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Updates

Indiana bill would bar coverage for pollution under CGL form

INDIANAPOLIS—Insurers in Indiana have won legislative backing that could, if signed into law, allow them to unequivocally exclude pollution coverage from future commercial general liability policies.

The bill was promoted in response to an Indiana Supreme Court ruling in May 1996 that said that the absolute pollution exclusion in CGL policies was ambiguous.

Policyholder lawyers, however, have criticized the measure as a backhanded way of rewriting the exclusion (*BI*, March 10).

See **Updates** *on next page*

EEOC offers guidance on mental disabilities

By ROBERT KAZEL

WASHINGTON—New federal guidelines on accommodating mentally ill workers may open a door to liability for employers but could also clear a path to higher productivity by offering workers help while their disabilities are still manageable.

So say analysts, attorneys and employers who have studied guidelines issued recently by the Equal Employment Opportunity Commission that clarify the Americans with Disabilities Act as it relates to psychiatric illness.

It is the first time the agency has specifically formulated a proper approach to providing accommodations to workers with mental illness so that they can continue in their present jobs or in other jobs suited to their needs.

The guidelines appear to create a host of new obligations at all levels of corporate management, from line supervisors to human resources executives, to be sensitive to the emotional stresses and

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GRAPHIC BY ADAM DOI

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NEWSPAPER

Product liability bill loses key support

By MARK A. HOFMANN

WASHINGTON—Product liability reform advocates still believe a comprehensive reform bill can be enacted during this Congress despite the defection of key Democratic lawmakers who supported previous efforts.

Opponents of the measure—S. 648, the Product Liability Reform Act of 1997—say that the refusal of Sen. John D. Rockefeller IV, D-W.Va., to support the current bill sounds the death knell for reform. Sen. Rockefeller, who had been the chief Democratic co-sponsor of previous Senate reform bills, voted against S. 648 when the Senate Commerce, Science and Transportation Committee marked it up last Thursday.

Other committee Democrats who previously had supported reform joined hard-line opponents

'I think we have to be realistic. I don't want another presidential veto,' Sen. John D. Rockerfeller IV, says of his vote against S. 648.

to vote against it. In the end, the measure won committee approval on a strict party-line 11-to-9 vote after minimal debate and no amendments.

"As much as I would like to make Fritz Hollings' day, I continue to strongly support product liability reform," said Sen. Rockefeller as he explained his decision to oppose S. 648. Sen. Ernest "Fritz" Hollings, D-S.C., has consistently opposed passage of any comprehensive federal product liability reform bill. During last week's hearing, Sen. Hollings called the markup a "sad occasion" as the panel considered what he called "an unconstitutional measure" that would violate states' rights.

Sen. Rockefeller said that while he supports product liability reform, passing a bill "doesn't make

See **Product** *on page 38*

N.Y. fund challenged

Employers fight efforts to renew malpractice surcharge

By GAVIN SOUTER

ALBANY, N.Y.—New York employers are resisting efforts to prolong a hospital surcharge that has been used for more than 10 years to fund excess medical malpractice coverage for doctors affiliated with hospitals.

The surcharge is an outdated and unfair "hidden tax" on businesses in the state, and the legislation that supports it should be allowed to expire at the end of June, as it currently is slated to do, employers say.

But the Medical Society for the State of New York says the program provides necessary coverage for doctors who already face exorbitant primary medical malpractice premiums and is lobbying for it to be renewed.

The argument is complicated by the New York Legislature, which has dipped into the funds several times and taken out more than $700 million to help balance the state's budget.

Doctors and employers agree that the money held by the four insurers of the program would likely have generated sufficient investment income to pay claims for many years to come, possibly in perpetuity, if the state had not dipped in.

The New York Excess Medical Malpractice program was established in 1985 in the middle of the last hard liability insurance market. At the time, some doctors, in particular obstetricians and gynecologists, argued that the absence of reasonably priced medical malpractice coverage would force them to leave the state.

