 10% to 20% for policyholders with good to moderate loss records, the report said. Product liability rates, meanwhile, increased 15% to 20%, the Marsh report said.

Excess casualty rates increased 10% to 20% for good risks and by more than 100% for some poor risks, the report said. "Capacity has decreased somewhat since the January renewals and can be expected to decrease further over the course of the year," the report said. Directors and officers liability rates increased 10% to 20% for accounts with no or minimal losses. Accounts with significant losses were handed rate increases of 25% to 50%, the report said. Marsh's "Insurance Market Update" can be found at www.marsh.com.

401(K) CASHOUTS COSTLY Participants in 401(k) plans who change jobs are unnecessarily paying billions of dollars in taxes and penalties by taking account balances in cash rather than keeping the money in the plan or rolling over the funds into an individual retirement account or their new employer's 401(k) plan, according to a recent study. The study by Putnam Investments, the Boston-based mutual fund arm of Marsh & McLennan Cos. Inc., found that about 30% of job changers took a cash payment from their plan rather than keeping money in the plan or rolling it over to another plan or IRA. Funds taken out of 401(k) plans before age 59½ are subject to regular income taxes, plus a 10% penalty tax. In addition, the withdrawn funds lose their ability to earn tax-deferred interest. In all, Putnam estimates, 401(k) plan participants who change jobs pay anywhere from \$7.1 billion to \$8.3 billion in taxes and penalties, which they could avoid by keeping the money in the plan or rolling it into an IRA or their new employer's 401(k) plan. Many benefit consultants say employers need to do a better job of educating employees on the tax consequences of taking money out of 401(k) and other savings plans before retirement.



PHOTO: NOAA

'NORMAL' HURRICANE FORECAST This year's Atlantic hurricane season is unlikely to set any records for storm activity, according to predictions by officials of the National Oceanic and Atmospheric Administration. NOAA predicts five to seven hurricanes during the season, which officially runs from June 1 to Nov. 30. That would be short of last year's eight hurricanes and in the range regarded as normal. NOAA's forecast is consistent with a forecast released April 6 by William Gray of Colorado State University in Fort Collins. Mr. Gray, one of the nation's best-known hurricane forecasters, currently is predicting six hurricanes. His team will issue an updated forecast June 7. According to NOAA, one or two hurricanes typically make landfall in the United States during seasons with normal hurricane activity.

EXXON TO APPEAL AWARD Exxon Mobil Corp. will appeal a \$1.06 billion Louisiana court jury award stemming from radioactive pollution of a site used to clean the corporation's oil field pipes since the 1940s. The award, made to a local judge and his family who owned the land, comprises \$56 million in remediation costs and \$1 billion in punitive damages. At trial in the Orleans Civil District Court, Exxon contended that the radioactivity at nearly all of the site did not exceed normally occurring levels and that the cleanup would not cost more than \$50,000. Exxon also contended that its previous offers to clean up the property had been declined by the owners. "Exxon Mobil has always been fully prepared and willing to remediate the Grefer property and even hired experts to conduct an assessment as to the scope and cost of remediation if, in fact, this action was deemed warranted. These offers were declined," an Exxon statement said.



PHOTO: GETTY

Ford launched a massive new tire recall.

FORD RECALL UNINSURED Ford Motor Co. does not have product recall coverage for its recent recall of the 13 million remaining Firestone Wilderness AT tires on its vehicles. The Dearborn, Mich.-based automotive manufacturer will take a charge of \$2.1 billion in the second quarter to cover the costs of replacing the tires, a Ford spokesman said. Ford will replace twice as many tires as it did following the recall by Bridgestone/Firestone Inc. last August of several models of its tires. The automaker reported that it is working with major tire manufacturers other than Bridgestone to expand the supply of replacement tires as rapidly as possible. Nashville-based Bridgestone announced last week that it is terminating its longtime relationship as a supplier of tires to Ford.

HIH EXEC'S ASSETS FROZEN The Australian Securities and Investments Commission is freezing the assets of three former directors and officers of insurer HIH Insurance Ltd., which is reportedly insolvent by up to \$4.0 billion Australian (\$2.12 billion). The ASIC obtained court orders last week to freeze the assets of former HIH Chief Executive Officer Fay Williams; former Chief Financial Officer Dominic Fodera; and former Director Rodney Alder, an Australian businessman. "ASIC sought these protective orders as an interim step in its broad investigation into the collapse of HIH," an ASIC statement said. The statement did not elaborate on why these individuals were singled out. The court move came one day before the provisional liquidator of HIH, KPMG Australia partner Tony McGrath, reportedly told the Australian government that HIH was insolvent by between \$2.7 billion Australian and \$4 billion Australian (\$1.43 billion and \$2.12 billion). The Australian government is launching inquiries into how and why Sydney, Australia-based HIH collapsed so rapidly earlier this year (see story, page 21).

BRIEFLY NOTED The federal Consumer Product Safety Commission is suing Wal-Mart Stores Inc. for failing to report 41 injuries caused by home exercise equipment manufactured by Icon Health & Fitness Inc. of Logan, Utah. More than half the incidents, which began in 1996, occurred in Wal-Mart stores while customers were trying out the equipment, according to the CPSC. The suit represents the first time the government has sued a retailer for failing to report product-related injuries. The CPSC seeks \$4.5 million in damages each from Wal-Mart and Icon. Wal-Mart has maintained it was under no obligation to report the injuries. First Health Group Corp., a managed health care company, will expand its size and reach through the acquisition of CCN Managed Care Inc., a group health and workers compensation managed care company. Downers Grove, Ill.-based First Health said it would acquire CCN from Nashville, Tenn.-based HCA Healthcare in a cash deal valued at \$195 million. South African broker Alexander Forbes Ltd. has reported strong growth for the year that ended March 31. Operating profit at Alexander Forbes—the world's eighth-largest insurance broker in Business Insurance's 2000 ranking—rose by 44% over the prior year to 506 million rand (\$62.9 million). Revenues improved by 33% to 3.07 billion rand (\$381.9 million). BI

To get breaking news as it occurs, visit Business Insurance's free online Updates at www.businessinsurance.com. All of the material in the Updates column as well as some other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

Most Kentucky breeders uninsured for foal losses

By MEG FLETCHER

Owners of champion horses and Kentucky breeders whose mares have been losing foals and fetuses in unprecedented numbers because of a mysterious malady this year are learning some risk management lessons the hard way.

One of the most serious is the repercussions of not buying insurance.

"The vast majority of losses"—which are estimated at up to \$200 million—are uninsured or self-insured, said Rodes Shackelford "Shack" Parrish, president of the Clay Ward Agency Inc. in Paris, Ky. The greatest immediate loss is

stallion owners' forfeiture of the income from breeding their horses, because most arrangements guarantee the birth of a live foal that will stand and nurse. In addition, some mare owners, especially those without guaranteed birth contracts, buy "barrenness" coverage and "prospective foal coverage," as needed.

The losses this year, though, may be reduced through prompt rebreeding and, potentially, by higher yearling prices at future auctions due to the scarcity of foals.

In addition, the racing industry is planning to seek congressional approval for low-cost loans to help small horse farms.

Kentucky's central Bluegrass Re-

gion, named for the dusty blue grass that grows in the state's limestone-rich soils, has been especially affected by the mysterious disease that has stymied scientists and researchers affiliated with the University of Kentucky.

Researchers trying to track down the source of the disease are now focusing on an infestation earlier this spring of a cherry tree-loving tent caterpillar, after unsuccessfully pursuing pasture-related theories about toxin-producing fungi that spread through unusual climatic conditions.

The so-called Mare Reproductive Loss Syndrome, which is character-

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PHOTO: KRT

About 2,000 foals in Kentucky have been stricken with a mysterious illness that is devastating breeders in the state.

Rising insurance rates lift first-quarter fortunes

By JUDY GREENWALD

Double-digit price increases are beginning to work their way down to the bottom lines of the major commercial property/casualty insurers.

And with many insurers facing a long road to recovery from the prolonged soft market, buyers can expect rates hikes to continue rising for at least the near future, if not into next year, insurers and analysts say.

The 15 insurers surveyed by *Business Insurance* that report net income posted earnings of \$2.42 billion in the first quarter, a 15.6% decline compared with the year-earlier period. If

SAFECO Corp.'s \$882.8 million loss is excluded, though, the remaining insurers reported a 16.3% increase in net income to \$3.31 billion.

"I think we're going to see very, very strong pricing increases continue—double digit—and the only question is how high that gets, because the workers comp results and the

property results are still terrible," said Judy Blades, executive vp for business insurance at The Hartford Financial Services Group Inc.

"I think there's still room for more acceleration in pricing," said Gary Ransom, senior vp at

Hartford, Conn.-based Conning & Co. "But to the extent that, let's say, we're in the 12%-15% range right now, that may get into the 15%-18% range, but I don't think it's going to be much more than that."

Higher reinsurance costs will help keep up pressure on insurers to continue rate hikes, Mr. Ransom said. "There's also some signs that inflation could be picking up and driving up claims costs, which would also perpetuate rate increases," he added.

Offsetting those factors, however, is the industry's abundance of capital, "so once rate increases start getting too big, there's plenty of companies with dry powder willing to go back in" and write business at lower

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INSURER Results

Coverage for losses uncertain

Mold concerns growing

By ROBERTO CENICEROS

Mold—that seemingly innocuous furry stuff that crops up in damp spots—has begun to grab the attention of risk managers, insurers and attorneys as worries about possible health issues



PHOTO: AP/WIDE WORLD

Deterioration of the structure of this high school in Sandstone, Minn., has resulted in mold problems inside the building.

increase.

The topic of potentially dangerous molds has been prominent in the media of late, with concerns growing that so-called "toxic molds" may be responsible for a wide range of ailments, including coughs, rashes and, in some extreme cases, brain damage. Such concerns could provide fertile ground for suits alleging injuries related to molds in the workplace, at home and in businesses serving the public.

Mold-related property and liability claims are on the rise, insurers say. Many claims may not be covered, though, as damages from mold and fungus are generally excluded under property policies. Some insurers, however, are responding to the situation by providing remediation services designed to stop potential mold-related health problems from arising, while others are working to prevent mold development in the wake of events such as fire sprinkler leaks.

Most mold-related complaints and claims so far have involved homeowners and the residents of apartment and condominium buildings, insurers say. The majority of cases have occurred in the Southern United States, where the heat and humidity contribute to the growth

See **Mold** on page 26



PHOTO: AP/WIDE WORLD

Jeffords' switch to influence course of patient rights bill

By JERRY GEISEL

WASHINGTON—Few legislative proposals are likely to see their fortunes change as dramatically as patient protection legislation in the wake of Vermont Sen. James Jeffords' decision last week to quit the Republican Party and become an Independent.

As a result of Sen. Jeffords' move, the Senate will be made up of 50 Democrats, 49 Republicans and one Independent. Democrats will regain control of the Senate for the first time since 1994. That shift will give Democrats control of Senate committees, as well as the Senate's agenda.

The patient protection legislation falls under the jurisdiction of the Health, Education, Labor and Pensions Committee, which Sen. Jeffords had chaired. But the HELP Committee will now be headed by Sen. Edward Kennedy, D-Mass.

Unlike Sen. Jeffords, who had only mild interest in the issue, Sen. Kennedy is passionate about patient rights legislation. Sen. Kennedy has long fought for such legislation, championing proposals that would dramatically expand the liability of health plans and employers for coverage decisions.

According to James Klein, president of the American Benefits Council in Washington, the starting point for a patient rights bill will now be proposals backed by Sen. Kennedy, rather than Bush administration proposals.

Similarly, now that the Democrats have regained control, patient protection legislation likely will become much more of a priority in the Senate than when Republicans were in charge. Last year, patient protection legislation died, at least in part, because Senate Republican leaders lacked interest in

See **Jeffords** on page 25

Court asked to revisit pension rights decision

By MARK A. HOFMANN

MORRISTOWN, N.J.—Both sides in a complex pension rights dispute want a federal appeals court to reconsider its ruling that AT&T Corp. and other companies infringed on employees' rights under federal law during a corporate spinoff.

A three-judge panel of the 3rd U.S. Circuit Court of Appeals in Philadelphia decided last month that the employees could proceed with their claim that AT&T and two other companies conspired to restrict their pension benefits, in violation of the Employee Retirement Income Security Act.

The case, *Kurt H. Eichorn et al. vs.*

AT&T Corp., Lucent Technologies Inc. and Texas Pacific Group, arises from Basking Ridge, N.J.-based AT&T's 1995 decision to sell its Paradyne Corp. affiliate. According to the April 23 decision, AT&T put restrictions on the ability of Paradyne employees to transfer to other AT&T divisions. No employee who voluntarily left Paradyne could be hired by any other AT&T unit, because AT&T regarded Paradyne's employees as that company's most marketable asset, according to court papers.

AT&T then reorganized its operations, with Paradyne becoming part of spun-off Lucent Technologies Inc., which in turn sold the unit to

Fort Worth, Texas-based Texas Pacific Group in July 1996. "Before closing, Lucent agreed, on behalf of itself and other former AT&T affili-



ates, that it would not hire, rehire, retain or solicit the services of any Paradyne employee or consultant whose annual income exceeded

\$50,000," according to the decision. After the deal was closed, the parties agreed that the no-hire provision would last eight months.

This provision "has the practical effect of canceling the Paradyne employee's accrued pension benefits under their former AT&T pension plans," according to the decision. "Under the AT&T pension plan, employees were entitled to 'bridging rights' which allowed them to retain their level of accrued pension benefits if they left AT&T and returned within six months. After six months, the bridging rights expired. Employees rehired after the six-month period would need five years of employment to regain their previous

pension levels. Because the (post-closing agreement) barred Paradyne employees from returning to an AT&T affiliate for eight months, these employees automatically lost the bridging rights they had acquired under their AT&T pension," according to the decision.

Texas Pacific, meanwhile, had hired an outside consultant to determine the benefit package that would be offered the Paradyne employees. The consultant, working with Paradyne's vp of human resources, recommended that Texas Pacific could not offer the employees the same pension benefits they had with AT&T if it wished to remain financially competitive. As a result, Texas Pacific decided not to offer a defined benefit plan.

A group of former Paradyne employees sued AT&T, Lucent and Texas Pacific. They alleged violations of the Sherman Antitrust Act, including "engaging in an illegal price-fixing scheme" by conspiring to eliminate the former employees' pension benefits, according to the decision. "Furthermore, they allege that the no-hire agreement, which effectively canceled Paradyne employees' bridging rights under their AT&T pensions," violated Section 510 of ERISA.

Section 510 makes it unlawful for anyone to "discharge, fine, suspend, expel, discipline or discriminate against a participant or beneficiary for exercising any right to which he is entitled under the provisions of the employee benefit plan" in order to interfere "with the attainment of any right to which such participant may become entitled under the plan."

The U.S. District Court for the District of New Jersey granted summary judgment for the defendants, prompting the plaintiffs to appeal to the 3rd Circuit. A three-judge panel upheld the lower court on all counts except the ERISA charge. "Because we hold plaintiffs have submitted sufficient prima facie evidence to support their ERISA S 510 claim," the lower court should allow them additional discovery to pursue possible class certification, the three-judge appeals court panel held. They remanded the case back to the district court.

The judges' action satisfied neither side. The plaintiff's attorney—Noel Crowley of the Morristown, N.J., law firm Crowley & Crowley—has petitioned for an en banc rehearing of the case by the full 3rd Circuit on the antitrust counts. He called the limited pro-plaintiff decision "kind of a wake up" for corporations engaged in merger and acquisition activity that they cannot ignore ERISA pension rights.

Jonathan Hill, an attorney with Pitney, Hardin, Kipp & Szuch in Morristown, who represented both AT&T and Lucent in the case, has also filed a motion for reargument. Although Mr. Hill declined to speculate on what wider impact—if any—the case might have, he said, "we believe with that the court, with respect to the ERISA, misunderstood the facts."

The 3rd Circuit has not decided whether it will rehear the case.

Kurt H. Eichorn et al. vs. AT&T Corp., Lucent Technologies Inc. and Texas Pacific Group, 3rd U.S. Circuit Court of Appeal, No. 99-5791. Decided April 23, 2001.

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What can we do to help you?

Impact of patients' rights legislation debated

By LEE FLETCHER

CHICAGO—Congress will pass a patients' rights bill this term; on that point, the four panelists at the annual Harold H. Hines Jr. Memorial Symposium in Chicago, were in unanimous agreement.

The May 17 symposium, on the theme of "Patients' Bill of Rights: Why Care About Health Care?," featured a variety of viewpoints about the federal legislation and its potential impact on health care plans. Two speakers who represented the fields of insurance and risk management expressed concerns

about a patients' rights bill.

Although insurers have consistently pushed for continued regulation of health insurance by the states, regulation "will prob-

ably happen through federal law," said Cecil D. Bykerk, executive vp and chief actuary in the corporate actuarial and strategic planning operation of Mutual of

Omaha Cos. in Omaha, Neb.

Mr. Bykerk said he feared the likelihood of increased costs to employers and warned that some companies may stop providing

health care coverage to their employees altogether. "The increase of administrative costs will be passed on to patients," he said.

Christopher E. Mandel agreed that, if federal legislation on patients' rights is enacted, some employers may "think they can't afford to offer health care benefits." Furthermore, he said, "the small companies are going to be the biggest victims."

Mr. Mandel, assistant vp of enterprise risk management for USAA Group in San Antonio, said he was speaking in his role as first vp of the Risk & Insurance Management Society Inc.

If federal health care legislation is enacted, Mr. Mandel said, "we'll see employers subsidizing 25% or less."

The speakers also addressed the issue of liability for health care decisions.

Richard A. Deem, vp for government affairs at the American Medical Assn. in Washington, said that health plans that make medical decisions should be held responsible for those decisions, just as doctors are.

Mr. Deem said that a "legal remedy" is needed, in conjunction with an external appeals process.

"We don't want to expand the litigation process in this country...but everyone must be accountable for mistakes," he said.

Furthermore, Mr. Deem said, the medical community has "asked the employer community for suggestions, but the employer community has not taken us up."

Todd A. Smith, a partner and personal injury attorney with the law firm of Power, Rogers & Smith in Chicago, said many conflicts with health care provider networks result when "people inside" determine whether to permit certain medical treatments.

"Some people (inside the managed care process) just don't know enough" to make informed treatment decisions, Mr. Smith said.

Mr. Deem emphasized that the goal of patients' rights legislation is not to put an end to managed care; rather, he said, it is about removing the "bad apples" from the barrel.

Moderating the symposium was Kathryn J. McIntyre, publishing director of *Business Insurance*. **B**



Mr. Bykerk



Mr. Deem



Mr. Mandel



Mr. Smith

Several health plans are
talking to him about
defined contribution.

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his current plan is already
delivering it.

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ERRORS & OMISSIONS

• A May 14 article incorrectly reported who announced a contest to win a BMW convertible during a conference session. Julie Umphries, senior vp of Marsh Inc.'s entertainment group in Los Angeles, announced the contest. Michelle Darringer, vp-risk management at Fox Entertainment Group Inc. in Los Angeles and Marcia Rutledge, senior vp in Marsh's entertainment group in Los Angeles, co-moderated the session during which the contest was held.



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OPINIONS

Superfund reform overdue

A MODEST PROPOSAL TO REFORM Superfund was overwhelmingly approved by the House of Representatives last week, which is most welcome after the pollution liability law took an almost two-year hiatus from lawmakers' agenda.

The measure, which was approved by a 419-0 vote last week, is only a tiny step in the journey to reform the controversial law, but at least it is a step in the right direction.

The House proposal, H.R. 1831, would relieve businesses of strict liability for the cleanup of Superfund sites at which they dumped only very small amounts of waste under most circumstances. It also would exempt small businesses from liability for cleaning up municipal landfills to which they contributed waste. The threshold for being considered a "de micromis" polluter and thereby avoiding liability would be companies that disposed of less than 110 gallons or 200 pounds of material containing hazardous waste.

As it stands, the bill would let relatively few companies off the hook for cleaning up waste sites. Nevertheless, we think it is an overdue proposal for eliminating an unfair aspect of the Superfund law, in which a party only infinitesimally liable for a waste site is held strictly liable for cleaning up the entire mess simply because it is the only entity the Environmental Protection Agency can locate that is still solvent.

The House proposal to spare de minimis polluters from this situation sounds like common-sense reform, doesn't it? We are encouraged that 419 members of the House seem to agree, and certainly hope that a similarly overwhelming percentage of senators will follow suit if the bill comes before them.

Unfortunately, no companion legislation has been introduced yet in the Senate. Furthermore, lawmakers have considered this proposal before—versions of it have been introduced many times over the past decade—and nothing has changed. We think that's unreasonable, to say the least, in the face of what is a reasonable reform proposal.

During this period of inaction, numerous companies large and small have been tapped as potentially responsible parties for cleanups of waste sites to which they barely contributed. This has spawned countless legal battles between the government and these de micromis companies—as well as between small and large PRPs—as they seek to avoid liability for cleaning up a mess they hardly created. It also has led to the usual battles between them and their insurers over coverage for this unwelcome and unexpected exposure.

It would have been much more productive for the government to have focused on finding the parties that truly were responsible for the pollution and making them pay rather than attempting to rope in everyone in sight who was "potentially responsible" for the pollution, regardless of size. At a minimum,



the federal government needs to develop a fairer—and more efficient—mechanism for financing the cleanup of the country's waste sites. Recent agreements to finance future cleanup expenses at the Iron Mountain site in California, for example, offer a glimpse of how novel and effective solutions can occur if the EPA gives it a chance (*BI*, Nov. 6, 2000). These need to be built upon.

Superfund reform is long overdue. We don't think it unreasonable to ask the Senate to waste no time in following the House's lead, pass this modest legislation and get it on President Bush's desk for his signature as quickly as possible.