To allay the doctors fears, the state instituted the medical malpractice program, which provided $1 million excess of $1 million per incident and $3 million excess of $3 million in aggregate coverage

See **New York** *on page 38*

Ruling boosts protection from derivative action suits

By DAVE LENCKUS

PHILADELPHIA—A first-of-its-kind ruling by the Pennsylvania Supreme Court gives corporations greater authority to block derivative-action lawsuits.

The decision likely will influence many courts, but it probably will not sway courts in the prime business domiciles of Delaware and New York, say directors and officers liability attorneys.

In its April 21 unanimous ruling, Pennsylvania's highest court became the first state supreme court to adopt American Law Institute principles that call for providing company officials greater protection against derivative litigation when shareholder allegations arise from management's poor business judgment but not malfeasance.

Plaintiffs attorneys hotly contested the ALI's principles as too pro-business when the Philadelphia-based non-profit legal research organization adopted them in 1992.

The principles are designed to eliminate a problem "courts have grappled with for decades" in such litigation, said policyholder attorney Lowell Sachnoff, a member of the ALI team that suggested the principles.

In most jurisdictions, shareholders seeking to file derivative claims first must demand that their company's board both investigate their allegations and take the lead in filing suit against the company officials who allegedly committed wrongful acts. Wrongful acts, though, do not include harmful actions that company officials judged at that time were in the company's best interests.

After a thorough investigation by company officials who would not be parties to the derivative litigation, a board may decide to either file a lawsuit or reject the shareholders' demand, which is known as "demand refused."

But, in cases referred to as "demand excused," shareholders can skip issuing a demand to the board or still

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Updates

Bill would affirm exclusion

Continued from previous page

Nevertheless, the Legislature last week passed the measure, which would amend the Indiana Insurance Code to explicitly exclude pollution coverage from CGL policies. The bill has been sent to the governor, who is expected to decide next week whether or not to sign it.

The bill was drawn up in response to the case of *American States Insurance Co. vs. Kiger*, in which the Indiana high court stepped out of line with decisions in most other states and ruled that the 1985 pollution exclusion was ambiguous. The bill would eradicate environmental coverage from CGL policies issued in Indiana after June 30, 1997, and list in detail what could be deemed pollutants.

If the bill is signed into law, it will provide a legislative affirmation of the absolute exclusion of pollution coverage, which insurers intended under the 1985 exclusion, said Robert J. Hurns, associate counsel at the National Assn. of Independent Insurers in Des Plaines, Ill.

The bill also would make clear to both insurers and policyholders what is covered by CGL policies, said Fred McGarvey, vp in the Skokie, Ill., office of the American Insurance Assn.

"It clarifies for insurers who are writing this coverage exactly what they are covering, and it provides predictability for both insurers and policyholders," he said.

Domestic partner bill passes

HONOLULU—Hawaii Gov. Ben Cayetano is expected to sign legislation passed last week giving a broad array of rights and benefits to gay couples and other domestic partners who cannot legally marry.

If signed, the legislation will allow such domestic partners to benefit from their partners' group health insurance, family leave provisions and retirement benefits. In all, about 60 new benefits, including workers compensation survivorship rights, would be extended.

To qualify for benefits under the measure, which would take effect July 1, Hawaii domestic partners would be required to pay $8 to register with the state as reciprocal beneficiaries.

The bill passed April 29 is seen as a compromise in the hopes of decreasing the impact of an awaited state Supreme Court ruling on a lawsuit in which a gay couple is seeking the right to marry.

A companion bill also passed that will allow voters in November to decide on a constitutional amendment giving lawmakers the right to limit marriage to opposite-sex couples.

The governor has supported domestic partner rights and is expected to sign the legislation extending benefits, though it had not reached his desk last Friday, a spokeswoman said. The constitutional amendment does not require the governor's signature.

IRS clarifies MSA deductibles

WASHINGTON—High-deductible health care plans providing family coverage that are linked to tax-favored medical savings accounts must have annual deductibles of at least $3,000 and not more than $4,500, the Internal Revenue Service says.

In Ruling 97-20, the IRS said so-called "embedded" high-deductible plans linked to tax-favored MSAs would not be considered bona fide. In such an arrangement, a plan would provide coverage if any individual family member's medical expenses exceeded a certain amount, even if the overall deductible had not been reached.