LETTERS

Quality keeps up with growth of dental PPOs

To the editor: Your recent article pointed out that dental PPOs are growing in popularity (*Business Insurance*, April 2). With this unprecedented growth, it is important to keep quality a high priority.

Fortunately, an important benefit that has come out of the dental managed care movement is quality improvement and quality control. While cost savings are crucial, so are the areas of safe and efficient dental care.

The better dental managed care operations conduct ex-

tensive provider credentialing initiatives. In addition to the customary biographical and background investigations of each dentist/applicant, there are in-office "physical plant" evaluations and patient chart reviews. Through these means, areas of improvement and opportunity are identified and then shared with the dentist. In a vast majority of cases, these opportunities for improvement are willingly incorporated into the providers' operations. Such cooperation is necessary to gain acceptance into the program, remain in

good standing, and ultimately provide the best possible care to subscribers.

If approached from a financially and clinically reasonable perspective, then managed care becomes a win-win proposition for everyone.

Richard Behrman, D.D.S.
Director, Dental Programs
Medical Mutual of Ohio
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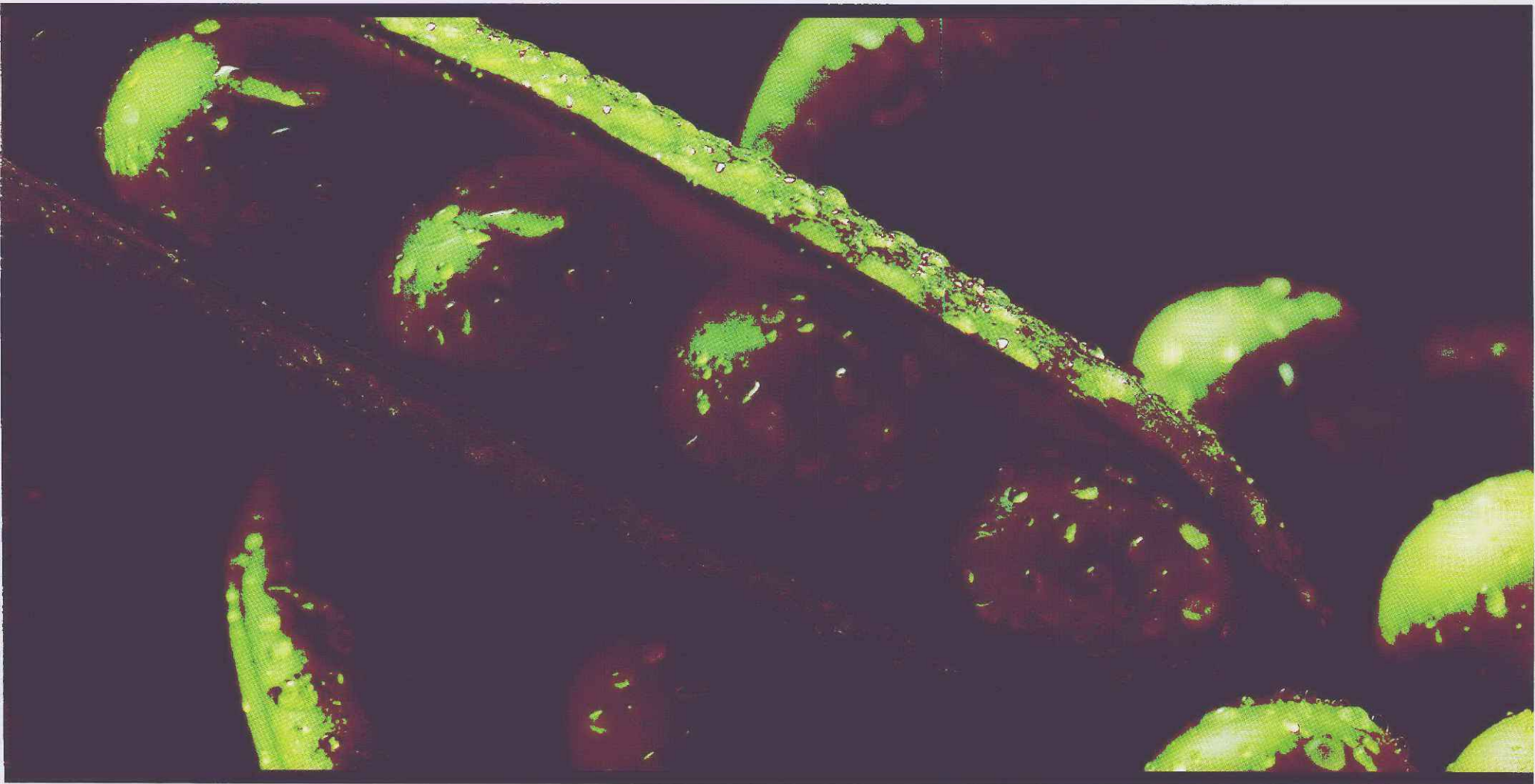
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SPOTLIGHT

Benefits:

Phased retirement begins to catch on

By JUDY GREENWALD

Phased retirement programs may be employers' answer to the demands of changing workforce demographics.

With more baby boomers approaching retirement age and a relatively smaller population of younger people replacing them, employers increasingly are concerned about finding themselves in short supply of experienced talent.

At the same time, employers recognize it has never made much sense for a long-term employee to retire, collect a pension and then go to work part time for the competitor across the street when that employee's own company may still need him or her.

With so-called phased retirement programs, though, employers can continue to benefit from the strengths of their long-term employees, while also permitting retirees to work at a reduced schedule.

As a result, a growing number of employers are beginning to at least consider these programs.

"This has been a great tool for us," said

Michael A. Dennis, vp-worldwide operations and services at Avaya Technologies Inc. The Basking Ridge, N.J.-based telecommunications company has between 1,200 and 1,500 "variable" technicians who work on an as-needed basis under its phased retirement program.

Complicating the issue for employers interested in introducing phased retirement programs, though, are federal laws and regulations that can make it difficult, if not impossible, for employees to collect a pension while they continue to work, particularly if the company has a defined benefit plan. Proposed legislation that would address this issue was introduced in the last congressional last session but was not acted upon, though it is expected to be reintroduced.

Other issues that must also be considered by employers include retirees' ability to maintain health care coverage while they continue to work.

There is no precise definition for the term "phased retirement," but it generally refers to a gradual change in an employee's work arrangement. This can take the form of some sort of part-time approach, including working fewer hours each day,

fewer days per week, or even working full time for only certain weeks of the year. It can also involve retaining retirees as consultants or rehiring them on a part-time basis.

A 1999 survey by Watson Wyatt Worldwide found that 16% of respondents offered phased retirement programs, often as a way to retain key talent. But while relatively few companies have introduced formal programs so far, the concept is attracting more interest as employers begin to recognize that many of their valued workers are approaching retirement age, observers say.

"It's gaining in popularity," said Jon Van Cleve, a work/life consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill. "Certainly, companies are talking about it, if not beginning to explore it. The general buzz around organizations today is to really study your workforce."

In particular, many employers are looking at employee demographics and trying to determine what their workforce will look like in 10 years, he said.

Phased retirement is "something that's coming to corporate America and coming

See **Phased** on page 12

Pensions/
Retirement
PlansBoomers turning focus
to retirement plans

By MARK A. HOFMANN

The first wave of baby boomers will turn 55 this year, crashing into the age at which some workers become eligible for early retirement.

Millions more baby boomers—generally defined as those born between 1946 and 1964—will be leaving the workforce over the next three decades. In most cases, they can look forward to a long life in retirement—but can they afford to live that life in comfort?

That has become a crucial question for would-be retirees, their employers and the pension professionals the employers retain to design their plans. The threat of individuals outliving their retirement assets is real, but some observers also warn that retirees fearful of that happening may unnecessarily live well below their means.

And some experts say that the possibility of even a partial privatization of Social Security, such as that advocated by the White House, could further complicate the situation.

Such uncertainties aside, observers say that employers will need to enhance the financial education they offer their pension plan participants to ensure that retirees will have the money they need when the time comes.

"At the end of the day, a very important question is whether people end up with enough money," said Anna Rappaport, a

principal in the Chicago office of William M. Mercer Inc. The answer to that question "depends an awful lot on the amount of contribution that's being made" in defined contribution plans, Ms. Rappaport said. If an employer puts in 12% or 15% a year, the employees will probably have a considerable amount of money at retirement, she said. But, Ms. Rappaport noted that many people don't consider "how much money is going to be delivered at the other end" when they're contributing to defined contribution plans.

"We think it's very important for plan sponsors to think through the implications of the plans in terms of benefit delivery—how much money people will get," Ms. Rappaport said.

"I think it's a tremendous issue. ... Even if an employee invested wisely and they took out what would have been their annuity payment monthly, 55% will still outlive their benefit," said Eric Lofgren, director-benefits consulting group in Watson Wyatt Worldwide's Philadelphia office.

"You can get a tremendous imbalance. If you look at the death rates of retirees, there's a tremendous spike in the first three years. They're the ones who don't outlive their money," Mr. Lofgren said.

Ms. Rappaport said she is concerned that individuals don't take into account their need for regular retirement income as they make their investment decisions. For cou-

See **Boomers** on page 14

401(k) plans have become
America's pension plan

By JERRY GEISEL

On their 20th anniversary, the luster of 401(k) plans—the United States' most popular retirement plan—is shining brighter than ever.

Once a novelty, 401(k) plans have become such an accepted part of employers' benefit programs that, at least among larger firms, it is almost impossible to find a company that does not offer such a plan.

"This is no longer an optional plan. Clearly, you'd be at a competitive disadvantage if you didn't have a 401(k) plan," said Rich Koski, a principal at Buck Consultants Inc. in Secaucus, N.J.

Indeed, a whopping 97% of companies with at least 5,000 employees have 401(k) plans, while more than 90% of organizations with between 1,000 and 4,999 employees offer such a plan, according to SpectremGroup, a Chicago-based consulting and research firm.

"The plans are just about universal with Fortune 500 companies," said Linda Wauson, a consultant in the Houston office of Watson Wyatt Worldwide.

Even the smallest firms offer 401(k) plans. Simplicity L.L.C., an Indianapolis-based service firm with just 15 employees, set up what Managing Partner Bob Devens describes as a "no-hassle" plan and one that employees say is the best retirement plan the company offers. "They love it," Mr. Devens said.

Added in 1978 to the U.S. Tax Code by federal legislation and sanctified in 1981 by Internal Revenue Service regulations, 401(k) plans enjoy features that no other pension plan can match.

For employees, the plans allow pretax contributions, which immediately reduces an employee's tax bite. Most employers provide a match, typically 50% of what employees contribute, up to 6% of pay. Unlike defined benefit plans, 401(k) plans give employees access to their account balances by allowing hardship withdrawals and loans.

For employers, 401(k) plans offer low, predictable costs—typically 1% to 2% of pay—

and a high level of employee appreciation.

In all, SpectremGroup estimates that nearly 400,000 employers currently offer 401(k) plans, with the plans covering more than 38 million people. That's up from 272,000 plans in 1995 covering 23.8 million participants.

The story of 401(k) growth isn't just one of an increasing number of plans. It also is a story of rising employee participation, coupled with increasingly sophisticated and generous plan designs.

According to benefit consultant Hewitt Associates L.L.C., an average of 78% of employees at large companies participated in 401(k) plans in 1999—the most recent year for which statistics are available—up from 72% in 1991. At the same time, rank-and-file employees deferred an average of 4.9% of their salaries into the plans, up from 4.5% in 1997 and 4.2% in 1995, while highly compensated employees deferred an average of 6% of salary in 1999, 5.7% in 1997 and 5.5% in 1995.

See **401(k)** on page 13

Growing popularity of 401(k) plans

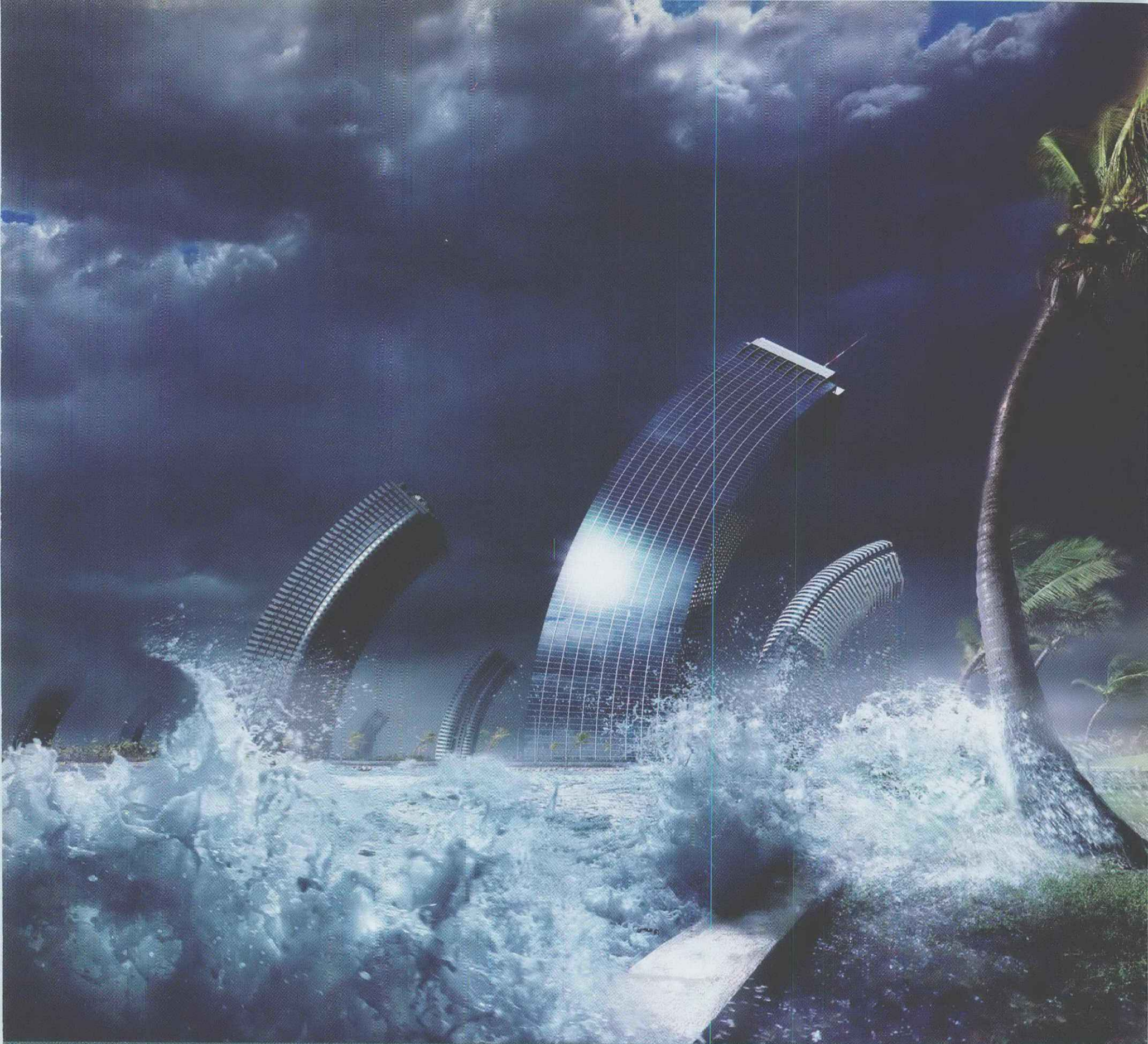
401(k) sponsors* (in thousands)		401(k) participants* (in millions)	
1995	272	1995	23.8
1996	296	1996	26.6
1997	314	1997	29.2
1998	333	1998	33.1
1999	356	1999	35.1
2000	377	2000	37.1
2001	396	2001	38.8
2002	416	2002	40.8
2003	437	2003	42.3
2004	458	2004	44.2
2005	481	2005	46.2

Source: SpectremGroup *projected for 2001 and beyond

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Directory of 401(k) plan administrators... 16



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SPOTLIGHT

Phased

Continued from page 10
fairly quickly," said Ronald DeStefano, senior vp with Aon Consulting Inc. in Baltimore. The first of the baby boomers are turning 55 this year, while the number of people in the 25-to-44 age bracket is shrinking somewhat, he said. "So what we're seeing is an interest in phased retirement, to retain people who have their specialized skills or just because they would be hard to replace in the market otherwise," Mr. DeStefano said.

There has been a realization just within the last year or two "that, with the baby boomers aging, the workforce is really getting older," and many companies recognize that "an awful lot of their intellectual capital is going to be walking out the door if they don't do something about it," said Anna M. Rappaport, a principal in William M. Mercer Inc.'s Chicago office.

Phased retirement programs can also meet the needs of employees who may want to continue working, but not necessarily on a full-time basis. For such employees, "some kind of phased re-

tirement or other arrangements may make some sense," said Joel Rich, senior vp and corporate retirement practice leader with the Segal Co. in New York.

"Retirement isn't retirement anymore," said Thomas Murphy,

employer to continue to benefit from the knowledge the employee has built up over the years, Mr. Murphy said.

"I think there are a lot of people who would like to continue working, but not necessarily at the

the opportunity so they can gradually retire," as opposed to putting in their papers and retiring completely. "They'd rather continue to work, but maybe take three months off to go to Florida," he said.

Avaya's program also keeps its customers happy, Mr. Dennis said. "Most of these people have great relationships with our customers," he said. While the company, which was recently spun off from Murray Hill, N.J.-based Lucent Technologies Inc., wants to have a succession mechanism in place, it also wants "to make sure we keep the relationships going, so we don't break any of the things we worked very hard to develop with our customers."

Phased retirement programs are expected to remain popular despite recent widespread layoffs.

"The demographic pressures are going to continue" to make phased retirements appealing, said Valerie Paganelli, senior retirement consultant in Watson Wyatt Worldwide's Seattle office. "Hardly a day goes by," she said, when she does not talk with an employer about how to structure such a program.

Even at companies that have imposed layoffs, the employees who remain often are the more-experienced, talented baby boomers, so the possibility of their retirement continues to be a significant issue, said Hewitt's Mr. Van Cleve. "They still need to keep tapping into those talented people," he said.

"I think it's really hard to tell" what effect the economic downturn is having on recruitment and retention, Mercer's Ms. Rappaport said. "Depending on the kind of skills that you need, it's certainly true it's not as difficult to get people as it was a year ago."

But Ms. Rappaport said she recently heard a speaker at a conference complain that, even while his company was laying off workers, it still needed "so many thousands of engineers."

"There are specific skill areas where people are still having trouble finding people," Ms. Rappaport said.

Furthermore, the state of the economy may make companies even more willing to hire retirees, because they can use such individuals on a project-by-project basis. "You haven't made a commitment to a full-time employee, and if head counts are tight, which they are in many cases," such an approach can be very effective, Ms. Rappaport said.

Employers are implementing a wide variety of phased retirement programs.

"It's really a potpourri," Ms. Paganelli said. While some organizations have relatively formal, structured programs, "at the other end of the spectrum, we see one-on-one, ad hoc kinds of arrangements, as an individual stands in the door of human resources and requests something unique."

"I don't think there's really a standard you can look at," Mr. Murphy said.

"There are very few formal phased retirement programs," Ms. Rappaport said. "People are basically making their own programs."

Some programs involve using

older workers mentor their younger colleagues. "Retraining is possible sometimes as well," Mr. Murphy said. A company may train an employee to do another job but then still have him or her available to answer questions or solve problems based on his or her previous experience.

In addition, an increasing number of employers are structuring their phased retirement programs so that part-time retirees can continue to receive medical benefits, Mr. DeStefano said.

Meanwhile, federal law and regulations remain a potential roadblock to phased retirement programs.

Current regulations do not permit the payment of defined benefit pension benefits before an employee's normal retirement age unless there is a complete severance of employment with the plan sponsor. With defined contribution plans, though, "there's a little more flexibility," Mr. Murphy said. Employees can make withdrawals under certain provisions of those plans.

"Legislation and regulations were written in a world that was very different, so it doesn't necessarily match very neatly with what people are trying to do," said Segal's Mr. Rich.

The proposed Phased Retirement Liberalization Act, sponsored by Sen. Charles Grassley, R-Iowa, and Rep. Earl Pomeroy, D-N.D., addressed this issue last year, and the measure is expected to be reintroduced in this session.

"There are a lot of informal hallway conversations on phased retirement" in Congress, said Kyle Brown, retirement counsel for Watson Wyatt in Washington. "There's still a significant amount of legislative interest in the topic."

Observers say they hope any eventual legislation gives employers more flexibility.

"I think the laws should be changed to let people implement phased retirement, so that they could pay benefits while people are still working, particularly if they are working on a reduced basis and with partial payment of pension," Ms. Rappaport said.

The current law, under which a person who wants to continue working while collecting a pension can do so only by going to work for a competitor, "makes no sense," she said.

"What we would like to see on the legislative side" is the ability to implement phased retirement plans "without having to worry so much about jumping over hurdles," Mr. DeStefano said. "What we're really looking for is the ability to try things out, because we're finding that different things work for different people," he said.

If legislation in this area does become law, "I think we would see, to a large degree, a proliferation" of phased retirement programs, particularly as baby boomers get older and begin reaching retirement age, Mr. Murphy said.

But Ms. Rappaport said she doesn't foresee a "big rush" to implement phased retirement programs. Instead, she said, interested companies will look at the retirement programs in a more-targeted way. **BI**

'I think the laws should be changed to let people implement phased retirement, so that they could pay benefits while people are still working, particularly if they are working on a reduced basis and with partial payment of pension.'

— Anna M. Rappaport
William M. Mercer Inc.

a principal with the Unifi Network, a unit of PricewaterhouseCoopers L.L.P. in Teaneck, N.J. It used to be "cut and dried," he said. Now, through phased retirement programs, employers can basically say, "You don't have to fully retire. You can partially retire, and we'll give you the flexibility to name your own hours, where you don't have to be here all the time." This enables the em-

ployee to continue to benefit from the knowledge the employee has built up over the years, Mr. Murphy said.

Avaya technicians who participate in the program are "excited about it," Mr. Dennis said. And those who are still working full time are "hoping they will have

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401(k)

Continued from page 10

One of the reasons more employees are putting more money into the plans is that their employers are making it more attractive to do so. In 1999, for example, nearly 20% of employers with 401(k) plans matched, on a dollar-for-dollar basis, their employees' deferrals—nearly double the percentage of companies that did so in 1993, Hewitt found.

One employer that now fully matches employees' deferrals, up to 3% of salary, is The St. Paul Cos. "We have a benefit design that has helped to create a competitive advantage. We have tried to enhance the value of the plan to employees," said John P. Clifford Jr., vp-performance and reward systems at the St. Paul, Minn.-based insurer and financial services company.

Technology has been the engine that has driven other changes in plan design. For example, in the early 1980s, when 401(k) plan growth began to take off, employers typically offered only a couple of investment options, while employees generally could move account balances from one investment option to another no more frequently than once every three months.

Today, though, the typical employer offers about a dozen investment options, according to Hewitt. In addition, daily valuation has become the norm, a result of technological advances that have dramatically reduced the cost of processing transactions, Hewitt said.

"Technology has made this all possible," said Linda Holleman, a senior vp in the Winston-Salem, N.C., office of Aon Consulting Inc.

Along with the development of an almost dizzying array of investment options—and the ability to move account balances almost at will—there has been a profound shift in employees' investment behavior.

A decade ago, roughly 60% to 70% of employees' 401(k) account balances were invested in fixed income-type funds—such as guaranteed investment contracts sold by insurance companies and money market funds—with the balance in equities.

Today, investments have "flipped over," with more than 60% of account balances now invested in equity-type funds, according to Daniel Houston, senior vp of retirement and investor services at Des Moines, Iowa-based Principal Financial Group, the nation's largest 401(k) plan administrator.

For example, at Atlantic Research Corp., 84% of employees' 401(k) account balances in 1993 were invested in a GIC-type fund. Today, only 44% of plan assets are in the GIC fund. Meanwhile, the proportion of assets invested in an equity fund indexed to the Standard & Poor's Corp. 500, has grown to 25% from 4% during the same period, said Nina Falci, senior benefits analyst at Atlantic Research, a Gainesville, Va.-based designer and manufacturer of propulsion systems and automotive airbags.

"People are becoming a lot more savvy about their investments and are realizing that investing too conservatively can be costly," Ms.

Falci said.

To be sure, the move to equity funds has been aided enormously by the bull market of the last few years. "The unprecedented bull market has persuaded even the shyest investor to go" into equities, said Gary Blank, a consultant in the San Francisco office of William M. Mercer Inc.

Even as the stock market has faltered and approached bear territory, few employees have panicked and rushed out of equities, benefit managers and consultants say.

"Through investment education, employees have come to understand that there will be troughs in equities," and they haven't moved to fixed-income funds, said Mr. Clifford of St. Paul.

"We have not seen employees run away from equities," said Michael Sternklar, a principal of Unifi Network, a unit of PricewaterhouseCoopers L.L.P. in Teaneck, N.J.

Indeed, one of the side and, perhaps, unanticipated benefits of 401(k) plans is that employees have become much more interested in the stock market as a result of funneling so much of their retirement savings into equities.

"Employees once viewed stocks as a high risk, big gamble. Now, despite the recent pain and suffering, employees understand that, over the long term, the stock market is the best place to be," said Ted Benna, president of The 401(k) Assn. in Bellefonte, Pa. In 1981,

Mr. Benna established the nation's first 401(k) plan for The Johnson Cos., a benefit consultant for which he worked at the time.

"The plans have made it possible for employees to be real players in the stock market," said Ann Mahrdt, a SpectremGroup director in Chicago.

At the same time, the plans have converted many employees from spenders to savers, Mr. Benna added.

Despite these positives, there remain lingering worries about 401(k) plans.

While most employees, at least until recently, have enjoyed regular double-digit returns on their 401(k) plan investments, those kinds of returns surely won't con-

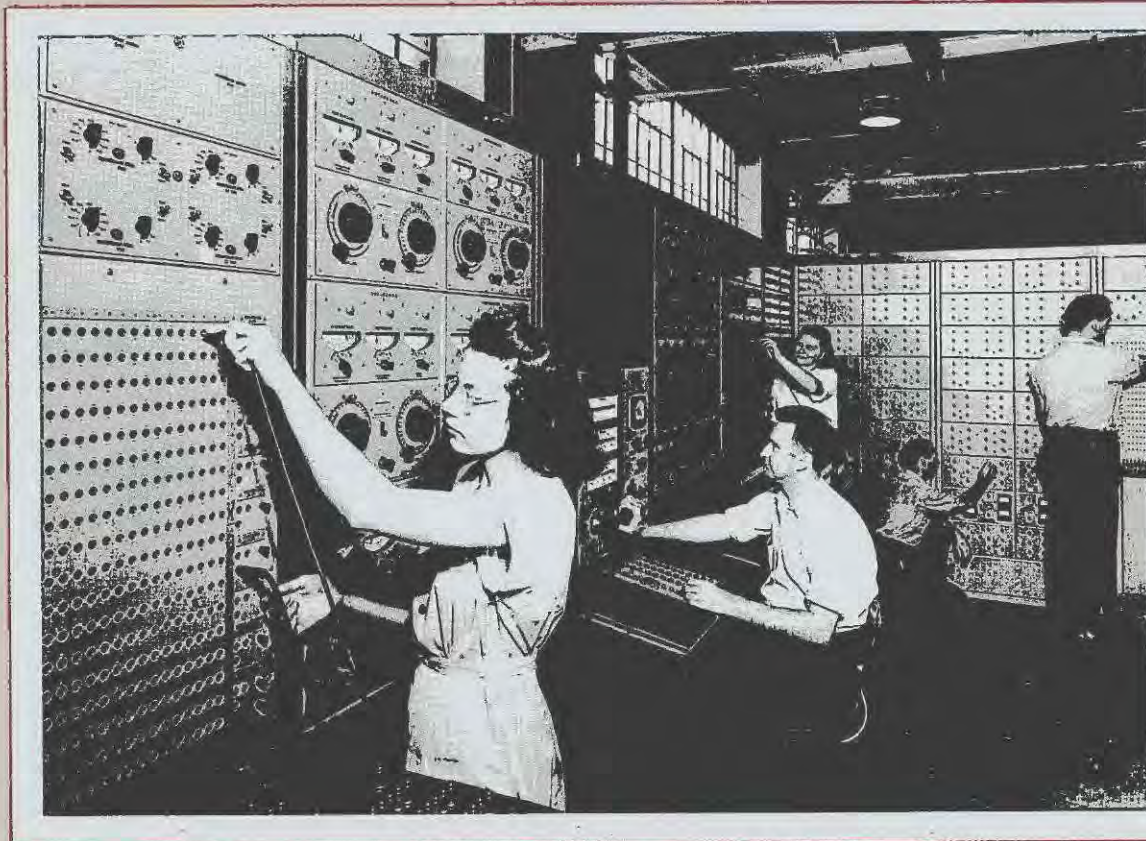
tinue indefinitely. And that raises questions about whether employees—especially those working for companies at which 401(k) plans are the only pension plan—will have adequate retirement income.

"The big question is, will employees be able to successfully manage a big pot of money?" asked Mr. Koski of Buck Consultants.

While that remains to be seen, employers clearly expect 401(k) plans to provide an ever-greater proportion of retirement benefits in the future.

"To the extent that companies are improving retirement benefits, they are doing so in their 401(k) plans," said Scott Peterson, a Hewitt consultant in Lincolnshire, Ill. B1

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SPOTLIGHT

Boomers

Continued from page 10

ples, this can be a bigger problem than it is for singles, because there are "significant drops in economic status" with widowhood, she said.

Ms. Rappaport said the recent stock market instability could serve as "something of a wake-up call," to get people thinking about the adequacy of their retirement plans.

"We're in a new world," said David L. Wray, president of the Chicago-based Profit Sharing/401(k) Council of America, an employer-backed group that provides technical and other assistance to companies. "In the old days, we had the family safety net," where family members—or, in some cases, the state—stepped in when retirees fell into need, he said. But while the current retirement system "is working pretty well for the current retirees," Mr. Wray said, the arrival of the baby boom retirees will change that.

"The baby boom requires a whole new approach. People have to become much more personally responsible in retirement than they ever have been before. These systems are not going to be sufficient," he said.

"There are two concerns. One is that people outlive their assets. The other is that they live less well because they're afraid of outliving their assets," he said. For retirees, the real concern is managing money correctly, "so you don't eat cat food because you're afraid of running out of money." Mr. Wray noted that

while a myth has arisen that retirees tend to take lump sums and squander them, many people actually hoard their resources and live needlessly frugal lives.

The first step for employers who want to help employees plan for retirement is to make sure the employees' money is in sound hands, he said. To that end, the employer community increasingly is permitting retirees to keep their money in company retirement plans, Mr. Wray said. He noted that more than 90% of large companies allow retirees to leave money in plans.

One employer doing just that is Cincinnati-based Procter & Gamble Co., said Sharon Shea, P&G's manager-profit sharing administration and communications.

"We have some educational programs set up, and they are specifically designed to make sure that employees better understand how to manage their money. We are a defined contribution plan—that means when someone leaves the company, they are eligible for a lump sum," she said.

The company started its "retirement plus" feature in 1997, Ms. Shea said. The program allows participants to leave their money in the plan and use the plan to manage their retirement accounts. Starting July 1, participants will be able to choose from among 10 investment options and several distribution options.

Ms. Shea said the program relies heavily on education. Much of the investment education is specific to

the P&G plan, but the company also provides general investment education through J.P. Morgan American Century Retirement Services, which conducts one-on-one educational sessions with participants. The approach uses a model that simulates investment returns—generally taking the individual through age 90—"basically demonstrating how money will last based on different investment choices they may make," she said.

"It is something to make them aware that the money needs to last throughout their lifetime," Ms. Shea said.

Other companies have been making their programs "into an annuity store," said Tom Murphy, a principal of Unifi Network, a unit of PricewaterhouseCoopers L.L.P. in Teaneck, N.J.

Some retirees might not want to annuitize their 401(k) plan upon retirement, Mr. Murphy said. Under the new programs, such individuals—who tend to regard the 401(k) plans as their investment vehicles—can keep their funds in the plans. The plan sponsors can then amend their pension plans to accept pretax rollovers from their 401(k) plans.

"You're rolling in a lump sum, and, based upon certain factors in the plan, you're converting that lump sum into an annuity that's payable in various forms," Mr. Murphy said. Among the possible forms are survivor benefits and benefits payable for the lifetime of the retiree. Mr. Murphy said the annuity could come in any benefit form

that's already payable from the qualified pension plan; that, he said, makes applicable the term "annuity store."

"It's a way companies can help retirees manage their retirement dollars," Mr. Murphy said.

"Companies are very loyal to their retirees. There's a lot of financial-planning support," Mr. Wray said.

In fact, retirement fund managers also encourage this approach, Mr. Wray said. The managers, he said, are saying, "We're managing the money and we want to keep managing the money, so we're going to provide new services."

Still, experts disagree about the ultimate impact of the baby boomer retirement on financial markets.

"It wouldn't be something that would rock the market," said Unifi's Mr. Murphy.

But Watson Wyatt's Mr. Lofgren said that investing by the baby boom generation has driven the stock market to record heights. When retiring baby boomers begin cashing in their investments, that could cause a stock market slump, he said. "What can employers do? Educate, educate, educate."

The possibility that the current Social Security system will be at least partially privatized, requiring participants to contribute to individual accounts, adds more uncertainty to the retirement mix. President Bush favors some degree of privatization, and he has named a commission to scrutinize the Social Security system and make recommendations about its future.

"From a privatization point of view and outliving your money, what we're talking about is an educated retiree—that's huge, that's really huge," said Unifi's Mr. Murphy. "You're implying that the individual is well informed enough to invest that money appropriately."

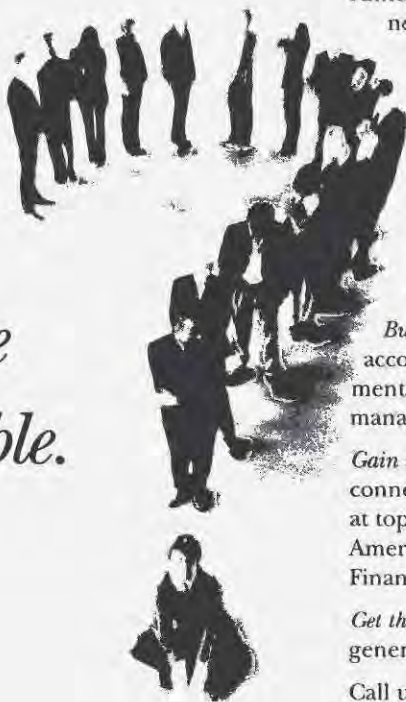
"If part of the benefit is in an individual account and that benefit is available in a lump sum, that could potentially significantly increase the problem of outliving assets," said Mercer's Ms. Rappaport. "Even if they're not tempted to go buy a boat, they might not focus their spending on how long they're going to live or how long their spouse will live," she said. Ms. Rappaport added that a retiree might not consider the possibility that a prolonged illness may require care that is not covered by Medicare and may have to be paid for with retirement funds.

Despite such challenges, the Profit Sharing Council's Mr. Wray said that he is more optimistic than many other observers that the baby boomers generally will be able to live comfortably after retirement.

"Clearly, we need to do a lot of education. I think employers will do a lot more. You're going to see the employer community play a substantial role in making this work," he said.

"Conceptually, I think this is a very manageable thing. It's in everybody's best interest to make this happen," Mr. Wray said. "When you have people of goodwill combined with people who have an economic interest, I think you have a solution." **BI**

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Tailored info aids retirement planning

By LEE FLETCHER

The retirement process is best explained to workers by starting early and using tools tailored to specific demographic groups, retirement experts say.

Although many employers provide online retirement and financial planning information, the Internet is just a supplement to other forms of communication, said Amy Heiserman, a principal with William M. Mercer Inc. in Denver.

"We're not seeing very many companies go strictly online. Most companies are using (the Web) as one delivery channel, but they are using a lot of other media as well—for example, face-to-face meetings or call centers," Ms. Heiserman said.

The various demographic groups into which workers fall call for the use of a variety of communication tools, she said.

"When we talk with some younger employees, we find that they love the Web and they want everything online, but not all young employees," Ms. Heiserman said.

"If they're in a manufacturing environment, for example, they may not have access, so that doesn't help them very much," she said. "When we talk with older employees, those who are 50 or 55 and up, they may or may not be comfortable using the Web."

Ms. Heiserman noted that while she sees online benefits informa-

tion being made available to more and more employees, "whether it's effective or not depends a lot on the type of employee it is—their age demographics and their work environment."

Diane Savage, Cleveland-based senior retirement education consultant with Watson Wyatt Worldwide, said that companies still rely heavily on more traditional methods of retirement education. Many make retirement information available on company intranets, though, so that employees can access their benefit information anytime.

"It's kind of that whole idea of helping people have access when they want it, not when you think they need it," Ms. Savage said.

Furthermore, she said, "if somebody is getting off a shift at 4 a.m. and they heard something on the floor at work, they might want to be able to go into their benefit plans as they need it. We do know that adults learn better like that. When an adult has the need to learn, that's the moment of learning. We're all on different time clocks."

Ms. Heiserman said that employees view retirement planning in different ways at various stages in their careers.

"One thing that I see employers tend to kind of gloss over or think is not important is that tailoring by age group," she said.

By tailoring information to a variety of age groups, Ms. Heiserman *Continued on next page*

Continued from previous page said, "the more you can make the examples relevant or you can touch on certain factors that are important to people who are closer to retirement and less important to those who are farther away. You tend to keep their attention a lot more."

Ms. Heiserman said that, when talking to younger employees, she tends to avoid the use of the word "retirement" and talk more about savings for one's future.

"The 'R word' turns them off. I think retirement seems so far off for them. They understand that it's out there, but they can't imagine worrying about it right now. So, to try to convince them to save for retirement when they're 25 years old—it just seems so far away, so they think, 'I don't need to worry about that yet,'" she said.

Older employees respond best to face-to-face meetings, Ms. Heiserman said, because they are "getting closer to retirement, where they're really planning based on 'how much am I going to have and I need to know how much am I going to need.'"

"I find that, many times, what they want is a face-to-face meeting with their HR representative, who can give them a very real and exact pension calculation and help them think through the different categories of expenses they may have," she said.

Ms. Heiserman said that workers who are close to retirement "want to almost see the whites of your eyes when you tell them how much they're going to have."

Randy Hunter, director of communications for INVESCO Retirement Inc. in Atlanta, said many media are used to educate employees about benefits.

"Face-to-face meetings are always the best possible way to educate. You have to support that, though, with Power Point presentations, brochures about the plan, ongoing educational brochures, posters, etc.," Mr. Hunter said.

Ten years ago, he said, "we were speaking in much simpler terms than we are today. Yet there's still a lot of people out there—generally, it's going to be the younger, perhaps less-educated—who don't have a high level of investment sophistication."

"So, it's become incumbent on us to start to segment our communication. When we go into a company and we launch a communications campaign, we've got to target that campaign to a lot of different levels," Mr. Hunter said.

Barbara Zavodny, benefit manager for McCormick & Co. in Sparks, Md., explained that her company provides education about three stages in a worker's life—early life, midlife and pre-retirement.

Ms. Zavodny said that while the company provides its own benefit education, it also has outside help, using the services of someone in the community to provide financial information.

Additionally, she said, McCormick educates its employees about retirement planning through home mailings, the Internet and toll-free call centers. And employees who are approaching retirement age receive one-on-one counseling, because "they often have individual questions to be addressed."

Ralph Kimmich, the director of benefits and compensation for Southwest Airlines Co. in Dallas, said that Southwest offers each of its employees who is 50 years or older a pre-retirement educational session.

"We get into things people should start doing as they think about a more-imminent retirement—estate planning and tax issues, what to do with your investments and annuities and all kinds of things that folks need to focus on as they look toward retirement," Mr. Kimmich said.

He said that Southwest also provides a four-hour planning course, the content of which was developed with Lincolnshire, Ill.-based Hewitt Associates L.L.C.

"At that particular session, our employees are given a workbook and we help employees set a retirement goal. We describe asset allocation and risk tolerance, as well as cover the various provisions of our retirement plans," Mr. Kimmich said.

He said employees have found Southwest's financial education course to be very effective.

Mr. Kimmich said Southwest makes relatively limited use of the Internet for education. He noted, though, that "we do recognize that the Internet does change the playing field, and we're going to have to look for opportunities to make use of that."

Although customized retirement education is a good idea in theory,

it should not be taken to extremes, Ms. Savage warned.

"When you look at the universe of the company, you're going to find lots of people in many different places. And just because everyone is different, you can't have 16 different communication programs," she said.

Ms. Savage suggested that human resources and benefit managers take their quests to their companies' marketing departments and ask, "How do we sell our stuff?"

"It's almost like marketing. If you thought of your savings message as your product—I think there are always going to be more-effective ways to address those groups and get their attention," she said.

INVESCO's Mr. Hunter said that an employer must understand its audience in order to develop a successful financial educational program.

"I don't think a 25-year-old person who is making \$22,000 a year in a factory can relate to a brochure with a 68-year-old man walking down the beach with his lovely wife in obviously a resort beach retirement scene," he said.

"It's just like an ad agency; they do the same drill. We have to develop a position, we must define the point of view about the plan that we want our employees to share, and we've got to deliver that in a creative way," Mr. Hunter said. "And we've got to do that over and over and over again." **B**



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BI directory of 401(k) plan administrators

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ADP Retirement Services

1 ADP Blvd.,
Roseland, N.J. 07068;
973-974-2463; fax: 973-974-3035
www.adp401k.com

Staff
Total..... 697
Involved in 401(k) plan services 697

Clients
Total..... 11,025
Receiving unbundled services..... 100
Receiving bundled services..... 10,925
Average participants/plan..... 100

Services began: 1989.
Software: purchased from outside vendor, accommodates 99 investment funds and 11 types of contributions.

Administration: unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, investment policy statement, investment performance reviews, payroll connectivity, voice response unit, trust connectivity, plan sponsor portal, participant portal, onsite national enrollment, and executive deferred compensation; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Locations: administrative/consulting offices in: Deerfield, Ill.; Louisville, Ky.; Roseland, N.J.; Seattle.

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

Officers: Mark Phillips, senior vp-GM Retirement Services; Julian Onorato, senior vp-operations; Ian Sheridan, vp-marketing and business development.

Contact: Donna Kratt, marketing technical writer; 4 Becker Farm Road, MS 580, Roseland, N.J. 07068; donna.kratt@es.adp.com.

AccuRecord Inc.

100 Executive Drive,
Edgewood, N.Y. 11717;
631-243-6400; fax: 631-243-6427
www.accurecord.com

Staff
Total..... 90
Involved in 401(k) plan services 85

Clients
Total..... 2,149
Receiving unbundled services..... 123
Receiving bundled services..... 2,026
Average participants/plan..... 300
Minimum participants/plan..... 100
Maximum participants/plan..... 250,000

Services began: 1982.
Software: written and maintained in-house, accommodates 99 investment funds and 32 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access; consults on legal issues, compliance issues, employee communications.

Service area: nationwide.

Charges: determined by number of participants.
Officers: George Chave, president; Paul Badamo, John Bradley, executive vps.

Contact: Kevin Rooney, vp; kpr@accurecord.com.