The embedded high-deductible plan specifically rejected by the IRS had an overall family deductible of $3,000 but provided coverage to all family members if any member incurred medical bills of at least $1,500.

Separately, the IRS is requiring MSA trustees and custodians to file Form 8851 as part of a census on how many tax-favored MSAs are being established under a 1996 law that authorized them. Two filings are required. The first filing covers MSAs established from Jan. 1 through April 30. That form is due June 2. The next 8851 will cover MSAs established from May 1 through June 30 and must be filed by Aug. 1.

Levi personnel data stolen

SAN FRANCISCO—A computer hard drive has been stolen containing personnel information on 20,000 employees of Levi Strauss & Co. around the country as well as an unreleased number of retirees.

The stolen information includes Social Security numbers, which could be used to obtain credit cards, plus bank account information of retirees who have direct deposit of pension benefits. The company has sent letters warning those affected to take precautions.

There has been no indication yet, however, that any of this information has been used fraudulently, said a spokesman for the San Francisco-based apparel maker. The spokesman noted the company has backup for all the data stolen as part of its normal safeguarding procedures. He would not say whether the data was encrypted.

The drive was taken from within a building at Levi Strauss headquarters, said the spokesman. "We're taking steps to insure something like this doesn't happen again," he said, noting that to reveal additional details would jeopardize its security efforts.

Flood toll may be $1.75 billion

GRAND FORKS, N.D.—Total damage in the flood-ravaged region along the Red River may reach $1.75 billion, according to estimates from the Federal Reserve Bank of Minneapolis.

The flood did far surpass the $25 million insured damages threshold for catastrophe status with the Rahway, N.J.-based Property Claims Service, according to Jim Welsh, senior claims consultant at the division of the New York-based American Insurance Services Group Inc.

"An educated guess would be that there are a couple hundred million dollars in insured damages out there, excluding flood coverage, which of course is underwritten under the auspices of the federal insurance administration," Mr. Welsh said.

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California employers protest work comp benefit changes

By ROBERTO CENICEROS

SAN FRANCISCO—Workers compensation payers contend a California administrator has increased some workers comp benefits for permanent disabilities without the proper oversight or legislative authority.

Modifications to California's Schedule for Rating Permanent Disabilities will lead to increases in premiums, claims-handling expenses and settlement disputes, said Ed Woodward, president of the California Workers' Compensation Institute, a San Francisco-based research organization supported by insurers and self-insured employers.

But Casey Young, administrative director for California's Department of Industrial Relations, Division of Workers' Compensation, contends those assertions are false. Mr. Young also said that critics had an opportunity to evaluate the changes before his department implemented them.

California's disability rating schedule provides claims handlers with legislatively mandated benchmarks for rating employee impairments and work limitations associated with most disabling conditions. It also provides procedures for adjusting the rating according to the injured employee's

See **Ratings** *on page 39*

Prices dropping, but airlines seek policy changes

Aviation rates losing altitude

By STACY SHAPIRO

LONDON—Competition has returned to the airline insurance market with a vengeance.

Airline hull insurance rates declined 12% last year and are expected to plunge another 22% this year, according to Rudolf Enz, deputy head of the economic research department of Swiss Reinsurance Co. in Zurich.

Liability insurance rates, meanwhile, dropped 3% last year and are expected to drop another 20% this year, Mr. Enz said.

Satellite insurance rates in lower orbit. Full coverage of Generali International Space conference begins on page 32.

But a soft market offering cheaper prices is not the goal of airline risk managers or aviation underwriters, according to delegates and speakers at the 12th International Airline Insurance Conference in London late last month.

Airlines want policy changes and better understanding of their business by underwriters, according to Tony Galbraith, group treasurer of British Airways P.L.C.

In particular, he said, airlines would like:

- Non-marine liabilities incorporated into their airline hull and liability insurance programs. Such non-marine risks would include use of ground transport and tour operators liability.
- Hull war risks coverage incorporated into airline all-risk hull policies. Up until now, hull war risk has been insured under a sep-

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Acquisitions help brokers post first-quarter revenue gains

By SALLY ROBERTS

BROKER RESULTS 1st Qtr.