Administrative Management Group (AMG)

3800 N. Wilke Road,
Arlington Heights, Ill. 60004;
847-577-6000; fax: 847-818-4746
www.amgusa.com

Staff
Total..... 145
Involved in 401(k) plan services 80

Clients
Total..... 220
Receiving unbundled services..... 132
Receiving bundled services..... 88
Average participants/plan..... 900
Minimum participants/plan..... 50

2000 revenues
Total..... \$13,600,000
401(k) plan administration..... \$9,975,000

Services began: 1982.
Software: written and maintained in-house, accommodates 80 investment funds and 20 types of contributions.

Administration: cash, unit-value, full-share accounting.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, online planning tools, employee

education; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Charges: determined by number of participants, complexity of plan, assets under management, time and expense, frequency of valuations.

Officers: John Salajka, CEO; David Goldenberg, CFO.

Contact: Mark Tucker, director-new business development; mtucker@amgusa.com.

American Pension Benefits Inc.

P.O. Box 505,
Warrendale, Pa. 15086-0505;
724-935-0100; fax: 724-935-2511

Staff
Total..... 25
Involved in 401(k) plan services 15

Clients
Total..... 300
Receiving unbundled services..... 200
Receiving bundled services..... 100
Average participants/plan..... 100
Minimum participants/plan..... 50

Parent: APB Financial Group Ltd.

Services began: 1985.

Software: purchased from outside vendor.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, sponsors prototype documents, provides daily valuation recordkeeping for other TPAs and banks; consults on plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Locations: administrative/consulting offices in: Columbus, Ohio; Warrendale, Pa; Charleston, W.Va.

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

Officers: James W. Landis, president; Mero J. Capo, Stephanie M. Hepler, vps.
Contact: Stephanie M. Hepler; retire@apbfinancial.com.

Ameritas Life Insurance Corp.

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

Staff
Total..... 1,136
Involved in 401(k) plan services 38

Clients
Total..... 327
Receiving unbundled services..... 21
Receiving bundled services..... 306
Average participants/plan..... 30

2000 revenues
Total..... \$533,403,000
401(k) plan administration..... \$426,841

Parent: Ameritas Acacia Holding Co.

Services began: 1985.
Software: purchased from outside vendor, accommodates 400 investment funds and 400 types of contributions.

Administration: unit-value accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, online access, communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Charges: determined by number of participants, assets under management, time and expense, frequency of valuations.

Officers: Larry Arth, chairman/CEO; Ken Louis, president/COO; JoAnn Martin senior vp/controller/CFO.
Contact: Jessie Ellen Waller; 800-745-9995; jwaller@ameritas.com.

*Revenues using GAAP accounting rules.

B

Benefit Dynamics Inc.

8 Ranoldo Terrace, Suite 200,
Cherry Hill, N.J. 08034;
856-616-1400; fax: 856-616-1401
www.benefitdynamics.com

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

Education: consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.

Charges: determined by number of participants, assets under management.

Officers: Carlos A. Munoz, CEO; David S. Lauer, COO; Lindsey Smith, director-savings plans.

Contact: info@bcg-dc.com.

Clients
Total..... 156
Receiving unbundled services..... 121
Receiving bundled services..... 35
Average participants/plan..... 146
Minimum participants/plan..... 25
Maximum participants/plan..... 25,000

2000 revenues
Total..... \$1,900,000
401(k) plan administration..... \$550,000

Services began: 1982.

Software: purchased from outside vendor, accommodates 25 investment funds and 8 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, individual voice response systems, electronic enrollment; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.

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

Officers: Jo-Ann Massanova, president; Carmen LaVerghetta, vp.

Contact: Mark Moran, vp-sales.

Benefit Equity Inc.

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

Staff
Total..... 21
Involved in 401(k) plan services 15

Clients
Total..... 350
Receiving unbundled services..... 65
Receiving bundled services..... 285
Average participants/plan..... 70
Minimum participants/plan..... 25
Maximum participants/plan..... 2,500

Services began: 1989.
Software: leased from outside vendor, accommodates 99 investment funds and 8 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees; consults on plan design issues, compliance issues; manages investment of 401(k) plan funds, portfolios, indexed portfolios, self-directed brokerage accounts.

Service area: nationwide.
Locations: administrative/consulting offices in: Carlsbad and Santa Ana, Calif.

Charges: determined by number of participants, complexity of plan.

Officers: Robert H. Gorelick, president.

Benefits Connection Group (BCG)

1130 Connecticut Ave. N.W.,
Suite 1000,
Washington, D.C. 20036;
202-828-7186; fax: 202-828-7105
www.bcg-dc.com

Staff
Total..... 10
Involved in 401(k) plan services 4

Clients
Total..... 70
Receiving unbundled services..... 70
Average participants/plan..... 50
Minimum participants/plan..... 25
Maximum participants/plan..... 5,000

Parent: American Insurance Assn.

Services began: 1981.
Software: recordkeeping is provided by an outside third party; accommodates 16 types of contributions.

Administration: unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, group health and welfare plans, pension plans, flexible spending accounts; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Charges: determined by number of participants, assets under management.

Officers: Carlos A. Munoz, CEO; David S. Lauer, COO; Lindsey Smith, director-savings plans.

Contact: info@bcg-dc.com.

C

CBIZ (Century Business Services Inc.)

6480 Rockside Woods Blvd. S.,
Suite 300,
Cleveland, Ohio 44131;
216-447-9000; fax: 216-447-9007
www.cbiz.com

Staff
Total..... 5,000
Involved in 401(k) plan services 250

Clients
Total..... 3,500
Receiving unbundled services..... 300
Receiving bundled services..... 3,200
Average participants/plan..... 100

2000 revenues
Total..... \$567,000,000
401(k) plan administration..... \$18,000,000

Services began: 1981.
Software: purchased from outside vendor, accommodates 20 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations; toll-free service for account balance inquiries; toll-free service to request account activity; on-line access; communication of plan features to employees, investment education; consults on legal issues, plan design issues, compliance issues.

Service area: nationwide.
Locations: administrative/consulting offices in: 28 offices nationwide.

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

Officers: Stephen Gerard, CEO; Ware Grove, CFO; Robert A. O'Byrne, senior vp-CBIZ Benefits & Insurance Services division.

CNA Trust

3080 S. Bristol St., Second Floor,
Costa Mesa, Calif. 92626;
714-437-1012; fax: 714-437-4065
www.cnatrust.com

Staff
Total..... 250
Involved in 401(k) plan services 150

Clients
Total..... 2,000
Receiving unbundled services..... 150
Receiving bundled services..... 1,850
Average participants/plan..... 100

Parent: CNA Financial Corp.

Services began: 1985.
Software: purchased from outside vendor, accommodates 400 investment funds and 45 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, self directed brokerage accounts (multi-broker, multi-asset class), trust services; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Locations: administrative/consulting offices in: Costa Mesa, Calif.; Chicago; New York.

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

Officers: Renate Renfro, president; John Brown, Frank Bruno, senior vps.

Contact: Frank Bruno; 714-437-4213; frank.bruno@cnatrust.com.

*Estimated

Carlson, Quinn & Associates

2000 Powell St., Suite 1600,
Emeryville, Calif. 94608;
510-420-9020; fax: 510-420-9021

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

Clients
Total..... 250
Receiving unbundled services..... 250
Average participants/plan..... 175
Maximum participants/plan..... 10,000

2000 revenues
Total..... \$2,200,000
401(k) plan administration..... \$1,750,000

Services began: 1994.
Software: purchased from outside vendor.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, service provider evaluations, ESOP design and administration, compliance testing and non-qualified plans; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Charges: determined by number of participants, complexity of plan, time and expense, frequency of valuations.

Officers: Leif T. Carlson, Brian P. Quinn, principals.

Contact: Brian P. Quinn.

Ceridian Retirement Plan Services

3201 34th St. S.,
St. Petersburg, Fla. 33711;
877-677-7401; fax: 888-202-3894
www.ceridian.com

Staff
Total..... 2,800
Involved in 401(k) plan services 300

Clients
Total..... 3,500
Receiving unbundled services..... 1,750
Receiving bundled services..... 1,750
Average participants/plan..... 350
Minimum participants/plan..... 10

Parent: Ceridian Inc.

Services began: 1984.
Software: purchased from outside vendor.

Administration: cash accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, defined benefit plans, money purchase plans; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Locations: administrative/consulting offices in: San Rafael, Calif.; Denver; St. Petersburg, Fla.; Midlothian, Va.; Milwaukee.

Charges: determined by number of participants, complexity of plan, assets under management.

Officers: Glenn Dial, Brain Meharry, Steve Syrkin, vps.

Contact: Glenn Dial.

The Chicago Trust Co.

171 N. Clark St., 10RTR,
Chicago, Ill. 60601;
312-223-2300; fax: 312-223-5731
www.chicago-trust.com

Staff
Total..... 300
Involved in 401(k) plan services 120

Clients
Total..... 475
Receiving unbundled services..... 100
Receiving bundled services..... 375
Average participants/plan..... 500
Minimum participants/plan..... 50
Maximum participants/plan..... 15,000

2000 revenues
Total..... \$54,000,000,000
401(k) plan administration..... \$15,000,000

Parent: ABN AMRO Asset Management.

Services began: 1983.
Software: purchased from outside vendor, accommodates 50 investment funds and 20 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, trustee, custody, distributions; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Locations: administrative/consulting offices in: Atlanta; St. Louis; West Orange, N.J.

Charges: determined by number of participants, assets under management, time and expense.

Officers: Stuart Bilton, president; Terry Zirkle, Mark Metz, senior vps.

Continued on next page

The terms used in the BI directory of 401(k) plan administrators are defined on page 17.

Continued from previous page

DailyAccess.Com Inc.

3101 International Drive, Building 6, Suite 600, Mobile, Ala. 36606-3099; 888-535-4322; fax: 334-665-1802 www.dailyaccess.com

Staff
Total..... 92
Involved in 401(k) plan services 53

Clients
Total..... 547
Receiving unbundled services..... 547
Average participants/plan..... 100
Minimum participants/plan..... 3
Maximum participants/plan..... 25,000

Services began: 1995.
Software: written and maintained in-house, accommodates 20 types of contributions.

Administration: cash, unit-value accounting.
Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Charges: determined by number of participants, complexity of plan, assets under management, time and expense.

Officers: Greg Carpenter, president/CEO; Burgess A. Thomasson Jr., executive vp; Stephen L. Schardin, executive vp-sales and marketing.
Contact: info@dailyaccess.com.

Employee Benefits Services

1934 Thomson Drive, Lower Level, Lynchburg, Va. 24501; 804-528-4634; fax: 804-845-4724 www.ncric.com/financial/m_financial.stm

Staff
Total..... 15
Involved in 401(k) plan services 13

Clients
Total..... 450
Receiving unbundled services..... 450
Average participants/plan..... 25
Maximum participants/plan..... 200

Parent: NCRIC Group Inc.
Services began: 1981.
Software: purchased from outside vendor.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.
Client services: daily valuations, toll-free service for account balance inquiries, toll-free service

to request account activity, communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Maryland, North Carolina, South Carolina, Virginia, West Virginia and the District of Columbia.

Charges: determined by number of participants, complexity of plan.

Officers: Steve Fargis, president.
Contact: George A. Harbour Jr.; gharbour@ncric.com.

G

GoldK

2800 Livernois, Suite 450, Troy, Mich. 48083; 248-528-6630; fax: 248-457-8414 www.goldk.com

Staff
Total..... 100*
Involved in 401(k) plan services 35

Clients
Total..... 265
Receiving unbundled services..... 250
Receiving bundled services..... 15
Average participants/plan..... 125

Services began: 1981.
Software: written and maintained in-house, accommodates 999 investment funds and 999 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, custom Internet applications; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Locations: administrative/consulting offices in: Southport, Conn.; Washington; Waltham, Mass.; Rochester, N.Y.

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

of valuations.

Officers: Brian Boyle, chairman; Troy Shaver, vice chairman; Radu Pasovschi, president.

Contact: Craig Arnold, area vp; carnold@goldk.com.
*Estimated.

Great-West Life & Annuity Insurance Co.

8505 E. Orchard Road, 10T1, Greenwood Village, Colo. 80111; 303-737-3000; fax: 818-214-5117 www.gwla.com

Staff
Total..... 8,626
Involved in 401(k) plan services 422

Clients
Total..... 8,904
Receiving unbundled services..... 3,027
Receiving bundled services..... 5,877
Average participants/plan..... 50
Minimum participants/plan..... 5
Maximum participants/plan..... 10,000

Parent: Great-West Lifeco Inc.

Service began: 1985.
Software: written and maintained in-house.

Administration: unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, automatic enrollment, electronic enrollment, QDRO processing, distributions, withdrawals, plan documents, amendments, eligibility determination, trustee services, legislative support and information, performance monitoring, self-directed brokerage account, participant investment advice (third-party); paperless plans; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Locations: administrative/consulting offices in: 54 offices nationwide.

Contact: info@dailyaccess.com.

Staff
Total..... 8,626
Involved in 401(k) plan services 422

Clients
Total..... 8,904
Receiving unbundled services..... 3,027
Receiving bundled services..... 5,877
Average participants/plan..... 50
Minimum participants/plan..... 5
Maximum participants/plan..... 10,000

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Contact: info@dailyaccess.com.

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Minimum participants/plan..... 5
Maximum participants/plan..... 10,000

Service area: nationwide.
Locations: administrative/consulting offices in: 54 offices nationwide.

Contact: info@dailyaccess.com.

Staff
Total..... 8,626
Involved in 401(k) plan services 422

Clients
Total..... 8,904
Receiving unbundled services..... 3,027
Receiving bundled services..... 5,877
Average participants/plan..... 50
Minimum participants/plan..... 5
Maximum participants/plan..... 10,000

Service area: nationwide.
Locations: administrative/consulting offices in: 54 offices nationwide.

Contact: info@dailyaccess.com.

Directory terms explained

The directory of 401(k) plan administrators contains information on companies that provide services such as enrollment recordkeeping, daily maintenance of participants' accounts and handling of account activity. To be listed, a company must offer these services independently of any investment services; companies may or may not offer investment management in addition to administration services.

Each listing begins with the company's name, address, telephone and fax numbers, as well as its Web site address, if available. Listings continue with information on staff, including total staff and the number involved with 401(k) plan services. Information on clients also is provided, including a breakout of the number of clients receiving 401(k) plan administration services on an unbundled vs. bundled basis. 2000 revenues and revenues from 401(k) plan administration services are included when provided by the company. Next, the parent company and the year that the company began offering 401(k) plan administration services are provided.

Also listed are the software used and administration services provided, including the accounting methods the company uses and whether it has the ability to accommodate loan provisions for clients. The client services section details any support services provided.

In addition, the service area and locations of administrative/consulting offices are listed, along with how the company charges for services. The names and titles of principal officers and a contact person complete each listing.

The directory is published as an editorial service; there is no charge for companies to be included. Information reported is based on each company's response to a Business Insurance questionnaire. Although every effort is made to print complete and accurate listings, BI is unable to verify all information provided.

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18700 W. Bluemound Rd. ■ P.O. Box 1270 ■ Brookfield, WI 53008-1270
The CEBS program is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

Continued from previous page

Charges: determined by number of participants, complexity of plan, assets under management.

Officers: Jim Motz, executive vp-employee benefits; Jay Wright, senior vp-mid-market accounts; Patricia Neal Jensen, vp-employee benefits pension sales.

Contact: Patricia Neal Jensen; 818-956-7429; patricia.neal@gwl.com.

HCC Employee Benefits Inc.

5555 San Felipe, Suite 1100,
Houston, Texas 77056;
713-622-8930; fax: 713-622-6705

Staff
Total..... 50
Involved in 401(k) plan services..... 5
Clients
Total..... 10
Receiving unbundled services..... 10
Average participants/plan..... 1,000
Minimum participants/plan..... 10
2000 revenues
Total..... \$14,500,000
401(k) plan administration..... \$400,000

Parent: HCC Insurance Holdings Inc.
Services began: 1992.

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

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees, investment policy statements, monitoring of investment performance; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.

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

Officers: Larry Kachler, chairman; Rob Schanen, CEO; Phil Peters, principal.

Contact: Phil Peters, ppeters@hccbe.com.

HPL&S Inc.

125 S. Wilke Road,
Arlington Heights, Ill. 60005;
847-392-2999; fax: 847-392-1053
www.hplspen.com

Staff
Total..... 37
Involved in 401(k) plan services..... 25
Clients
Total..... 350
Receiving unbundled services..... 225
Receiving bundled services..... 125
Average participants/plan..... 50
Minimum participants/plan..... 5,000
2000 revenues
Total..... \$4,483,000
401(k) plan administration..... \$1,867,000

Services began: 1983.

Software: purchased from outside vendor, accommodates 20 investment funds and 7 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees, administration of and/or coordination with other retirement plans maintained by the sponsor; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.

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

Officers: Ira A. Post, president; Thomas J. Doherty, vp; William C. Ludwig, treasurer.

Contact: Thomas J. Doherty.

Hewitt Associates L.L.C.

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

Staff
Total..... 12,000
Involved in 401(k) plan services..... 2,000
Clients
Total..... 145
Receiving unbundled services..... 145
Minimum participants/plan..... 2000
2000 revenues
Total..... \$1,300,000,000*

Services began: 1981.

Software: written and maintained in-

house.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees, alliances with outside firms for brokerage and IRA capabilities, investment advice; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Locations: administrative/consulting offices in: Newport Beach, Calif.; Norwalk, Conn. Orlando, Fla.; Atlanta; Lincolnshire, Ill.; Bridgewater, N.J.; The Woodlands, Texas.

Charges: determined by number of participants, complexity of plan.

Officers: Dale Gifford, CEO; Scott Peterson, global practice leader-defined contribution services; Tim Murphy, business development.

Contact: Tim Murphy.
*Estimated

Invesmart Inc.

Penn Center W. Six, Suite 211,
Pittsburgh, Pa. 15276;
412-249-3200; fax: 412-249-3242
www.invesmart.com

Staff
Total..... 550
Involved in 401(k) plan services..... 500
Clients
Total..... 5,000

Services began: 1981.

Software: written and maintained in-house, purchased from outside vendor, leased from outside vendor, accommodates 50 investment funds.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

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

Service area: nationwide.

Locations: administrative/consulting offices in: San Jose, Calif.; Wilmington, Del.; Orlando, Fla.; Chicago; Louisville, Ky.; Boston; Portland, Maine; Charlotte and Raleigh, N.C.; Cincinnati; Cleveland; Portland, Ore.; Harrisburg and Pittsburgh, Pa.; Austin, Texas; Seattle.

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

Officers: Craig Kirsch, CEO/CFO, Mark Gensheimer, senior vp-sales and marketing, Christian Echavarría, COO.

Contact: William Glass, director-distribution; invesmart.sales@invesmart.com.

Milliman USA Inc.

9400 N. Central Expressway, Suite 1000,
Dallas, Texas 75231;
214-863-5500; fax: 214-863-5501
www.milliman.com

Staff
Total..... 1,500
Involved in 401(k) plan services..... 375
Clients
Total..... 1,288
Receiving unbundled services..... 663
Receiving bundled services..... 625
Average participants/plan..... 330
Minimum participants/plan..... 10
Maximum participants/plan..... 50,000

Services began: 1981.

Software: written and maintained in-house, leased from outside vendor.

Administration: cash, unit-value, full-share accounting.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.

Locations: administrative/consulting offices in: Denver; Indianapolis; Minneapolis; Omaha, Neb.; West Patterson, N.J.; Albany and New York, N.Y.; Portland, Ore.; Dallas; Houston; Milwaukee; Seattle.

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

Officers: Mark Trieb, managing principal; Jim Davis, Sarah Ammons, equity principals.

Contact: onesource@milliman.com.

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210,
Farmington Hills, Mich. 48334;
248-539-4000; fax: 248-539-4012
www.natiben.com

Staff
Total..... 14
Involved in 401(k) plan services..... 8
Clients
Total..... 83
Receiving unbundled services..... 8
Receiving bundled services..... 75
Average participants/plan..... 70
Maximum participants/plan..... 200

Services began: 1981.

Software: written and maintained in-house, accommodates 99 investment funds and 99 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: Midwest.

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

Officers: Michael T. Stacey, president/principal; Harold H. Lambert, Brian V. Stevens, principals.

Northern Trust Retirement Consulting L.L.C.

3003 Summit Blvd., Suite 100,
Atlanta, Ga. 30319;
678-259-6000; fax: 678-259-6230
www.northerntrust.com

Staff
Total..... 548
Involved in 401(k) plan services..... 377
Clients
Total..... 192
Average participants/plan..... 8,800
Minimum participants/plan..... 1000

2000 revenues
401(k) plan administration... \$2,200,000,000

Parent: The Northern Trust Co.

Services began: 1981.

Software: written and maintained in-house.

Administration: unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees, self directed brokerage service, financial planning, financial advice, IRA rollover service; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide; Europe.

Locations: administrative/consulting offices in: Atlanta; Chicago; Seattle.

Charges: determined by number of participants, complexity of plan, assets under management.

Officers: Connie Magnuson, chairman; Dennis Sain, president/CEO; Andy Adams, COO.

Contact: Chad Cunningham, manager-sales support; chad_cunningham@ntrs.com.

The Nyhart Co. Inc.

9320 Priority Way W. Drive,
Indianapolis, Ind. 46240-1468;
317-803-7700; fax: 317-803-7895
www.nyhartco.com

Staff
Total..... 160
Involved in 401(k) plan services..... 10
Clients
Total..... 50
Receiving unbundled services..... 50
Average participants/plan..... 200
2000 revenues
Total..... \$10,500,000
401(k) plan administration..... \$660,500

Services began: 1981.

Software: purchased from outside vendor, accommodates 19 investment funds and 15 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employ-

ee communications.

Service area: nationwide.

Locations: administrative/consulting offices in: Evansville and Indianapolis, Ind.

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

Officers: Daryl J. Dean, chairman/president/CEO; Gary Chattin, Jeffrey S. Line, senior vps.

Contact: Gary Chattin; info@nyhart.com.

PFPC

400 Bellevue Parkway,
Wilmington, Del. 19809;
302-791-2000; fax: 302-791-1570
www.pfpc.com

Staff
Total..... 5,100
Involved in 401(k) plan services..... 670
Clients
Total..... 5,300
Receiving unbundled services..... 5,300
Average participants/plan..... 300
Minimum participants/plan..... 50

Parent: PNC Financial Service Group Inc.

Services began: 1981.

Software: written and maintained in-house.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees, trading platform for mutual funds, trust downloads; consults on plan design issues, compliance issues, employee communications.

Service area: nationwide.

Locations: administrative/consulting offices in: Seal Beach, Calif.; Tampa, Fla.; Westborough, Mass.; Bloomington, Minn.; Charlotte, N.C.; Richmond, Va.

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

Officers: J. Richard Carnall, chairman/CEO; Clayton H. Burton, executive vp; Nancy Wolcott, executive vp-retirement services.

Contact: information@pfpc.com.

The Paragon Alliance Group L.L.C.

64 N. County Line Road, P. O. Box 64157,
Souderton, Pa. 18964;
215-703-0844; fax: 215-723-1265
www.tpagroup.com

Staff
Total..... 10
Involved in 401(k) plan services..... 10
Clients
Total..... 400
Receiving unbundled services..... 75
Receiving bundled services..... 325
Average participants/plan..... 50
2000 revenues
Total..... \$750,000
401(k) plan administration..... \$650,000*

Parent: Detweiler, Hershey & Associates P.C.

Services began: 1981.

Software: purchased from outside vendor.

Administration: cash, unit-value, full-share accounting.

Client services: communication of plan features to employees; consults on plan design issues, compliance issues, employee communications.

Service area: nationwide.

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

Officers: Rob Wisner, president; Robert Schoen, Bruce Detweiler, partners-Detweiler, Hershey & Associates P.C.

Contact: Rob Wisner; rob@tpagroup.com.

*Estimated.

Retirement Resources Inc.

1983 Marcus Ave., Suite 260,
Lake Success, N.Y. 11042;
516-358-3969; fax: 516-488-1081

Staff
Total..... 17
Involved in 401(k) plan services..... 12
Clients
Total..... 300
Receiving unbundled services..... 75
Receiving bundled services..... 225
Average participants/plan..... 70
Minimum participants/plan..... 10

Services began: 1983.

Software: written and maintained in-house, accommodates 200 investment funds and 10 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, communication of plan features to employees; consults on plan design issues, compliance issues, employee communications.

Service area: California, Connecticut, Florida, New Jersey, New York, Pennsylvania and the District of Columbia.

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

Contact: Steven Roemer, president.

Sansima Consulting Group Inc.

404 Towne Centre Drive,
Hillsborough, N.J. 08844;
908-904-0412; fax: 908-904-0812
www.sansima.com

Staff
Total..... 4
Involved in 401(k) plan services..... 4
Clients
Total..... 18
Receiving unbundled services..... 15
Receiving bundled services..... 3
Average participants/plan..... 1,500
Minimum participants/plan..... 10
Maximum participants/plan..... 10,000

Services began: 1997.

Software: purchased from outside vendor.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees, trust, custodial and investment advisory services through alliances with outside vendors, company stock administration, qualified and non-qualified retirement plan administration, consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.

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

Officers: Gus J. Sanchez, president/CEO; Susan J. Schutzman, vp/COO.

Contact: Gus J. Sanchez, sanchez@sansima.com; Susan J. Schutzman; schutzman@sansima.com.

Securian Retirement Services*

400 Robert St. N.,
St. Paul, Minn. 55101;
651-665-4701; fax: 651-665-3345
www.securian.com

Staff
Total..... 4,000
Involved in 401(k) plan services..... 302
Clients
Total..... 1,850
Receiving unbundled services..... 560
Receiving bundled services..... 1,290
Average participants/plan..... 87
Minimum participants/plan..... 25

Parent: Securian Financial Group Inc.

Services began: 1984.

Software: purchased from outside vendor.

Administration: cash, unit-value accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees, interactive self-service, online enrollment, foreign language capabilities, flexible data exchange services, data transfer tools; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.

Locations: administrative/consulting offices in: Los Angeles; San Francisco; Atlanta; Chicago; Boston; Detroit; Minneapolis and St. Paul, Minn.; St. Louis; Cleveland; Philadelphia, Memphis, Tenn.; Houston; Richmond, Va.; Seattle.

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

Officers: Bob Senkler, chairman/president/CEO; Randy Wallace, executive vp-individual and pension; Richard Manke, vp-retirement plan services.

Contact: teresa.mcnamara@minnesota-mutual.com.

* Business unit of Minnesota Life Insurance Co.

Continued on next page

Continued from previous page

SilverStone Group Inc.

11516 Miracle Hills Drive, Suite 102,
Omaha, Neb. 68154;
402-964-5400; fax: 402-964-5454
www.silverstonegroup.com

Staff
Total..... 125
Involved in 401(k) plan services..... 14

Clients
Total..... 65
Receiving unbundled services..... 65
Average participants/plan..... 85
Minimum participants/plan..... 2
Maximum participants/plan..... 5,000

2000 revenues
Total..... \$18,000,000
401(k) plan administration..... \$1,000,000

Services began: 1983.
Software: purchased from outside vendor, accommodates 25 investment funds and 6 types of contributions.

Administration: cash, unit-value accounting.

Client services: communication of plan features to employees, nondiscrimination testing, 5500 preparation, plan documents and policies, loan documentation, distribution processing, RFP provider searches, consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Charges: determined by number of participants, complexity of plan, assets under management, time and expense, frequency of valuations.

Officers: John P. Nelson, CEO; Anthony J. Sorrentino, COO; Bailie Johnson, chief accounting officer.

Contact: Ginger Whetstone, gwhetstone@ssgi.com.

Standard Insurance Co.

Retirement Plans Marketing, 1100 S.W.
Sixth Ave., Suite P10A,
Portland, Ore. 97204-1093;
877-805-1127; fax: 503-321-8005
www.standard.com

Staff
Total..... 239
Involved in 401(k) plan services..... 219

Clients
Total..... 860
Receiving unbundled services..... 71
Receiving bundled services..... 789
Average participants/plan..... 91
Minimum participants/plan..... 2

2000 revenues
Total..... \$1,500,000,000*
401(k) plan administration..... \$74,700,000

Parent: StanCorp Financial Group.
Services began: 1983.
Software: purchased from outside vendor, accommodates 20 investment funds and 400 types of contributions.

Administration: unit-value, accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees, enrollment support, online third-party investment advice, self-directed brokerage through a TPA, asset allocation modeling through registered investment advisor; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Locations: administrative/consulting offices in: Los Angeles; San Francisco; Denver; Atlanta; Chicago; New Orleans; Boston; Detroit; Cincinnati; Portland, Ore.; Harrisburg and Philadelphia, Pa.; Dallas; Houston; Seattle.

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

Officers: Kim Ledbetter, senior vp-retirement plans and individual insurance; Christine Raudonis, vp-retirement plans administration; David Mansfield, vp-retirement plans sales and marketing.

*Revenues for parent company

Summit Bank Retirement Services

90 Nassau St.,
Princeton, N.J. 08542;
609-430-2049; fax: 609-279-9880

Staff
Total..... 42
Involved in 401(k) plan services..... 12

Clients
Total..... 229
Receiving unbundled services..... 39
Receiving bundled services..... 190
Average participants/plan..... 135
Minimum participants/plan..... 15
Maximum participants/plan..... 15,000

2000 revenues
Total..... \$9,120,000
401(k) plan administration..... \$666,000

Parent: FleetBoston Financial Corp.
Software: leased from outside vendor, accommodates 99 investment funds and 99 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Locations: administrative/consulting offices in: Crawford, Hackensack and Princeton, N.J.

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

Officers: Gerard Desmond, director-retirement plan services; Jim Brown, senior vp-retirement plan services; Linda Ferrari, vp/manager-retirement plan services.

Contact: Gerard Desmond, 14 Commerce Drive, Cranford, N.J. 07016; 908-931-3055; gdesmond@summitbank.com.

Swerdlin & Co.

5901 Peachtree Dunwoody Road,
Building B, Suite 170,
Atlanta, Ga. 30328;
770-396-6601; fax: 770-396-0067
www.swerdlin.net

Staff
Total..... 54
Involved in 401(k) plan services..... 35

Clients
Total..... 650
Receiving unbundled services..... 650
Average participants/plan..... 400
Minimum participants/plan..... 125

2000 revenues
Total..... \$5,300,000
401(k) plan administration..... \$3,000,000

Services began: 1983.
Software: leased from outside vendor.

Administration: cash, unit-value, full-share accounting.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, recordkeeping and administrative services for all qualified and nonqualified plans; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Charges: determined by number of participants, complexity of plan, assets under management, time and expense, frequency of valuations.

Officers: Dorn Swerdlin; president/CEO; Joanne Swerdlin, Tony Brizzolara, executive vps.

Contact: Lee Swerdlin, associate marketing director, 770-396-6601, ext. 353, lswerdlin@swerdlin.net; Joanne Swerdlin, 770-396-6601, ext. 312, jswerdlin@swerdlin.net.

TR Paul Inc.

14 Commerce Road,
Newtown, Conn. 06470;
203-426-8161; fax: 203-426-8986
www.trpaul.com

Staff
Total..... 66
Involved in 401(k) plan services..... 15

Clients
Total..... 175*
Receiving unbundled services..... 100*
Receiving bundled services..... 75*
Average participants/plan..... 75
Maximum participants/plan..... 3,000

Services began: 1981.
Software: leased from outside vendor, accommodates 99 investment funds and 10 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access; consults on plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Officers: Mary Griffin, president; George Romer, executive vp.

*Estimated

Thesco Consultants

320 W. 57th St., Fifth Floor,
New York, N.Y. 10019;
212-603-0284; fax: 212-399-0227
www.thesco.com

Total..... 35
Involved in 401(k) plan services..... 5

Clients
Total..... 115
Receiving unbundled services..... 85
Receiving bundled services..... 30
Average participants/plan..... 100
Minimum participants/plan..... 25
Maximum participants/plan..... 5,000

2000 revenues
Total..... \$7,500,000
401(k) plan administration..... \$350,000

Parent: Thesco Benefits L.L.C.
Services began: 1995.
Software: recordkeeping is provided by an outside third party; accommodates 15 investment funds and 4 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees, MPower-Financial Engines-Morn-

ingstar Clearfuture investment advisory services, due diligence reviews, full fiduciary compliance coverage; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.
Locations: administrative/consulting offices in: Cranford, N.J.; New York.

Charges: determined by number of participants, complexity of plan, assets under management.

Officers: Walter Harris; chairman; Richard Fleder, president; John A. Cunningham, president-retirement planning services.

Contact: John A. Cunningham.

TruStar Retirement Services Inc.

1013 Centre Road,
Wilmington, Del. 19805;
800-824-7096; fax: 302-995-6013
www.trustar-rs.com

Staff

Total..... 551

Clients
Total..... 4,076
Receiving unbundled services..... 4,076
Average participants/plan..... 100
Minimum participants/plan..... 2
Maximum participants/plan..... 10,000

Parent: Principal Financial Group.
Services began: 1981.
Software: purchased from outside vendor.

Administration: unit-value accounting.
Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees; consults on plan design issues, compliance issues.

Service area: nationwide.
Charges: determined by number of participants.

Officers: Ned Burmeister, president.
Contact: Michael T. Spencer, vp-sales and marketing.

Continued on next page

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Continued from previous page

USI Consulting Group

95 Glastonbury Blvd.,
Glastonbury, Conn. 06033;
860-633-5283; fax: 860-652-4062
www.usicg.com

Staff	
Total	350
Involved in 401(k) plan services	110
Clients	
Total	350
Receiving unbundled services	100
Receiving bundled services	250
Average participants/plan	800
Minimum participants/plan	20
Maximum participants/plan	20,000
2000 revenues	
Total	\$50,000,000
401(k) plan administration	\$11,000,000

Parent: USI Insurance Services Corp.
Services began: 1982.

Software: written and maintained in-house, leased from outside vendor, accommodates 99 investment funds and 99 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, online investment advice, total benefits outsourcing, executive compensation strategies; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: nationwide.

Locations: administrative/consulting offices in: San Francisco; Glastonbury, Conn.; Atlanta; Portland, Maine; Boston; New York; Knoxville, Tenn.

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

Officers: Douglas Rubenstein, CEO; David Hess, COO; Paul Martino; chief marketing officer.

Contact: Erica Donahue; Paul Martino.

Unifi Network

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

Staff	
Total	3,500
Involved in 401(k) plan services	1,600
Clients	
Total	50
Receiving unbundled services	50
Average participants/plan	26,877
Minimum participants/plan	10,000

Parent: PricewaterhouseCoopers L.L.P.

Software: written and maintained in-house, accommodates 99 investment funds and 32 types of contributions.

Administration: cash, unit-value, full-share accounting; accommodates loan provisions.

Client services: daily valuations, toll-free

service for account balance inquiries, toll-free service to request account activity, on-line access, communication of plan features to employees, defined benefit administration, health and welfare administration, strategic HR outsourcing; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: nationwide.
Locations: administrative/consulting offices in: Chicago; Fort Lee, N.J.; Cary, N.C.

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

Officers: Reed Keller, president/global leader; Anthony Martin, CEO; Michael Sternklar, COO.

Contact: Sarah Githens, partner; 201-302-5248; sarah.githens@unifi.com.

Universal Pensions Inc.

NSC 124 Eighth Ave. N.E.,
Brainerd, Minn. 56401;
800-346-3860; fax: 218-855-6010
www.universalpensions.com

Staff	
Total	400
Involved in 401(k) plan services	200
Clients	
Total	4,500
Receiving unbundled services	4,500
Average participants/plan	100

Services began: 1981.

Software: written and maintained in-house.

Administration: cash, unit-value, full-share accounting.

Client services: daily valuations, toll-free service for account balance inquiries, online access; consults on plan design issues.

Service area: nationwide.

Locations: administrative/consulting offices in: Chicago; Jersey City, N.J.; Coatesville, Dalton and Langhorne, Pa.

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

Officers: Arnie Johnson, chairman/CEO; Tom Anderson, COO; Dave Lauer, CFO. **[E]**

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Intellectual property cover

PRODUCTS & SERVICES

WEST CHESTER, Pa.-Venture Programs is offering intellectual property coverage with limits up to \$10 million.

VIP Cover is available to companies in manufacturing, technology, life sciences and other areas. It is written by syndicates at Lloyd's of London at a minimum premium of \$25,000 and limits beginning at \$1 million. Policyholders may choose to carry retentions beginning at \$50,000.

Venture Programs, the program division of Harvey Insurance Group in West Chester, Pa., is including in the program pursuit coverage for legal costs associated with protecting intellectual property rights. Coverage also protects the policyholder against allegations that it improperly used the intellectual property of another company through unauthorized acquisition, use or disclosure of the claimant's intellectual property or trade secrets.

More information is available at www.ventureprograms.com.

New D&O coverage

ENCINO, Calif.-A new directors and officers liability coverage is available from underwriting manager NAS Insurance Services.

NAS, based in Encino, Calif., is offering its Entity D&O with limits as high as \$5 million. The coverage, written by syndicates at Lloyd's of London, is being marketed to policyholders with newly created or acquired subsidiaries. It includes coverage for punitive damages in states where laws allow those damages to be covered.

Information on the coverage is available from NAS, at 818-382-2030.

Comp reporting service

NEW YORK-An alliance between Insurance Services Office Inc. and HNC Insurance Solutions aims to ease workers compensation reporting duties.

The partnership expands New York-based ISO's Workers Compensation Data Reporting Service for insurers, self-insureds and third-party administrators. Those organizations use the service to compile premium and loss transaction re-

ports that must be submitted to state insurance regulators.

Under the alliance, ISO will enhance its data-reporting capabilities by submitting the information to states through HNC's Internet-based AC-Web and Trans-Connect products. "We'll format and submit the information to state statistical agents and state accident boards, providing workers compensation carriers with a complete, one-stop data-reporting solution," said Carole J. Banfield, ISO's executive vp of government relations and data management, in a statement.

The arrangement also will allow users to access their data and use it to design management and actuarial reports.

More information is available from ISO, at 212-898-6000.

HR service from Zurich N.A.

SCHAUMBURG, Ill.-Zurich North America is offering its HR Care risk management product free to mid-sized privately held companies that purchase the insurer's Zurich Private Solutions coverage.

HR Care is an Internet-based service that provides a variety of human resources information and tools. It includes information on legalities related to hiring, managing and terminating employees, employment law, benefits, safety and other topics. There are self-audit and research tools and links to other human resources information. State laws relating to human resources issues are covered, as are regulations in countries other than the United States.

Users can participate in discussion forums on matters related to human resources and receive monthly updates by e-mail.

"It is critically important for all our insureds to keep up with rapidly changing laws and practices, so they can understand, and often mitigate, workplace problems before they happen," said Bruce Hayes, executive vp of the Management Solutions Group at Zurich North America, in a statement.

HR Care already was available to policyholders with 200 employees or more that purchase employment practices liability on a stand-alone basis. Zurich Private Solutions offers directors and officers liability and EPL coverages under one policy.

More information on HR Care is available at www.zurichna.com.

HSB international cover

HARTFORD, Conn.-A new international insurance coverage that fills a middle-market gap is available from Hartford Steam Boiler Inspection & Insurance Co.

HSB OneSource marks the insurer's entry into a broader line of specialty property/casualty coverages. The coverage combines a number of insurance products into one program that can be tailored to the needs of a mid-sized U.S. organization operating outside the country.

The program includes coverage for the following foreign exposures: commercial general liability, commercial auto liability, voluntary workers compensation, employers liability, commercial property, kidnap and ransom, extortion, political risk, accidental death and dismemberment, marine/cargo transit and comprehensive crime coverage.

James Parisi, vp at Hartford, Conn.-based Hartford Steam Boiler, said in a statement that U.S. organizations increasingly are exposed to a number of risks through routine activities such as business travel and exporting goods. "Yet many insureds mistakenly believe that if they don't have a location or assets overseas, they don't need international insurance."

He said that a "common misconception, even among insurance professionals, is that you can cover overseas risks by adding a foreign coverage endorsement to a U.S. policy. That approach is inadequate, because it would not cover claims or lawsuits filed overseas."

Information on HSB OneSource is available from Hartford Steam Boiler, at 866-861-0140. **[E]**

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GLOBAL BRIEFS

French insurer **Groupama-GAN** will become the major shareholder in the country's largest reinsurer, **SCOR S.A.**, by increasing its stake from 2% to 17.4%. The additional 15% shareholding will come from the previously announced sale of Groupama's reinsurance companies, **Sorema S.A.** and **Sorema N.A.**, to **SCOR** (*BI*, Apr. 9). Groupama said the increased ties with SCOR, which includes a second seat on SCOR's board, could lead to greater cooperation between the two, notably in long-term care insurance, climatic risks and international markets. The all-stock deal is based on a combined net asset value of 344 million euros (\$303.0 million) for SCOR and Sorema....**Swiss Reinsurance Co.** has bought a \$120 million securitized windstorm coverage that includes a reinstatement. The coverage protects against losses from catastrophes in the United States and France...**William M. Mercer Cos. L.L.C.** has opened new consulting offices in Prague, the capital of the Czech Republic, and Istanbul, Turkey....**Element Reinsurance Ltd.** has completed its first **European weather risk transaction**, a rainfall-based deal for German utility **Elektrizitatswerk Dahlenburg A.G.** Under the deal, **Element Re**, a subsidiary of **Hamilton, Bermuda-based XL Capital Ltd.**, will provide financial protection to the utility against excess rainfall during the summer months. Because many of the utility's customers are farmers who use electricity to pump water during periods of low rainfall, the risk financing arrangement protects the utility against revenue declines resulting from decreased power demand. London-based energy broker **Spectron Group Ltd.** brokered the deal...**The St. Paul Cos. Inc.** is reorganizing its underwriting and operational structure in the Lloyd's of London market. The St. Paul, Minn.-based insurer is consolidating its non-life Lloyd's syndicates and sub-syndicates into a single syndicate made up of seven specialist business units. In addition, the St. Paul will acquire 100% capacity for all of the syndicates, which currently derive some capacity from individual investors. The syndicates being merged are 183, 227, 340 and 582. Syndicate 779, which underwrites life business, will remain independent....**Amsterdam, Netherlands-based ING Groep N.V.** reported strong first-quarter growth, helped by a marked improvement in its insurance operations and contributions from its acquisitions last year of **ReliaStar Financial Corp.** and the financial services and international operations of **Aetna Inc.** ING's operating earnings for the first quarter were 1.13 billion euros (\$994.4 million), up 10.6% over the same period of last year. Of this amount, 154 million euros (\$135.5 million), or 13.6%, came from ReliaStar and the Aetna purchases. Premium volume climbed by 77.3% to 12.89 billion euros (\$11.34 billion)...**Moody's Investors Service** has placed its A1 insurance financial strength rating of **Yasuda Kasai Himawari Life Insurance Co. Ltd.** under review for possible upgrade. The action follows the recent announcement that **Yasuda Fire & Marine Insurance Co. Ltd.**, which holds a 60% stake in **Yasuda Kasai Himawari**, will purchase the remaining 40% from **CIGNA Corp.** The review will look at the implications of **Yasuda Fire's** planned merger with **Nissan Fire & Marine Insurance Co. Ltd.** and **Taisei Fire & Marine Insurance Co. Ltd.** to form **Sompo Japan Insurance Inc.** in April 2002.

Australia to probe regulation

Failure of HIH leads government to question system's adequacy

By DAMIEN TOMLINSON

SYDNEY, Australia—The Australian government is establishing a royal commission to investigate regulatory adequacy in the wake of HIH Insurance Ltd.'s collapse instead of the review being handled by the country's securities regulator because of a potential conflict of interest.