The consolidation trend in the insurance brokerage industry is playing out differently among the largest U.S.-based publicly held brokers.

Some are digesting recent acquisitions, others are hungry to make a deal while another is in limbo awaiting its fate.

All six of the largest U.S.-based publicly held insurance brokers' revenues, however, benefited from acquisitions during the first quarter of 1997.

Aon Group Inc. reported the largest revenue gain, with an acquisition-fueled 81.6% boost, while Acordia Inc. reported the smallest gain, up 0.7% .

Those two brokers were the only companies that did not report profit increases. Acordia reported 8.5% lower profits, while Aon reported a $36.4 million loss for the first quarter.

Acquisitions continued during the first three months of 1997, highlighted by Marsh & McLennan Cos. Inc.'s $1.8 billion acqui-

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ACE assumes more political risk

Enters long-term market via reinsurance deal with MIGA

By GAVIN SOUTER

HAMILTON, Bermuda—The long-term political risk reinsurance contract between ACE Ltd. and the Multilateral Investment Guarantee Agency propels the Bermuda insurer into a market commercial insurers traditionally have shunned.

By signing on to cover policies with up to 20-year terms, ACE will cover political risks for more than double the policy terms normally available in the commercial political risk insurance market.

The good risk profile of MIGA, a unit of the World Bank in Washington, makes it an attractive risk to reinsure, said Peter N. Mear, general counsel at ACE in Bermuda.

And the ACE coverage will allow MIGA to greatly increase the capacity it offers to $75 million per project and $325 million per country.

Even so, demand for the coverage still will outstrip the capacity available, said Christina Westholm-Schroeder, manager of syndications and business development at MIGA in Washington.

ACE's move into the long-term political risk market is in marked contrast to the stance traditionally taken by commercial insurers, which have been unwilling to

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Inside

- New York should end an employer-paid hospital surcharge that funds excess medical malpractice coverage for doctors, this week's editorial says. **PAGE 8**
- A United Nations unit that deals with maritime affairs is considering whether third-party liability insurance should be mandated for merchant ships. **PAGE 29**
- A World Bank division is preparing to write political risk insurance for business ventures in the territories of West Bank and Gaza. **PAGE 29**

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Spotlight on:

Pensions/ Retirement Plans

Inside:

Where in the world? A PBGC program is helping locate missing pension plan participants . . . page 6

Spotlight Editor
Jerry Geisel

Outsourcing defined benefits yielding employer savings

By MARK A. HOFMANN

Do-it-yourself might make sense around the house, but it's rapidly making less and less sense for employers that administer defined benefit pension plans.

Employers, which have long outsourced the administration of their defined contribution plans, are discovering that they can reduce overhead and enhance quality by doing the same with their defined benefit plans. While the process is not without some potential pitfalls, outsourcing defined benefit plan administration appears likely to grow only more popular in the near future, say experts.

"The main reason for wanting to outsource the work is that outsourcing allows economies of scale," such as heavy investments in new technology, said Priscilla Craven, benefit vendor and communications manager for Digital Equipment Corp. in Maynard, Mass., which outsources administration of its defined benefit plan covering 67,000 participants to Hewitt Associates L.L.C. "It enables us basically to buy expertise," she said.

She said excellent customer service and participant satisfaction at being able to get many services from one place are among the top benefits Digital has realized from outsourcing. As a result, the company has not had to invest in infrastructure, such as systems, phone lines, additional staff and training, to administer its defined benefit plan, said Ms. Craven.

Morristown, N.J.-based communications research facility Bellcore is in the process of outsourcing its defined benefit plan, noted Bruce R. Lasko, manager-retirement programs. The first stage, involving the outsourcing the administration of retiree benefits, began last week, with the outsourcing of administration for active employees slated to take place July 1. The outsourcing is being handled by The Kwasha Lipton Group of Fort Lee, N.J.

Mr. Lasko noted that "growing population" was a key reason for choosing to outsource. "When Bellcore was formed in 1984, we had no retirees. In the last 13 years, we have grown to over 1,500 retirees," with an additional 3,000 deferred vested pension participants.