According to Prime Minister John Howard, a potential "technical conflict of interest" arises because David Knott, the chairman of Australia's Securities & Investment Commission, also serves on the board of the country's insurance regulatory authority, the Australian Prudential Regulation Authority. Mr. Knott has now resigned from the APRA board.

The investigation is expect-

ed to focus on, among other things, whether a lapse in regulatory oversight led to the Sydney-based insurer's rapid collapse earlier this year (*BI*, March 26).

The commission would operate alongside a task force already being created by the Australian government to examine the impact on policyholders of the HIH collapse and APRA's role in policing solvency in the nonlife industry.

The Sydney-based Assn. of Risk & Insurance Managers of Australasia is seeking a role on that task force. Bruce Ferguson, president of ARIMA and risk and insurance officer for Sydney Water Corp., has written to Joe Hockey, federal minister for Financial Services and Regulation, asking that ARIMA be represented on



PHOTO: AFP

Australian Prime Minister John Howard has called for a new commission to probe the adequacy of the nation's insurance regulatory system.

the task force. The ministry oversees both APRA and ASIC.

Mr. Ferguson has also written to two other top insurance

See **HIH** on page 23

Risk reduction efforts not keeping pace with claims: Report

Medical malpractice claims growing

By CAROLYN ALDRED

Medical malpractice claims are still on the rise in England, despite efforts to improve risk management in hospitals and claims management procedures, according to a report issued earlier this month by the U.K. National Audit Office.

As of March 31, 2000, the U.K. National Health Service had reserves of £2.6 billion (\$3.68 billion) to meet the likely settlements for up to 23,000 outstanding malpractice claims in England, with a further £1.3 billion (\$1.84 billion) likely to be required to meet additional claims from previous incidents not yet

reported, according to the report.

About 10,000 new malpractice claims against the state-run National Health Service in England were filed during a 12-month period spanning 1999-2000, and the total annual charge to NHS funds for claims has risen sevenfold since 1995-1996, the report found.

As a result of increasing numbers of claims and their financial impact on the NHS, risk management has become increasingly important in the past five years, one medical risk manager said.

In the United Kingdom, the NHS is liable for the clinical negligence of its employees, includ-

ing its hospital-based doctors. The NHS comprises various trusts, based on geographical areas or areas of specialization, with many trusts employing their own risk managers.

Concern about the rising number of claims and the time needed to settle them has led to several initiatives by the Department of Health, including the formation of the NHS Litigation Authority in 1995.

For example, the NAO report found that for claims closed in 1999-2000 with settlement costs exceeding £10,000 (\$14,900), the average time from claim to payment was five and a half years.

The NHS Litigation Authority

administers the Clinical Negligence Scheme for Trusts, which acts like a mutual insurer and handles the claims management for many health trusts in England. According to the NAO report, the Clinical Negligence Scheme currently manages 42% of the NHS' medical malpractice claims in England.

Trusts pay to belong to the CNST, with each member's annual payment based on the size and type of trust, said Alison Bartholomew, risk manager for the NHS Litigation Authority. The authority encourages good risk management practices by offering payment reductions to

See **Malpractice** on page 23

Merger may form Nordic insurance giant

By EDWIN UNSWORTH

STOCKHOLM, Sweden—The Scandinavian insurance market is poised to undergo a big change involving three key insurers.

If Property & Casualty Insurance Ltd., a pan-Scandinavian insurer based in Stockholm, Sweden, said last week that it intends to become the region's largest property/casualty insurer by taking on the property/casualty operations of Sampo Group, Finland's largest insurer.

The merger would be achieved by Helsinki-based Sampo taking control of If P&C by acquiring its major shareholder, Oslo, Norway-based Storebrand A.S.A. Storebrand's board has said it supports the Sampo offer and that it will put it to a vote by shareholders. The deal is not assured, though, because a Norwegian bank also has expressed interest in holding merger talks with Storebrand, whose shareholders may want to keep this option open.

If P&C was created in 1999 when Storebrand and Sweden's Skandia Insurance Co. Ltd. merged their property/casualty operations. Skandia currently holds 56% of If P&C, while Storebrand has 44%.

Today, If P&C has 37% of the Norwegian

property/casualty market, while it holds 23% of that market in Sweden and 5% in Denmark, according to a statement from If. Should the mergers proceed, If P&C would become the largest property/casualty insurer in the Nordic region, with a 24% market share overall. For 2000, the combined If P&C/Sampo would have a premium volume of \$3.6 billion euros (\$3.17 billion), If said.

If P&C said in a statement that the proposed Sampo deal would bring economies of scale and increase its reach, helping If to achieve its objective of becoming an independent publicly listed company.

If P&C Chief Executive Officer Bo Inge-marson said the merger "is an important step to fortify If's position as the leading property and casualty insurance company in the Nordic region and, at the same time, position the company for further expansion."

He said growth plans extend beyond the Nordic countries into other "naturally related" Northern European markets—including parts of Eastern Europe—as well as defined niche markets in which If P&C has a competitive advantage.

After the mergers, Sampo and Storebrand would hold 67.5% of the enlarged If P&C, while Skandia's share would be reduced to

32.5%. The deal is subject to regulatory approvals and successful completion of Sampo's offer for Storebrand.

A rival suitor for Storebrand, however, may scuttle the deal. Den norsk Bank Holding A.S.A., Norway's largest banking group, has invited Storebrand to hold merger talks.

DnB Group CEO Svein Aaser said a merger of the bank and Storebrand would create "a Norwegian insurance and asset management operation which compares favorably with other Nordic and European institutions (and) opens up significant new opportunities for the Norwegian financial services industry."

After the If/Sampo deal was announced, Moody's Investors Service affirmed its A2 insurance financial strength and Baa1 subordinated debt ratings of If P&C, and changed the outlook on the ratings to positive from negative. Moody's said that the deal would noticeably increase If's Nordic presence and confirm its leading position in the region.

Similarly, Moody's affirmed its A2 insurance financial strength rating of Sampo Insurance Co. Ltd. and Sampo Industrial Insurance Co. Ltd., and it revised the outlook to positive from stable.

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LEGAL NOTICES

**THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
 COUNTY DEPARTMENT, CHANCERY DIVISION
 IN THE MATTER OF THE LIQUIDATION
 OF ALPINE INSURANCE COMPANY**

NOTICE OF CLAIM FILING DEADLINE AND PROCEDURES

PLEASE TAKE NOTICE, that on June 28, 2000, the Circuit Court of Cook County, Illinois, entered an Order of Liquidation With a Finding of Insolvency and Injunctive Relief (the "Liquidation Order") against Alpine Insurance Company ("Alpine"). Nathaniel S. Shapo, Director of Insurance of the State of Illinois, is the statutory and court affirmed Liquidator of Alpine (the "Liquidator"). The Liquidation Order was affirmed by the Illinois Appellate Court on December 21, 2000, and on April 4, 2001 the Illinois Supreme Court denied a petition for leave to appeal.

TAKE FURTHER NOTICE, that pursuant to the Liquidation Order, except for those persons entitled to file contingent claims, all rights and liabilities of Alpine and its policyholders/enrollees, creditors and stockholders, and all other persons interested in its property or assets, including but not limited to persons with claims arising under or related to either a policy of insurance or reinsurance agreement issued by Transco Syndicate #1, Ltd. ("Transco") and assumed by Alpine effective December 31, 1996, are fixed as of June 28, 2000.

TAKE FURTHER NOTICE, that on May 4, 2001, the Circuit Court of Cook County, Illinois, entered an Order Providing for the Filing of Claims and the Setting of Claim Filing Deadlines (the "Claim Filing Order"). The Claim Filing Order further provided that persons, companies or entities who have, or may have claims against Alpine, its property or assets, or against a policyholder, regardless of whether such claim arises under a policy of insurance or reinsurance agreement issued by Alpine or Transco, shall have the right to present and file with the Liquidator proper proofs of claim on or before May 6, 2002 at 4:30 p.m. C.D.T., and that insureds possessing contingent claims shall have the right to present evidence to the Liquidator of the liquidation of any such contingent claim on or before May 6, 2003 at 4:30 p.m., C.D.T. Proofs of claim received after the claim-filing deadline of May 6, 2002 may not participate in any distribution of estate assets made on a timely filed proofs of claims.

TAKE FURTHER NOTICE, that the form and required contents of all proofs of claim are described in 215 ILCS 5/209. Proofs of claim, along with supporting documents, if any, are to be filed with, and may be obtained from, the Liquidator of Alpine, c/o the Office of the Special Deputy Receiver, located at 222 Merchandise Mart Plaza, Suite 1450, Chicago, Illinois 60654. A proof of claim shall be deemed "filed" with the Liquidator upon the Liquidator's receipt thereof. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem reasonably necessary to complete his evaluation of the claim.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR IS SET FORTH ABOVE. NO PERSONS, COMPANIES OR ENTITIES HAVING OR CLAIMING TO HAVE ANY CLAIM AGAINST: (1) EITHER ALPINE OR TRANSCO; (2) ALPINE'S PROPERTY OR ASSETS (3) ARISING UNDER OR RELATED TO A POLICY OF INSURANCE ISSUED BY EITHER ALPINE OR TRANSCO; OR (5) ARISING UNDER OR RELATED TO A REINSURANCE AGREEMENT ENTERED INTO BY EITHER ALPINE OR TRANSCO, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE PROPERLY FILED WITH THE LIQUIDATOR ON OR BEFORE MAY 6, 2002 AT 4:30 P.M. C.D.T.

Cathleen M. Travis
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HIH

Continued from page 21

industry bodies, the National Insurance Brokers' Assn. and the Insurance Council of Australia, both based in Sydney, suggesting they establish a joint working party with buyers to look at long-term solutions to the issues facing the insurance industry.

"ARIMA already has called for stronger legislation to ensure that APRA can properly supervise Australian insurers," Mr. Ferguson said.

"When it is possible for Australia's second-largest nonlife insurer to collapse without adequate warning from the regulators, that is an obvious indicator that the legislation lacks the necessary teeth or APRA lacks the resources or expertise to protect policyholders," he said.

Federal and state governments, along with the insurance industry, are now grappling with the issue of how to finance the claims of HIH policyholders. Australia does not have a formal system of guaranty funds to assess insurers in the wake of insolvencies.

Australia's federal government has offered to provide "substantial support" to insurers that voluntarily take over existing and future liabilities from HIH. This could mean the government

would pay the additional premiums that insurers would charge to take on current HIH risks, but without policyholders having to pay additional premiums. The proposal would not apply to corporate policyholders, though.

The federal government has also announced funding, reported to be about \$500 million Australian (\$265.0 million), which Mr. Hockey, the financial services minister, said was aimed at supporting the estimated 28,000 people with outstanding or incurred-but-not-yet-reported HIH claims, "and any people who might have claims in the future."

The federal government was expected to include details of its funding package in last week's 2001-2002 federal budget, but the budget contained no firm details on the package.

The ICA, meanwhile, submitted a proposal for a government-funded package, subsidized by a 1% levy on the premiums of all other Australian policyholders, and significant state and territory government funding in the form of insurance tax cuts.

While not ruling out a levy on policies, Mr. Hockey said the federal government "would prefer to negotiate the transfer of existing and future claims to another insurer."

New South Wales Treasurer Michael Egan last week an-

nounced plans for raising \$69 million Australian (\$36.6 million) annually through a tax on all solvent NSW insurers to partially fund a \$600 million Australian (\$318 million) rescue package for HIH hardship cases. Mr. Egan said the rest of the funding would be included in the state's 2001-2002 budget, to be presented May 29.

'The larger capital requirements will require some nonlife insurers to raise additional capital or merge.'

— Joe Hockey
Minister of Financial Services and Regulation

The Western Australian, Victorian and Northern Territory governments also will provide financial hardship benefits to policyholders hurt by the HIH collapse. The Victorian government has allocated \$35 million Australian (\$18.6 million) for builders' home warranty insurance claims in that state, and the Northern Territory government pledged \$3 million Australian (\$1.6 million).

The Western Australian government has said it would fund about \$90 million Australian (\$47.7 million) in outstanding HIH workers compensation payments by avoiding a planned premium reduction for the state's employers.

But ICA President Raymond Jones, who is also general manager of Sydney-based QBE Insurance Group Ltd., said a government levy would "wreak havoc" on insurers, reduce reserves, and "further drain confidence in the industry at a critical time." Insurers would be forced to pass on the increased costs to policyholders, Mr. Jones said.

In the wake of HIH's collapse, the federal government is likely to fast-track proposed reforms of the General Insurance Act 1973 (BI, June 5, 2000). Under those proposals, non-life insurers would have to "improve their capital adequacy well ahead of the timetable previously announced," according to Mr. Hockey, the financial services minister.

He said the industry would be "significantly impacted" by substantial changes in insurers' new solvency requirements. Authorized insurers would need to meet new risk-based capital requirements, with a minimum solvency margin of \$5 million Australian (\$2.6 million). The current minimum margin is \$2

million Australian (\$1.1 million).

The new regime also would require insurers to seek mandatory actuarial advice on the valuation of their insurance liabilities, which was identified as a concern in a preliminary report on the HIH collapse.

Under the proposed changes, "the larger capital requirements will require some nonlife insurers to raise additional capital or merge with others to meet the requirements," Mr. Hockey said.

The amended General Insurance Act is scheduled for introduction to Parliament in June, and should be passed by October, Mr. Hockey predicted. The new regime would take effect July 1, 2002. The deadline for full compliance will be brought forward from 2007 to July 1, 2004. Mr. Hockey said changes to the act would establish more rigorous and transparent risk management systems for nonlife insurers.

Meanwhile, the HIH affair is expected to spur litigation on several fronts.

Sydney-based plaintiff law firm Dennis & Co. plans to file a class-action lawsuit against HIH directors and the company's auditors, Arthur Andersen L.L.P., on behalf of more than 600 shareholders who "invested based on the rosy picture the directors and auditors painted," said principal Bruce Dennis. **BI**

Malpractice

Continued from page 21

those trusts that operate in line with the risk management standards set by the CNST. Risk management assessments of trusts are conducted at least once every three years, said Ms. Bartholomew, who did not elaborate further on the standards.

This approach is one of several risk management initiatives intro-

duced within the NHS during the past five years that have greatly raised the profile of risk management and risk managers in the sector, she said.

The Department of Health is about to examine the NHS' approach to claims handling and how it should be conducted in the future. The report points out that costs are higher for individual trusts that opt to manage their own claims—rather than participating in the CNST—because economies

of scale are not achieved and many claims handlers fail to handle large enough volumes of claims to develop sufficient expertise. The report suggests several alternatives to the individual approach, including letting the Litigation Authority manage all claims, allowing one trust to act as an agent for other trusts, or forming consortia of trusts to manage claims.

Key concerns involve providing financial incentives to trusts to reduce incidents of malpractice and

determining how to manage those aspects of claims handling that are best performed at the local level.

In its report, the NAO makes several recommendations for further improvements, including:

- The development of a plan by the Litigation Authority to resolve claims that have been open for more than five years.

- Clear guidance from the Department of Health to NHS trusts about what information the trusts may provide to patients involved in

adverse incidents.

- Further investigation of ways to better resolve small and medium-sized claims.

- An examination of ways to provide trusts with financial and other incentives to reduce incidents.

- Performance measures for lawyers who handle negligence cases.

A summary of the report may be viewed online at www.nao.gov.uk/publications.

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Foals

Continued from page 3

ized by miscarriages and stillbirths at a rate 10 times the norm, is expected to have a direct economic impact this year of nearly \$200 million on the industry in Kentucky, estimated David Switzer, executive director of the Kentucky Thoroughbred Assn. in Lexington, Ky.

Essentially, 2,000 of the 10,000 foals due next year have been lost. While that is less than 10% of the entire foal crop in the United States, the championship-level horses bred in Kentucky make the loss a special concern to the racing industry now and in the future. Racetracks generally prefer large numbers of horses competing in individual races.

Although the foal deaths appear to be tapering off as the normal

breeding season ends, the loss of so many potential champions took an emotional toll as well.

"Everybody is getting hurt somewhere," said Ron Kirk, managing underwriter for the worldwide horse program of the Chubb Corp., based in Warren, N.J. While Mr. Kirk estimates current losses at closer to \$100 million rather than \$200 million, he said only about \$25 million of those losses may be covered by insurance.

"People were very nervous. It was a very scary thing," said Gus Koch, assistant manager of Claiborne Farm in Paris, Ky. His farm, which typically oversees the birth of 200 foals annually, experienced 15 "early fetal losses," after 60 to 75 days of gestation, and it had one "red bag" stillborn, in which the placenta detached and was delivered first rather than last.

It "just tears at your heart," said Tom Ludt, president of the Cromwell Insurance Agency in Lexington. He writes more than \$5 million in annual premium for equine coverages, primarily through Lloyd's of London (BI, May 21).

"I've got claims ranging from \$10,000 to \$500,000," primarily on mares, he said, but successful re-breeding efforts may eliminate the claims.

Most horse owners would rather have a healthy foal to sell or raise rather than the proceeds of an insurance policy, farm managers and agents agree.

Among the hardest hit are stallion owners, who are expected to lose \$30 million to \$60 million in stud fees because of the lack of live births, which are required under most breeding arrangements, Mr. Kirk said. He said only 10% to 20%

of stallion owners buy coverage to protect their stud-fee income. Those fees average about \$11,000 but can range up to \$400,000 or more.

Prompt re-breeding of mares may alleviate some of that loss, though mare owners are mindful of how a foal's 11-month gestation period interacts with both the racing industry's traditions and its calendar.

For example, every racing foal officially turns a year older on Jan. 1 in the Northern Hemisphere and on Aug. 1 in the Southern Hemisphere, no matter what date it was actually born. Owners generally like to have a foal born as early as possible in a year, believing that it will then be developed and experienced enough to perform well in age-specific races such as the Kentucky Derby, which is open to three-year-olds. Later breeding produces less-valuable younger foals and may increase a

mare's maintenance costs, which average about \$7,000 annually.

"It's safe to assume that situation will have an impact on the equine industry, but it depends ultimately on the end results, which we won't know until next year," Mr. Ludt said. "Things like this will probably drive rates up."

Only a few companies are experiencing more business due to the crisis; among them are the van companies that owners are using to transport their horses out of state to avoid the health risk to foals.

In addition, business is booming for the producers of two risk management products that farm managers are recommending. One is feed supplements that bind toxins and prevent them from entering a horse's bloodstream. The other is domperidone, a drug that reduces fetal losses. **BI**

Results

Continued from page 3

prices, Mr. Ransom said. As a result, the recovery this time is likely to be extended, with a moderate rise in prices rather than the sharp spike that marked the insurance industry's last recovery period, he said.

"I think we're hearing and seeing a lot of good news about retentions as well as price increases for commercial lines. Our prognosis for the remainder of the year will be that prices will continue to firm," said Matthew Coyle, a director at Standard & Poor's Corp. in New York.

"We think there's still enough momentum to carry throughout the year, and there's a definite need for further price improvement," he said. "The big item we're paying close attention to is operating cash flow," which is still negative for many top insurers, said Mr. Coyle. However, he added, S&P is cautiously optimistic that cash flow will reach a break-even level within the next six to 12 months.

"I think as we meander our way through the rest of this year, the acceleration of those rates is also going

to accelerate earnings," which will result in a "pretty decent year from an earnings perspective," predicted Michael Paisan, a principal with Williams Capital Group in New York.

But John L. Ward, head of Cincinnati-based Ward Financial Group, predicted insurer results would range from mediocre to slightly below expectations for the rest of the year. "The real improvement in changes in the pricing cycle will reflect itself beginning in 2002," he said.

"The good news is that the hardening continues in rapid-fire order. It appears that that will continue into the future," Mr. Ward said. "Because we have gone through such a long, prolonged soft market cycle, we need multiple years of aggressive hardening before the results really start to reflect themselves in the income statements of the industry, and it's not doing that yet. We're still playing catch-up...so we continue to post ho-hum results in the commercial segment."

Eric Simpson, senior vp at Oldwick, N.J.-based A.M. Best Co., predicted that the size of rate hikes will start to diminish next year. "We

continue to see solid double-digit price increases across most classes," he said. "Having said that, I think the key question is not so much the level of increase, which is nice for margins, but it's the issue of sustainability."

While rate increases are likely to continue through 2002, the size of those increases will flatten in the first half of next year and begin to shrink during the second half, Mr. Simpson predicted.

Selected consolidated results of the 18 property/casualty insurers surveyed were:

- Net premiums written increased 11.9% to \$24.03 billion. Insurers had reported an 11.4% increase in premiums for all of 2000.

- The combined ratio improved to 103.4% from 104.8% for the comparable period. For all of 2000, the insurers reported a 106.2% combined ratio.

- Policyholder surplus for the 16 insurers that reported this data declined 1.6% to \$50.7 billion as of March 30. This compares with a 3% decline in policyholder surplus as of year-end 2000.

"No matter how you cut it, the improvement in the market is begin-

ning to show up, though it is by no means time to declare a victory yet. There's still a long ways to go," said Michael Smith, an analyst with Bear, Stearns & Co. in New York.

Todd Bault, an analyst with Sanford Bernstein in New York, said the industry is "still correcting from a very long, soft market in standard commercial. Companies like St. Paul, Chubb, and AIG got ahead of that and are mostly through with the main rounds of correction." Additional hikes will help these insurers further enhance the profitability of their books of business, though small and midsize insurers still "have more work to do," he said.

The "stronger companies are getting stronger at a faster pace than the weaker companies are rebounding. In other words, the stronger companies are in better position to take advantage of the improvement in prices," said Cliff Gallant, vp with Keefe, Bruyette & Woods in New York.

Some analysts pointed to a general reduction in investment income for insurers in the first quarter, which was a product of the turbulent stock market.