"Our systems were basically antiquated, and we decided rather than rebuilding them to buy from a vendor," he said.

"The calculation of the defined benefit is really a complicated process right now, and we believed there were companies and resources out there that could do it in a more accurate and more efficient basis than we could in-house," said Charlie Kamen, executive director-human resources for US West Inc. in Englewood,

See **Outsource** *on page 12*

Non-profits pondering option to establish 401(k) plans

By JERRY GEISEL

Which makes more sense: offering a 401(k) or a 403(b) plan?

That is the question thousands of private, non-profit employers, such as educational institutions and hospitals, are starting to ask after being given a choice.

Beginning this year, a new federal law went into effect removing a 10-year-old ban and allowing non-profit employers to offer 401(k) plans to their employees.

While that ban was in effect, 403(b) plans were the principal defined contribution plan that not-for-profit employers provided to their workers.

The two plans share certain features, most notably the ability of employees to make pretax contributions.

But 403(b) and 401(k) plans have many differences. The most significant one: Employers with 401(k) plans have to run a non-discrimination test to prove that salary deferrals made by highly compensated employees do not exceed those of lower-paid employees by a certain amount. There is no comparable requirement for employers with 403(b) plans.

On the other hand, 401(k) plans have certain advantages over 403(b) plans, including more flexibility for employees to invest contributions.

While non-profit employers now are analyzing how their 403(b) plans compare to 401(k) plans, only a handful to date have opted to establish 401(k) plans, benefit consultants say.

"I'm not aware of any of my clients who are making the change," said Paul Zeisler, a principal with William M. Mercer Inc. in Chicago.

"While there has been some discussion of switching, I don't think you will see a massive movement away from 403(b) to 401(k) plans," added Roger Grayson, a managing consultant with A. Foster Higgins & Co. Inc. in Washington.

Indeed, while benefit managers at non-profit organizations say

See **Choices** *on next page*

How 401(k) and 403(b) plans stack up

401(k) plans

Eligibility: Private employers, many non-profit, non-public employers and grandfathered governmental groups.

Maximum salary deferral: $9,500 a year.

Non-discrimination testing: ADP non-discrimination test required but waived beginning in 1999 for plans with generous matching provisions.

Reporting requirements: Full Form 5500.

Income Averaging: Five-year forward averaging of lump-sum distributions allowed until 2000.

Rollovers: Lump-sum distributions can be rolled over to any qualified plan or to an IRA.

403(b) plans

Eligibility: Non-profit, non-governmental employers.

Maximum salary deferral: $9,500 a year, but longer-service employees can defer $12,500 a year for five years.

Non-discrimination testing: Not required.

Reporting requirements: Limited reporting for plans with employer contributions and no reporting requirements for plans with no employer contributions.

Income averaging: Not allowed.

Rollovers: To other 403(b) plans and IRAs.

GRAPHIC BY JOHN HALL

New approaches boost enrollment

By ROBERT KAZEL

At a time when most companies are working hard to persuade three out of four workers to participate in their 401(k) retirement plans, an electric company based in Charlotte, N.C., last year pushed its enrollment rate to 98% from 95%, combining new strategies both in plan design and benefit communication.

The experience of Duke Power Co. and other successful sponsors of defined contribution plans shows that protracted reluctance of employees to invest some of their income in long-term, tax-advantaged savings programs can be overcome, even at a time when many employees feel incapable of saving or are confused by the multitude of financial options available.

Duke Power, an investor-owned utility serving much of North Carolina and South Carolina, is a prime example of an employer that decided to make its 401(k) plan a key component of its 16,500 workers' benefits ensemble. Several years ago, employees felt reliant on the company's defined benefit pension plan and saw the 401(k) plan "as gravy, or icing on the cake," said Jeff Allee, communications manager of compensation and benefits.