"Investment income really hurt a

lot of companies' results in the quarter," said Brian Meredith, senior property/casualty insurance analyst with Banc of America Securities in New York.

Regardless of the broader market performance, analysts say insurers' stocks could do well in the future, both because of anticipated earnings and because investing in the sector is considered a good defensive strategy in a slowing economy.

Through May 18, the stocks tracked in the BI Stock Index had advanced just 3% year-to-date. "The stock performance has been dreadful this year considering the generally favorable outlook for earnings over the next couple or three years," said Mr. Smith.

"There was a misguided view that the cycle turn was already reflected in the stock valuations of year end, misguided because the upturn is likely to be much stronger than most people were thinking about six months ago," Mr. Smith said.

But, he added, "I think, given the slow economy, with a decline in interest rates, these companies will start to look very attractive from a defensive standpoint."

Mr. Bault said insurer stocks also did well last year, "but at lot of that was simply correcting from the terrible performance of '98 and '99."

With projected earnings growth in the mid- to high teens anticipated over the next couple of years, insurer stocks should do well for at least the next year or so, he said. **BI**

Property/casualty insurers' 2001 first-quarter results

Ranked by change in net income. All amounts in thousands of dollars.

	Corporate			Property/casualty operations					
	Net income 2001	Percent increase (decrease) 2000-2001	Consolidated revenues 2001	Combined ratio 2001 ¹	Combined ratio 2000 ¹	Net premiums written 2001	Percent increase (decrease) 2000-2001	Policyholder surplus 2001	Percent increase (decrease) 2000-2001
CNA Financial Corp.	295,000	109.2	3,610,000	112.5	113.4	2,230,000	4.7	NA	NA
Argonaut Group Inc.	300	100.6	45,400	137.7 ²	453.4 ²	29,600	6.9	321,600	(14.0)
Ohio Casualty Corp.	(4,095)	94.5	447,389	115.2 ²	112.9 ²	371,349	(5.9)	765,171	(8.0)
Royal & SunAlliance USA	69,000	80.9	NA	104.5	106.7	899,000	14.2	3,127,000	(2.0)
Old Republic International	83,968	51.7	547,568	103.4 ²	110.9 ²	246,789	17.9	1,433,431	6.5
Travelers P/C Corp.	501,000	51.4	3,058,000	99.1 ²	100.3 ²	2,387,700	17.2	7,436,500	(4.6)
Chubb Corp.	175,000	13.9	1,888,000	99.9	101.9	1,732,900	9.0	3,751,400	11.5
American International Group	1,531,757	13.8	12,151,071	95.9 ²	95.8 ²	4,864,753	15.1	NA	NA
RLI Corp.	7,133	9.1	72,171	92.4	87.5	70,794	15.2	271,420	(2.4)
Hartford Financial Services Group Inc.	240,000	0.8	3,722,000	101.8	103.1	1,981,000	15.9	6,427,000	(9.9)
Cincinnati Financial Corp.	72,613	(8.5)	617,883	96.5	96.4	538,087	14.7	2,728,136	9.1
ACE Ltd.	118,394	(32.3)	1,554,171	95.8	96.0	1,735,118	19.6	5,506,816	20.5
The St. Paul Cos.	202,200	(43.4)	2,164,600	104.1 ²	108.0 ²	1,845,900	31.9	6,101,800	5.2
American Financial Group	13,100	(70.7)	972,300	105.6	104.2	727,100	12.3	1,708,100	5.9
SAFECO Corp.	(882,800)	(3,062.4)	1,739,400	111.4	111.7	1,124,400	(2.5)	2,482,300	(3.0)
Kemper Insurance Cos.	NA	NA	847,127	106.2 ²	110.4 ²	731,373	2.0	2,074,546	(18.5)
Liberty Mutual Ins. Co. ²	NA	NA	NA	115.9	114.3	2,406,000	10.6	6,403,000	(10.3)
Fremont Compensation Insurance Group	NA	NA	147,428	123.9	111.7	107,140	(62.5)	160,439	(68.5)
Cumulative	2,422,570	(15.6)	33,584,508	103.4	104.8	24,029,003	11.9	50,698,659	(1.6)

¹ Including dividends ² Statutory NA-Company did not provide data Source: BI Survey

ADVERTISER

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COMMENTARY

Promoting safety with promises

A program developed in Canada could save lives throughout North America and indeed, eventually, the world.

It's such a wonderfully simple idea that I am wondering why it's only just being launched now.

The "I Promise Program" gives families with new teen drivers a way to promote safe and responsible driving by all members of the family. The strategy includes a parent-teen contract that sets out mutual expectations for driving behavior and a mechanism for reporting good as well as bad driving behavior. The promises in the nine-page contract include "I promise to drive safely. I promise not to drink and drive. I promise to use my safety belt. I promise to drive defensively."

The mechanism for reporting on driving behavior is a decal with a toll-free number. The latter takes its cue from a commercial risk management effort: Those signs on the back of 18-wheelers that say "How am I driving? Call 800..."

I learned about this program last week in an impassioned e-mail from Gary Direnfeld, the founder and executive director of the "I Promise Program" in Dundas, Ontario.

He cites chilling statistics on teen driving records in the United States: While 15- to 20-year-olds account for 6.7% of U.S. drivers, they account for 14% of all fatal crashes. And, up to 60% of the killed teen drivers were not wearing seat belts.

The success of the "I Promise Program" depends on insurers embracing it. Up to now, Mr. Direnfeld has spent his own money developing the program. Now he is asking insurers to support it. That could range from including an "I Promise" pamphlet with insurance certificates sent to teen policyholders, to underwriting the program's cost.

"Insurers should see a 700% return on investment using figures similar to

commercial vehicle monitoring services. However, the social return is immeasurable," he said.

Dominion of Canada General Insurance Co. is the first insurer to commit to participating in the "I Promise Program" starting in January 2002. And a pilot program involving a local State Farm agent and the Northeast Colorado Health Department will be launched this summer, with the School of Public Health at Harvard University monitoring the results.

Mr. Direnfeld is asking risk managers to support the "I Promise Program" and has already received a letter of support from the Ontario Chapter of the Risk & Insurance Management Society Inc.

"Very few people understand loss prevention like risk managers. Apart from being risk managers, they are people like you and me who live in communities and concern themselves with the safety of their own children and those of others," he said. "Risk managers also have very strong relationships with their brokers and insurers. Their understanding of the program and demand of the program can go a long way toward influencing the property/casualty insurers to adopt the program and distribute it to their teen policyholders. Simply stated, risk managers make great friends."

Among the 5,000 people interested in the program whose e-mail addresses Mr. Direnfeld already has collected—which include members of civic clubs, government organizations and insurance industry representatives—is that of the risk manager of Hamilton County, Ohio. Tim Grabenstein recently e-mailed Mr. Direnfeld that he is hoping to see his town become involved in the program. "As the risk manager of one of the top Ohio counties and a volunteer firefighter, I too often see the results of irresponsible driving, especially in those under the age of 25," he wrote.

What he likes best about the "I Promise Program" is that it recognizes that "the key to prevention is changing human behavior. Modifying an individual's behavior establishes a new paradigm in how the process is performed, thereby lowering or eliminating its resulting risks. Herein lies the beauty of the 'I Promise Program.' It changes behavior."

Mr. Direnfeld got the idea for the "I Promise Program" when he was "cut off by a young buck" one morning while driving to work. Imagining that the kid's parents would "rip the keys out of the car" if they had known how dangerously he was driving, Mr. Direnfeld spotted the 1-800 number on a commercial truck.

More information on the program can be found at www.papyrusgraphix.com/ipp.

Publishing Director Kathryn J. McIntyre's column appears fortnightly and on www.businessinsurance.com. She can be reached at kmcintyre@crain.com.

Superfund

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The bill also would exempt small businesses, defined as those with no more than 100 full-time employees, from liability for cleanup costs associated with dumping municipal solid waste—such as paper and normal household trash—at a Superfund site under most circumstances.

In addition, small businesses would enjoy an enhanced defense in liability suits brought by larger potentially responsible parties when both had dumped material at a given Superfund site. The larger party would have to prove that the smaller one was indeed responsible for the dumping and thus liable to share in cleanup costs. In similar suits brought by the government, however, the targeted small business would have to prove that it was not responsible.

No companion legislation has been introduced in the Senate.

Even if the bill were to receive Senate approval, though, its impact would likely be quite limited.

"In principle, we don't like the idea of carving out liability and shifting the costs to the remaining parties at the site. In this case, there are so few parties that meet this criteria that there's very little money at stake," said John Arlington, assistant vp at the Washington-based

American Insurance Assn.

"It really doesn't affect a whole lot of people—it's a very narrow carve-out," noted Keith McCoy, director-environmental quality for the National Assn. of Manufacturers in Washington. "We think it's a fix for a few small companies, We're pleased with the fix because there were some small companies that did get dragged into Superfund for no apparent reason," he said.

"We're typically opposed to carve-outs because when you have a carve-out for one sector of a Superfund site, it leaves all of the other sectors at the Superfund site holding the bag. But the genius of this is you exempt a party and nobody has to pick up that share of the party's cleanup costs" because the costs would be covered by Superfund itself, said Mr. McCoy.

"It's maybe a step in the right in the right direction," said Roger Andrews, past president of the Risk & Insurance Management Society Inc., and Provo, Utah-based general counsel and director-risk management for E.D. Bullard Co. in Cynthiana, Ky. Mr. Andrews is also RIMS' vp-international.

"My experience with the original Superfund legislation is that it's been a huge waste—it seems to have enriched the attorneys involved, the engineers and the cleanup people. We do need reform, the current legislation has been a

drain on the system and hasn't produced the benefits everyone has been hoping for," Mr. Andrews said.

The AIA's Mr. Arlington said that he hopes that the approval of a minor reform won't lead lawmakers to reinstate long-dormant Superfund taxes. That could happen in the Senate or during a conference summoned to iron out differences between House and Senate versions of the bill if the Senate passed its own measure, he said. "If we're not going to have broad reform, which it looks like we are not, then we say no Superfund taxes."

The measure's chief sponsor, Rep. Paul Gillmor, R-Ohio, noted that it does not go as far as many Superfund reform advocates would wish.

"This legislation is not the type of comprehensive Superfund legislation that many have supported over the years, including myself. There have been several unrealized attempts over the years to reach that Holy Grail. It has resulted not in a better Superfund program, but more lawsuits, more stigmas and less cleanup," he said as debate on the bill began on May 21.

"Rather, this bill is an acknowledgment that something must be done and that the best way to provide common-sense liability relief to those who need it is to find those areas of agreement within the Superfund universe and move them forward," he said. **[B]**

Jeffords

Continued from page 3

working out a compromise between House and Senate versions of the bill.

Still, while Democratic control of the Senate means that patient protection legislation is likely to receive more congressional attention, it does not mean that Democrats will have carte blanche in Washington.

Republicans still have control of the House, and they command a sufficient minority in the Senate, capable of filibustering to stop any one-sided bills. Furthermore, President Bush retains the power to veto legislation approved by Congress.

"For all this new power, there are serious constraints on what Democrats can do without support

of moderates in both parties," said Frank McArdle, a consultant in the Washington office of Hewitt Associates L.L.C.

As for Sen. Jeffords, he has taken alternating positions on a variety of other employee benefit issues that were opposed and supported by employers since he was first elected to the Senate in 1988.

For example, he was the only Senate Republican in 1993 to back the Clinton health care reform plan. In 1996, he backed, unsuccessfully, an amendment to a health care portability bill; that amendment, which was opposed by employers, would have required group health care plans to offer no less than \$10 million in lifetime coverage. The portability bill ultimately became law without the addition of the Jeffords amendment.

On the other hand, Sen. Jeffords favored the disclosure of more in-

formation to employees regarding the impact on their benefits of company conversions from traditional pension plans to cash balance plans, while he opposed more-radical proposals, such as giving employees the opportunity to choose either plan during a conversion.

Similarly, Sen. Jeffords quietly worked behind the scenes with International Business Machines Corp. officials to find a compromise after IBM adopted a cash balance plan that raised an outcry from its employees. Some IBM employees said the conversion would result in a huge cutback in the benefits they had expected to receive under the old plan.

The efforts of Sen. Jeffords and others bore fruit when IBM agreed to more than double the number of employees eligible to remain in the old plan. **[B]**

Impact of Senate shake-up

Democratic control may result in stalled reform measures

By MARK A. HOFMANN

WASHINGTON—The Senate under Democratic control could be more notable for what won't happen regarding many risk management issues than for what will.

Chief among those matters is civil justice reform. The decision by Sen. James Jeffords of Vermont to leave the Republican Party and become an Independent—thereby transferring control of the Senate from the Republicans to the Democrats—probably means that Sen. Fritz Hollings, D-S.C., will take the reins of the Commerce, Science and Transportation Committee, and that Sen. Patrick Leahy, D-Vt., will head the Judiciary Committee. Neither lawmaker is known as a proponent of tort reform, and Sen. Hollings has

a deserved reputation as being one of the most outspoken opponents of a uniform federal product liability code.

Given those changes, "the business community's agenda for reform of the civil justice system has been made harder, and the bar certainly has been raised considerably, particularly as it relates to the issue of the Commerce chairmanship," said David M. Farmer, senior vp-federal affairs in the Alliance of American Insurers' Washington office.

But Mr. Farmer added that tort reform has faced formidable obstacles in the Senate regardless of which party was in control.

"I wouldn't expect much of a change in floor votes, but what gets to the floor is another matter," said Daniel Barry, director of govern-

ment affairs for the Risk & Insurance Management Society Inc. in New York.

"Democratic control means meaningful class-action reform could be more difficult to enact. Overall, I think the switch will result in a much greater likelihood of gridlock, for better or worse," he said.

Class-action reform appeared likely to be among the tort reform issues that would have come up before a GOP-controlled Senate. There may have also been some interest in providing a legislative solution to issues arising from asbestos injury claims. Neither seems likely to be a priority in a Democratic Senate.

Wide-ranging Superfund reform may be another casualty of the change. "Any debate about compre-

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HMOs

Continued from page 1

HMOs will pull back even further on cost-control measures, pushing costs up still higher.

"HMOs won't touch any restrictions that could land them in court again," Mr. Jacobsen predicted.

"It would be a crowning blow if there was a successful round of jury awards," he added.

The most far-reaching of the lawsuits are those currently pending in the federal district court in Miami. Filed in 1999 in federal courts around the United States, the suits were consolidated late last year under the supervision of Judge Federico Moreno in the Southern District of Florida.

In general, the suits fall into two categories—those filed by health care providers and those initiated by plan members. The suits generally name a common group of defendants, including Aetna Inc., CIGNA Corp., Humana Inc. and United-Health Group.

The provider case alleges that the HMOs failed to pay or reduced their payments to doctors for their services. The suits assert that the class consists of every doctor in the United States who has signed a contract with an HMO in the past 10 years, a group potentially consisting of hundreds of thousands of physicians.

Thus far, the defendants have made three moves to defeat the cases. The first was a motion to enforce the arbitration clauses that are routinely part of doctors' agreements with HMOs. The court ruled that the clauses were legally binding, with the result that some claims will eventually have to be arbitrated and not resolved through the courts.

The defendants next moved to dismiss the suits. In a written opinion, Judge Moreno partially granted the defendants' request, dismissing

some of the claims but leaving the key issues against the defendants intact.

The next defense tactic was to oppose the plaintiffs' request to certify the suits as a class action. According to a defendants' attorney who did not want to be identified, the plaintiffs' attorneys have told the court they will stop pressing the suits if they are denied class status.

"The class certification is the key decision," the defendants' attorney said.

This month, Judge Moreno said he would defer ruling on that motion and ordered that discovery proceed.

"Now we're taking discovery to prove the case can be tried on a class-wide basis and that it is manageable," said Harley Tropin, partner with Kozyak, Tropin & Throckmorton in Miami and co-lead counsel for the plaintiffs.

The other category of suits consists of allegations that plan members have been misled by HMOs, resulting in plan members paying for more expensive plans than those they received. The suits allege that the HMOs violated both the Employee Retirement Income and Security Act and the Racketeer Influenced and Corrupt Organizations Act. The suit seeks to become a class action representing every person in the United States who has been a member of an HMO, perhaps tens of millions of people, said Steve Annand, partner with Cohen, Milstein, Hausfeld & Toll in Washington. The firm is a member of the executive committee for the plaintiffs.

The defendants have opposed the plaintiffs' request for class certification in these suits as well. The judge has delayed a decision on this issue until after he rules on the defendants' motion to dismiss the suits. Mr. Annand said a ruling on that motion is expected in the next few weeks.

The suits seek to recover the dif-

ference in the value of the type of insurance coverage the subscribers thought they were getting and that of the coverage they actually received, Mr. Annand said.

The goal of the suit, besides winning money, he said, is to change the way HMOs operate, by forcing them to explain accurately to plan members what they are getting.

"What we're hoping for is a more balanced approach to managed care," Mr. Annand said.

But the defendants' attorney said the plaintiffs' real goal is to turn back the clock to the days that preceded managed care. "They want to do away with managed care, despite their protestations to the contrary," he said. "They would replace the managed care system, if they had their way, with an indemnity system."

While the suits by both physicians and plan members broadly attack HMOs' business practices, they still fall short of attacking the general concept of managed care.

A prior suit, *Pegram vs. Herdrich*, challenged HMOs' ability to control costs. In that decision, the U.S. Supreme Court unanimously held that HMOs can offer financial incentives to physicians to control costs (*BI*, June 19, 2000). To rule the other way, the high court reasoned, "in effect, would be nothing less than the elimination of the for-profit HMOs," and possibly nonprofit HMOs as well.

As a result, the pending Florida suits by plan members focus on how HMOs communicate with their members.

The defendants have denied the allegations in the suits. In a written statement, CIGNA HealthCare said that "these lawsuits are without merit and that, ultimately, reasonable people will recognize that litigation is not a path to assuring access to quality health care."

Louis Saccoccio, general counsel

at the American Assn. of Health Plans in Washington, echoed that thought, saying he disagrees with the notion that health policy should be made through litigation.

"That's not the role of the courts to be involved in. It's the role of the legislatures," he said.

Mr. Saccoccio called the suits "a wholesale attack on the system."

In the subscriber suits, the ERISA allegations have a much better chance of success than the RICO claims, said Clark Havighurst, law professor at the Duke University School of Law in Durham, N.C. Mr. Havighurst is following the litigation and has written about the suits.

To prevail with the RICO claims, the plaintiffs must show a criminal intent by the HMOs to misrepresent the true nature of their plans. While no trials have yet taken place using the plaintiffs' theory under RICO, a federal appeals court last year dismissed one prominent suit making similar allegations.

In *Maio vs. Aetna Inc.*, the 3rd U.S. Circuit Court of Appeals in Philadelphia stated that the suit could not proceed because the injury to the plan members—the difference in the health plan they actually received compared with what they thought they were getting—was too speculative.

The reasoning behind the *Maio* decision is a cornerstone of the HMOs' defense, the defendants' attorney said. *Maio* establishes the precedent that "you cannot have a suit unless you have a claim denied," he said.

The plaintiffs' attorney, Mr. Annand, said that while the *Maio* decision presents a substantial obstacle, it is not insurmountable. "We think it was a fundamentally flawed analysis," he said.

On the other hand, the AAHP's Mr. Saccoccio called the *Maio* and *Pegram* decisions "huge obstacles" to the plaintiffs' cases.

But the ERISA claims could turn out differently, Mr. Havighurst said. "They seem to me to have more potential mileage, but they are not sure things," he said.

More specifically, Mr. Havighurst said the ERISA suits consist of three separate types of claims. The first is that the HMOs' marketing misleads the public by asserting the plans are concerned about health care quality, when they don't.

Next is the claim that the HMOs don't fully disclose the degree to which they interfere with the doctor/patient relationship. "That idea has some merit," he said.

The third claim, Mr. Havighurst said, is that while health plans assert they will cover all "medically necessary" health services, the plans fail to tell members they use cost control to deny coverage for some claims.

There is a precedent for litigation to change the way HMOs conduct business. Last year, Aetna Inc. settled a suit brought by the Texas attorney general by agreeing to change provisions in its contracts with providers that were alleged to have given physicians financial incentives to deny treatment (*BI*, April 17, 2000).

Other lawsuits have also changed the way HMOs conduct their business, said Joseph Fasi II, a partner with Peterson, Johnson & Murray in Milwaukee. Mr. Fasi represents HMOs.

In recent years, many suits have been filed against HMOs attacking arrangements with physicians that provide bonuses for keeping costs down. In response, HMOs have, by and large, abandoned these agreements, Mr. Fasi said. "It's through some lawsuits that change will occur," he said.

Mr. Fasi said the current wave of suits might, in similar fashion, shine a spotlight on the worst parts of the system, forcing HMOs to eliminate these practices. **BI**

Mold

Continued from page 3

of some molds. But the problem certainly isn't limited to that geographical area, and concerns have spread into the commercial arena.

Environmental remediation experts note that there are cases in which they have been called upon to deal with commercial structures, including some in which they have had to gut several stories of high-rise

buildings to eliminate the spores.

Homebuilders are getting hit especially hard for remediation demands, said Scott Thomas, chair of the insurance coverage practice group for the law firm of Payne & Fears L.L.P. in Irvine, Calif. In addition, apartment owners are starting to see claims from tenants, who are charging that they were made ill by molds present in their buildings.

Litigation fears are growing, and uncertainties surrounding coverage for mold-related claims are con-

tributing to risk managers' worries.

"We have been told...that plaintiffs attorneys' new motto is 'mold is gold,' so that kind of scares us," said Sheryl Bittick, corporate risk manager for Weingarten Realty Investors, a commercial property owner in Houston.