That changed recently when the company took several steps toward making the 401(k) plan too attractive to ignore. It abandoned a graduated scale of participation levels that limited the benefits the plan afforded and instead substituted a blanket rule for everyone: All employees could contribute 6% of their earnings to savings with some kind of a match. The first 3% would be matched by the company on a 1-to-1 basis and the second 3% on a 50% basis. Employees also could choose to put in up to 4% more of their income without any match from Duke but with the tax-sheltering advantages of a 401(k) plan.

After the plan changes, the average employee contribution rate rose to 6.5% from 3%, Mr. Allee said.

The tiering of company matches is an excellent way to improve participation in a retirement program, because psychologically, employees think, "I can afford to do 3%," according to Melanie Langsett, senior consultant for Aon Consulting in Atlanta.

"Just make it a deal they can't turn down," she said. "The bottom line is make sure participants understand the benefits of pretax saving and pretax asset accumulation."

Experts on retirement programssay employers can hasten workers' entry into these plans simply by removing some of the artificial barriers that may exist. For example, several companies, though still a small minority, have introduced so-called "negative" or "automatic" enrollment, in which the employee is made part of

See **Enroll** *on page 16*

Spotlight report

PBGC solving case of the missing plan participant

Employers, advisers welcome agency's search program as much-needed service

By JERRY GEISEL

When Austin Industries Inc., a privately held Dallas-based construction company, decided to terminate its defined benefit pension plan in 1995, one obstacle stood in the way: finding all the participants entitled to benefits.

Even after using search firms, the company could not account for 74 of 2,916 participants.

"Some of the individuals had been gone for 10 or 12 years and just didn't keep in touch," recalled Linda Bayless, Austin's benefit manager.

Buying annuities from an insurance company, which then would have the responsibility of finding the participants and paying them promised benefits, was not practical because of the small amount of benefits involved. On average, the participants each were entitled to a little more than $900.

And banks were not interested in establishing accounts for the missing participants because they lacked signature cards for them.

But thanks to a new federal program—created under a 1994 federal law and put into place last year—Austin and several hundred other employers have been able to terminate their pension plans while shifting the responsibility for finding so-called missing participants to the Pension Benefit Guaranty Corp.

In all, 351 employers terminating pension plans with missing participants have given the PBGC $4.2 million. The PBGC as of last month has paid about $320,000 to 210 participants it has located.

"The PBGC program solved our missing participant problem and allowed us to terminate our pension plan. Otherwise, we would have a real problem getting banks to set up accounts or insurers to sell annuities at a reasonable price for such small amounts," said Ms. Bayless.

Indeed, the PBGC's pension search program is drawing raves from benefit consultants who have worked with employers on pension plan terminations.

"This is a very good effort by the PBGC. This program is a winner," said Dick Joss, a resource actuary with Watson Wyatt Worldwide in Bethesda, Md.

"On balance, this is a heck of an improvement over the old way. This is a nice legal way of taking care of a handful of people that you don't want to fool with," said Colin England, a managing consultant with A. Foster Higgins & Co. Inc. in Washington.

The PBGC's pension search program is a congressional response to a problem that for years had dogged employers terminating fully funded pension plans. Federal law requires employers to locate and pay promised benefits to participants before their plans can be terminated.

For most pension plan participants, this requirement is not a problem. Employers typically know where vested employees live. Similarly, employers paying pension benefits to retirees have their addresses.

Problems emerge, though, when dealing with so-called deferred vested participants—those employees who left the company with a vested benefit but are not yet eligible to begin receiving benefits, typically because they have not reached the plan's normal retirement age.

Often, those individuals move and haven't supplied their former employers with their new addresses.

"This is a very common situation with individuals who leave a company in their 30s and 40s. They haven't kept the company's benefits department informed of where they live," said Mr. England.

"You have an individual who terminates employment at age 45. The benefit is too large to cash out. It may be 20 years before he reaches normal retirement age. There may be a lot of moves, but it may take only one move for an address to get zapped," noted Mr. Joss.

Federal law, though, requires employers terminating fully funded pension plans to distribute plan benefits to all participants before the termination can be completed. While the plan administrator can purchase an annuity or deposit funds with a bank, finding companies willing to accept those funds—typically for very small benefits—has not always been easy.