Although not all molds and fungi pose health risks, one particular mold, *Stachybotris*, has drawn widespread attention from health experts and the media. *Stachybotris*—dubbed "black mold" in a recent Wall Street Journal article—has been linked to flu-like symptoms, diarrhea, headaches, fatigue, dermatitis and suppression of the immune system. News stories about *Stachybotris* exposure have become common, Ms. Bittick pointed out.

Ms. Bittick said she asked her broker to determine whether liability coverage for mold-related claims could be purchased during her company's July renewal. Her broker's loss control specialists also have scheduled a meeting with her to discuss possible preventative measures.

For now, it appears her company doesn't have any coverage, Ms. Bittick said. Her broker told her that an environmental policy owned by Weingarten will cover bodily injury losses, but only if there is a governmental trigger, such as a cleanup order by health officials.

Property policy coverage of mold damage without contributing circumstances is scarce.

Mold and fungus claims are excluded under many property poli-

cies, explained Chris Poverman, senior claim counsel in Baltimore for The St. Paul Cos. Inc. But, he said, coverage may be available when mold growth stems from a covered loss, such as a fire sprinkler leak.

St. Paul is seeing a growing number of mold-related property damage claims, many of which are not covered, Mr. Poverman said. St. Paul's loss adjusters, however, are working to ensure that mold problems do not follow insured losses, such as water damage from fire suppression efforts, he said.

The coverage issue is murkier for commercial general liability forms issued by the Insurance Services Office Inc. in Jersey City, N.J. ISO's forms make no specific reference to mold or fungus, an ISO spokesman said. Whether claims related to mold and fungus are covered or not depends on specific circumstances, and courts have varied in their opinions, the spokesman said.

Currently, an ISO panel is evaluating whether the organization should specifically exclude mold and fungus from its commercial general liability forms, he said, but the issue is far from settled.

Coverage should be available under general liability policies, policyholder attorney Mr. Thomas argues. "If you truly do have an authentic toxic mold condition, the property owners CGL policy should certainly be responding to that."

Payne & Fears recently published a client newsletter stating, "if policyholders are properly prepared to

deal with insurer objections to these claims, they stand a good chance of securing coverage for most toxic mold claims."

Policyholders should understand that making such claims will require applying policy provisions to novel circumstances, but past rulings should help, Mr. Thomas said. Courts, for example, have held that when dangerous materials are incorporated into a building, their presence constitutes physical injury or loss of the use of the building. That, in turn, satisfies a property damage requirement under some liability policies.

Also, risk managers should be prepared to face insurer arguments against coverage, such as appeals to pollution exclusions. Whether toxic mold is a contaminant is an issue that courts are still determining. Many courts have refused to apply a pollution exclusion, while others have, he said.

Growing public concern over mold contamination has led to a sharp increase in demand among insurers for mold testing and remediation services, according to environmental remediation companies.

About eight months ago, Engineering & Fire Investigations Inc. was getting only a few calls from insurers and self-insured employers asking for help with mold testing and remediation, said Michael Thompson, president and chief executive officer of the Houston-based forensic engineering company, a

See **Mold** on next page

Senate

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hensive reform of Superfund is clearly less likely under the new leadership," said Leigh Ann Pusey, senior vp-federal affairs for the American Insurance Assn. in Washington.

The issue of optional federal chartering of insurers, which is sparking some interest in the House of Representatives, could emerge in the Senate as well. If it does, it will be discussed by a Banking, Housing and Urban Affairs Committee that most likely will be chaired by Sen. Paul Sarbanes, D-Md., one of the chamber's most liberal members. But he might be more amenable to the idea than current Banking Committee Chairman Phil Gramm, R-Texas, noted Joel Wood, senior vp-government affairs for the Council of Insurance Agents & Brokers in Wash-

ington.

"Sen. Sarbanes is probably more intuitively open to optional federal chartering than would be Sen. Gramm. Sen. Sarbanes' conditions on an optional charter will have a greater consumerist patina to what he does," said Mr. Wood. He noted that financial records privacy is also "huge issue" for Sen. Sarbanes.

"Issues relating to community reinvestment would probably be higher on Sen. Sarbanes' agenda than on that of his predecessor," said Mr. Farmer.

"Optional federal chartering was never really a partisan issue. It is a newer issue, so it doesn't fall into the traditional partisan category. That's a wait-and-see issue," said AIA's Ms. Pusey.

In general, "I'm not willing to write anything off yet," said Ms. Pusey. "Clearly, some things will be more difficult but not impossible." **BI**

Offshore

Continued from page 1

coverage, which would give U.S.-based backers of the bill a pretense to do the same, said Jon Harkavy, vp with captive manager Risk Services L.L.C. in Arlington, Va.

"Who's going to pay for that? The bottom line is, the consumer is going to pay for it," said Mr. Harkavy.

The bill's backers insist, though, that it would have no impact on captive arrangements, nor would it affect international insurers not based in Bermuda or other alleged "tax haven" jurisdictions.

"We have always believed that there is an unfairness in our tax system," said William Mardocchi, director of tax for Chubb in Warren, N.J. "It's just a matter of time before Congress wakes up to the fact that there is this unfairness in the system" and moves to correct it.

H.R. 1755 is the latest product of efforts over the last two years by Chubb, Hartford, Liberty Mutual and other U.S. insurers to change what they contend is a tax advantage enjoyed by offshore rivals, including Bermuda-based ACE Ltd. and XL Capital Ltd.

The advantage, the U.S. insurers argue, is that while U.S.-based companies must pay taxes on investment income they earn on reserves, U.S. affiliates of offshore companies can cede their business overseas, pay a 1% excise tax and let investment earnings build up at little or no taxes. Over the several years that insurers hold reserves for long-tail casualty lines, the tax savings add up to a substantial competitive plus, the insurers maintain.

Lobbied by the U.S.-based insurers, Reps. Johnson and Neal last year introduced another bill, H.R. 4192, that attacked the alleged loophole in a different way than does their new measure. Last year's bill called for foreign-affiliated U.S. insurers to estimate the investment income earned on premiums they cede to affiliates and to pay U.S. tax on it.

Estimating income in this way would create problems, though, including determining what assumptions to use about investment returns on ceded premiums, supporters of the bill acknowledge.

The new proposal does away with these problems by simply denying the deduction an insurer would take for premiums ceded to an affiliate in a low-tax jurisdiction, which the bill defines as one where the reinsurer's effective tax rate is lower than 7% and which would include Bermuda.

Companies can avoid the denial of

deductions by electing to have their earnings on affiliate reinsurance premiums taxed in the United States or by proving to the Treasury Department that their effective tax rates equal the 7% minimum.

While the legislative approach has changed, the opposition to it has not.

H.R. 1755 is the latest in a string of "increasingly harsh proposals advanced by a handful of U.S. companies, all of which violate the letter and spirit of U.S. international trade and tax policies," ACE charged in a statement.

Todd M. Malan, executive director of the Organization for International Investment, a Washington-based group representing foreign-based corporations, noted that Treasury Secretary Paul O'Neill criticized attempts by the Organization for Economic Cooperation and Development to influence the tax regimes of countries it identified as tax havens.

"This legislation would seem irreconcilable with the Treasury's objection to the OECD," Mr. Malan said. "It would seem odd for the U.S. to embark on a unilateral effort aimed at trying to force other nations to raise (tax) rates."

The bill probably violates provisions of the existing U.S./Bermuda tax treaty, said Roy Sedore, a partner with law firm Baker & McKenzie in New York. The treaty, he said, requires each country to treat the other's companies the same way it treats its own, and with H.R. 1755, "it's pretty clear you haven't abided by the treaty," he said.

Tax law already requires companies to use arm's-length pricing in deals with affiliates, and denying a deduction for an arm's-length payment simply because a reinsurer is a related party creates a "dangerous precedent," Mr. Sedore added.

While the bill applies only to insurers, "once you deny a deduction just because it's a related party, why do you stop with insurance?" he asked. "It's clearly protectionist legislation, and if you are going to use it in this industry, why not in others?"

European reinsurers are also concerned about the bill, noted Brenda Viehe-Naess, a Washington lawyer representing Fireman's Fund Insurance Co. and its German parent, Allianz A.G. Holding.

Arguing that the bill's definition of a low-tax jurisdiction is flawed, she questioned what might happen if a European company reinsuring its U.S. subsidiary saw its effective tax rate fall below 7% because of unusually bad catastrophe losses in a given year, or because of tax-loss carryforwards from previous years.

The bill would also impose unrea-

sonable administrative burdens on insurers having to demonstrate to U.S. tax authorities that their effective rates meet the minimum.

"They would have to go to great lengths and expense to prove they are not targets of the bill," Ms. Viehe-Naess said.

The net effect of the legislation, opponents contend, would be to raise the cost of insurance to U.S. policyholders. If you sell Coke for a nickel and I sell Pepsi for a dime, and I can drive up the price of Coke, one thing we know is the price of soda's going up," Mr. Sedore said.

Backers of H.R. 1755 deny most of the opponents' contentions.

The bill, for example, would have "zero" impact on captives, Hartford officials say. Captive owners that insure their risks with a U.S. fronting insurer would not be affected, because reinsurance ceded to the captive is not from a related party, noted William Malchodi, Hartford senior vp and director of tax. Captives writing parent risks directly also would not be affected, because no reinsurance is involved, he added.

Mr. Malchodi also said the bill would not violate the U.S./Bermuda tax treaty and that it would not impose undue administrative burdens on overseas companies.

Supporters of the legislation argue further that reinsurance deals with offshore affiliates are often not arm's-length transactions, regardless of their pricing. For example, U.S. affiliates of foreign companies tend to reinsure their most profitable business offshore, a practice that no U.S. insurer would follow with an unrelated reinsurer, said Chubb's Mr. Mardocchi.

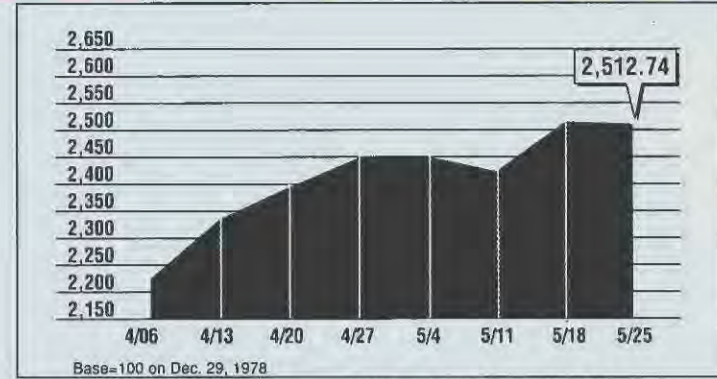
Certain insurers have also reinsured huge percentages of their business with their offshore affiliates, relying to a far greater extent on the affiliates than an unaffiliated insurer would normally rely on a single reinsurer, he added.

By moving reserves offshore, companies have avoided millions of dollars a year in taxes, Mr. Mardocchi said. "Who pays for that? I'm paying for it and you are paying for it, and we think that's not fair."

Proponents also doubt that the bill would push up property/casualty prices. If the alleged tax loophole results in lower premiums in the U.S., that underscores the problem for U.S.-based insurers, adds Joel Freedman, senior vp and director of government affairs for Hartford.

If offshore insurers' "evading taxes is producing lower premiums, that places U.S. companies that are paying taxes at a disadvantage," he said. **B**

B/Stock Index - 5/25/2001



	Price	% change	Year to date % change	Year to date High	Year to date Low	Vol. (000)	
BROKERS							
Aon Corp.	NYS	34.12	0.21	-0.38	42.31	26.00	3383
Brown & Brown	NYS	40.65	-4.47	15.14	46.10	19.75	172
Clark Bards Holdings	NDQ	19.00	7.04	87.55	19.53	7.25	332
E.W. Blanch Holdings Inc.	NYS	13.45	0.03	-22.87	29.50	6.70	524
Gallagher Arthur J. & Co.	NYS	26.50	6.04	-16.70	34.25	17.28	1492
Hibb, Rogal & Hamilton	NYS	42.16	-3.08	5.73	44.16	28.00	116
Kaye Group Inc.	NDQ	13.85	0.73	78.71	13.86	5.00	61
Marsh & McLennan	NYS	108.25	3.59	-7.48	135.69	80.30	6339
BROKERS AVERAGE			1.25	17.60			

	Price	% change	Year to date % change	Year to date High	Year to date Low	Vol. (000)	
INSURERS/REINSURERS							
ACE Ltd.	NYS	37.34	0.11	-12.01	43.94	23.44	6147
Accel International Corp.	NDQ	0.07	0.00	-76.42	0.84	0.06	0
Acceptance Insurance Cos.	NYS	4.85	10.23	-7.62	6.94	3.70	130
AEGON N.V.	NYS	28.50	-6.25	-31.22	43.00	25.92	449
AFLAC Inc.	NYS	31.72	-1.95	-12.12	37.47	22.50	4713
Altmira Financial Corp.	NYS	54.60	-0.64	-24.69	74.25	46.30	1164
Allstate Corp.	NYS	44.47	1.27	2.08	45.25	21.94	9041
Ambac Financial Group	NYS	56.57	0.64	-2.99	64.00	29.75	2688
American Financial Group	NYS	27.69	0.22	4.24	29.00	18.69	414
American General	NYS	45.25	-1.52	11.04	46.38	26.69	9335
American Intl Group	NYS	82.31	-1.57	-16.49	103.75	72.64	19089
American Safety Insurance	NYS	9.93	-2.65	62.12	10.25	3.25	8
Argonaut Group	NDQ	17.50	1.69	-16.67	21.25	13.50	166
AXA-UAP Group	NYS	29.70	-4.65	-17.28	40.75	24.58	1024
Baldwin & Lyons Inc.	NDQ	23.25	-6.53	0.00	28.75	15.25	10
Berkley W.F. Corp.	NDQ	39.90	0.45	-15.44	48.75	18.13	1030
Berkshire Hathaway Inc.	NYS	67600.00	0.75	-4.79	74600.00	51600.00	1
Capital Transamerica Corp.	NAS	14.62	-4.13	17.55	15.69	10.00	80
Chubb Corp.	NYS	73.22	-0.99	-15.35	90.25	58.56	3940
Cincinnati Financial Corp.	NYS	41.00	1.91	3.63	43.31	31.00	1327
Citigroup	NYS	51.66	1.97	1.56	59.13	39.00	54519
CNA Financial Corp.	NYS	39.75	3.25	2.58	41.94	28.31	1206
CNA Surety	NYS	13.90	2.58	-2.46	14.94	10.38	179
EMC Insurance Group Inc.	NDQ	12.45	-7.02	5.96	13.52	7.00	14
ESG Re Ltd.	NDQ	3.71	17.78	101.22	4.63	1.72	98
Everest Reinsurance	NYS	66.10	-2.44	-7.71	74.75	28.75	1310
Fremont General Corp.	NYS	5.69	2.34	102.31	6.88	1.50	810
Gaisco Inc.	NYS	1.45	-3.97	-44.76	6.00	1.10	214
Harleysville Group	NDQ	26.45	1.73	-9.57	30.63	14.63	158
HCC Insurance Holdings	NYS	24.65	0.12	-8.49	29.66	11.31	1175
ING Group N.V.	NYS	65.55	1.16	-18.19	83.94	52.44	537
IPC Holdings Ltd.	NDQ	23.20	3.11	10.48	24.50	12.13	156
Hartford Financial Services	NYS	66.97	1.47	-5.18	80.00	49.44	4160
John Hancock Financial Serv.	NYS	38.68	1.26	2.80	40.00	17.38	3128
Lincoln National	NYS	49.01	0.53	-3.59	56.38	32.50	2819
Malik Holdings Inc.	NYS	15.34	2.61	-8.07	18.50	10.00	149
Maric Corp.	NYS	194.50	1.87	7.46	207.47	133.50	184
MBIA Insurance Group	NYS	51.57	3.14	4.36	55.86	32.00	2080
Meadowbrook Insur. Group	NYS	3.87	25.24	-52.37	6.38	2.45	88
MetLife	NYS	31.39	0.42	-10.31	36.63	16.19	8657
Mutual Risk Mgmt. Ltd.	NYS	8.90	-4.20	-41.40	23.75	3.40	1032
Navigators Group	NDQ	16.30	3.03	22.44	16.30	8.63	3
NYMagic Inc.	NYS	22.25	1.74	17.88	22.25	13.00	59
Ohio Casualty Corp.	NDQ	8.95	-2.19	-10.50	17.06	6.13	785
Old Republic Intl	NYS	28.04	-2.33	-12.38	32.06	14.31	1354
Partner Re Ltd.	NYS	54.00	-2.30	-11.48	62.50	34.81	331
Penn-America Group Inc.	NYS	10.20	-1.45	33.77	10.60	6.88	2
PMA Capital Corporation	NDQ	17.00	0.30	-1.45	19.03	15.19	60
Philadelphia Cons. Holding	NDQ	28.62	7.37	-7.30	31.92	15.13	412
PXRE Corp.	NYS	17.35	-2.25	2.81	20.10	12.50	52
RenaissanceRe Holdings Ltd.	NYS	66.25	-0.90	-15.40	84.19	36.50	638
RUI Corp.	NYS	41.00	-0.24	-8.25	46.16	31.25	57
St. Paul Cos.	NYS	49.30	1.90	-9.23	57.00	32.75	5670
SCOR	NYS	43.50	0.02	-13.43	53.75	38.38	39
SAFECO Corp.	NDQ	28.03	1.78	-14.74	35.88	19.56	2972
SCPIE Holdings Inc.	NYS	20.05	3.08	-15.13	31.40	18.31	NA
Seibels Bruce Group	NDQ	2.92	3.18	419.11	2.92	0.53	81
Selective Ins. Group	NDQ	24.95	1.05	2.89	28.94	15.25	98
Tokio Marine & Fire	NDQ	50.25	1.37	-11.84	61.00	45.25	71
Torchmark Corp.	NYS	37.50	2.01	-2.44	41.19	23.00	2201
Transatlantic Holdings	NYS	119.28	3.80	12.66	119.28	80.38	48
Trenwick Group Ltd.	NYS	23.10	0.65	-6.90	27.13	13.00	282
Unico American Corp.	NDQ	5.86	-1.51	-0.26	7.75	5.27	17
United Fire & Casualty	NDQ	31.90	4.59	61.52	32.00	15.50	66
Unifrin	NDQ	38.18	2.39	-6.02	41.94	27.19	178
UNUM Corp.	NYS	32.87	0.37	22.31	33.75	15.25	4359
Vesta Insurance Co.	NYS	8.90	4.46	75.80	9.14	4.13	568
XL Capital Ltd.	NYS	78.00	-0.51	-10.73	89.25	43.75	3603
Zenith National Ins.	NYS	27.25	3.02	-7.23	30.70	20.00	132
INSURERS/REINSURERS AVERAGE			1.04	5.62			

	Price	% change	Year to date % change	Year to date High	Year to date Low	Vol. (000)	
MANAGED CARE COMPANIES							
Aetna Inc.	NYS	23.71	-5.08	-42.26	42.69	23.70	5828
CIGNA Corp.	NYS	92.00	-1.82	-30.46	136.75	73.38	4232
Health Net Inc.	NYS	18.50	-3.70	-29.36	26.94	8.63	2745
Humana Inc.	NYS	9.35	-0.74	-38.69	15.81	4.75	3788
Oxford Health Plans	NYS	26.62	-1.88	-32.61	42.75	17.88	7206
Pacificare Health Sys.	NDQ	20.57	-11.83	37.13	72.31	9.81	6562
Sierra Health Services	NYS	6.08	12.59	60.00	6.70	2.44	1767
United HealthGroup	NYS	54.45	-4.00	-11.28	67.40	30.13	24318
Wellpoint Health Networks	NYS	84.52	0.62	-26.66	121.50	66.75	5370
MANAGED CARE COMPANIES AVERAGE			-1.76	-12.69			

ALL COMPANIES 0.18 3.51

Top advancing issues: Meadowbrook Insurance Group, ESG Re Ltd., Sierra Health Services. Leading decliners: PacificCare Health Systems, EMC Insurance Group, Baldwin & Lyons Inc. Most active issue: Citigroup. The B/Stock Index decreased 0.1%; the Dow Jones 30 Industrials dropped 2.6%; the S&P 500 went down 1.1%; and the NYSE Composite decreased 1.5%. Average P/E: Brokers, 23.2; Insurers/reinsurers, 26.5; and managed care companies, 14.3.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.

Mold

Continued from previous page

subsidiary of GAB Robins. Since then, such calls have been pouring in, he said. In response to demand, the company has hired six new microbiologists and plans to add one for each of its 27 offices nationwide, Mr. Thompson said.

"It has absolutely become chaotic with the amount of demand," he said. "We cannot hire fast enough to handle the number of cases we are seeing come in the door."

David Harvey, vp of technical development for Trade-Winds Environmental Restoration Inc. in Bay Shore, N.Y., has also seen mold-related business "explode," he said. And instead of just denying coverage outright, insurers increasingly

are trying to help their customers by trying to determine whether the cause of a mold might trigger coverage, Mr. Harvey said.

One insurer downplayed the extent to which the problem is affecting commercial policyholders.

"On the commercial and industrial side, you can't say (the mold problem) is increasing by leaps and bounds," observed Louise Vallee, environmental health manager for loss control at Chubb Corp. in Warren, N.J. "You see a little more than you used to see. But its nothing like it is on the personal lines side."

But increased homeowner awareness, coupled with media attention, has led more employees to fear mold-related health problems at work and to complain about markings such as water stains on ceiling tiles, Ms. Vallee said. Workers are

quick to wonder whether such stains—which may or may not be mold—are related to cold symptoms they might have experienced.

At the same time, insurers also have come to recognize that there may be potential health effects related to mold, she said. As a result, some insurers have increased the number of indoor air quality assessments they perform for clients, Ms. Vallee said. Usually, such assessments are conducted for customers with liability or workers compensation policies. Correcting the problem often requires nothing more than increasing the amount of fresh air in the building.

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