But the PBGC's missing participant program gives employers terminating pension plans another option: They can simply transfer money for the missing participant's benefit to the PBGC and the federal agency will pay the benefit when the individual is located.

However, before money can be transferred to the PBGC, the employer, or plan administrator must conduct a diligent search for the missing participants.

Among other things, the plan administrator has to begin the search no sooner than six months before issuing an intent to terminate the plan.

The plan administrator must use a commercial locator service to search for the missing participant and is required to contact any beneficiaries of the missing participants if their addresses are available.

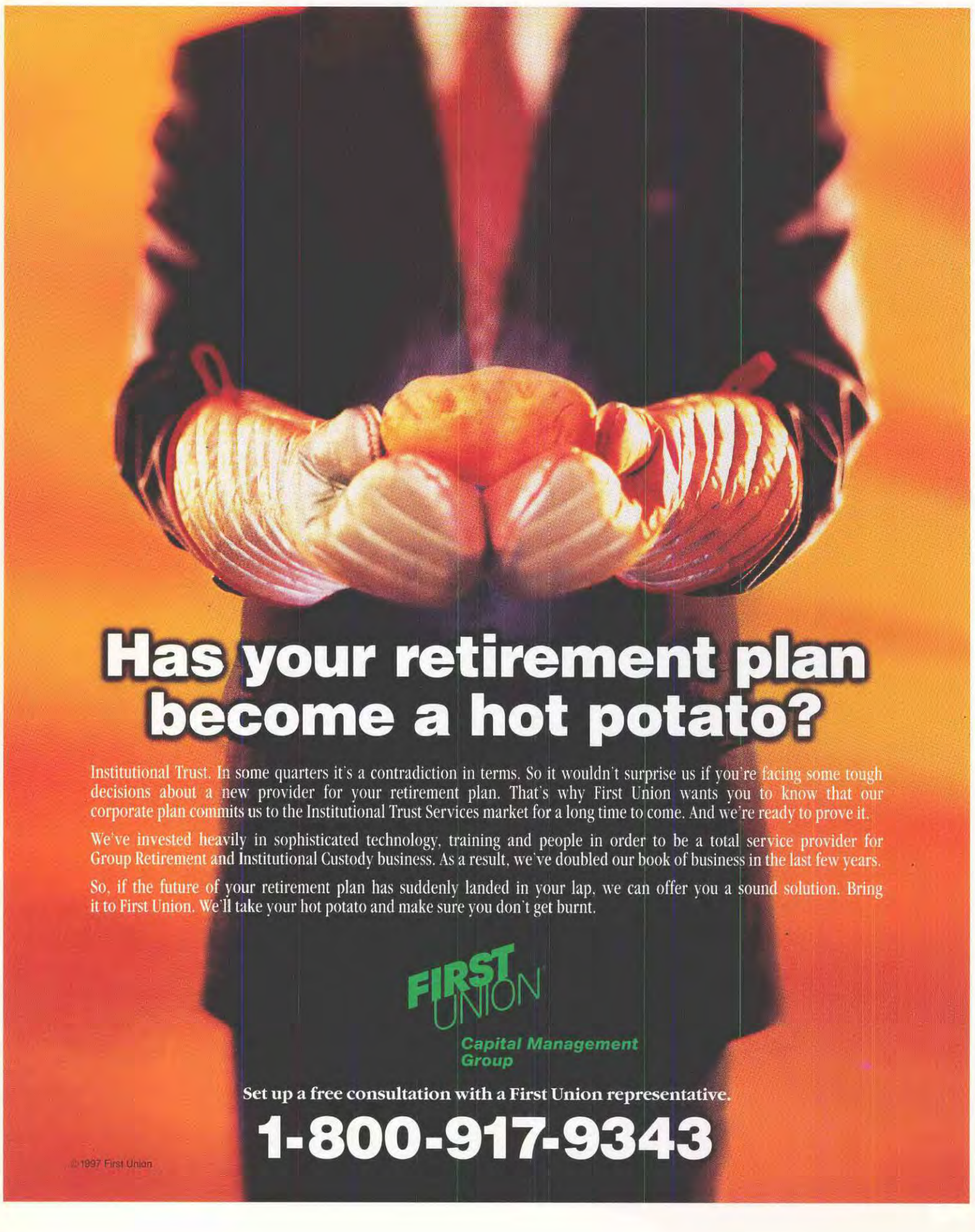
If those criteria are met and the missing individuals still are not found, the plan administrator then will provide the PBGC with information on the missing participant, the benefit owed, including the starting date and any named beneficiaries. Plan administrators determine the amount of money to be sent to the PBGC based on plan terms and PBGC regulations.

An employer also can buy an annuity—if one is available—for the missing participant and give the PBGC information on the missing participant and the name of the annuity's insurer.

In either case, it is then is up to the PBGC to find the missing participants. In its search efforts, the PBGC uses commercial locator service companies, phone directories, telephone directory databases and writes letters to other plan participants. It also works with local media to develop stories listing the names of missing participants.

In addition, the PBGC and the Department of Labor have posted pages on the Internet listing missing participants' names.

"We make every effort to locate the missing person. We don't give up, no matter how long it takes. We will find these people," said PBGC Deputy Executive Director and Chief Operating Officer Joseph Grant. BI



There Is No Finish Line.

But There Is First Place.

Official Sponsor of the USRowing National Team

In rowing, the clear goal is to be the first team to cross the finish line. In the world of business, however, companies are constantly competing to establish and maintain a lead in a marketplace without end. To the team members at TIG Insurance, this means casting aside the traditional insurance carrier model of business to prepare for a new era of property-casualty program insurance. With our new operating strategy, we are developing specialized programs where flexibility, underwriting expertise, and fast action are essential. And we're delivering the service and solutions necessary to put our production partners and their clients in the lead. So get with the TIG program today. Our course is set for first place.

TIG INSURANCE.

Opinions

Let N.Y. surcharge expire

THE EMPIRE STATE is again at the center of a controversy over health care surcharges, this time over a state surcharge on hospital bills to finance excess medical malpractice coverage for doctors and dentists.

We believe this medical malpractice surcharge amounts to employer-subsidized state welfare for doctors.

New York enacted the surcharge in 1985 as a temporary measure to keep doctors from leaving the state amid the last hard market, though it has been extended several times over the years. The surcharge finances a layer of excess malpractice coverage for doctors and dentists working at general hospitals in New York, essentially doubling the limits of primary coverage purchased by the doctors. The funds raised by the surcharge are held by several medical malpractice insurers that issue coverage.

To date, the program has raised about $2.5 billion in premiums and investment income, but has paid out only about $100 million in claims, according to the New York State Conference of Blue Cross & Blue Shield Plans. The surcharge annually generates about $170 million in premiums.

While there may have been a need for such an excess coverage mechanism in 1985, when malpractice rates soared and capacity dried up, that is no longer the case today. It also is ludicrous that employers and other health care payers should continue to bear this expense.

What's more, the ample funds collected to date currently are a target for state lawmakers seeking to finance budgetary shortfalls, meaning employers are indirectly financing other programs with no connection to their needs. To date, lawmakers have "borrowed" more than $700 million from these funds to balance the budget.

The good news for employers is that the surcharge is due to expire June 30, having not been extended by comprehensive health care legislation New York passed in 1996. The bad news is that physician groups and the med mal insurers that participate in the program currently are lobbying for it to be continued.

We think the surcharge on hospital bills should end.

Before there is any knee-jerk movement by lawmakers to scrap or continue the fund, however, we think the state

should conduct an actuarial analysis of the program's current exposures and the adequacy of existing reserves to meet those claims.

While the disparity between the funds' assets and claims paid is huge, we recognize that medical malpractice coverage is a long-tail liability line and reserves are needed for future claims. If, after analysis, current funds are inadequate, though, additional premiums should come from doctors, not health care payers.

Indeed, if there is any legislation needed, it is to protect the fund from being misappropriated by greedy lawmakers for other budgetary needs.

And if doctors deem that a mechanism is needed to continue providing them excess coverage, they should pay the premium. Since 1985, though, many alternative risk financing mechanisms have been developed and refined that we think could affordably meet their needs for coverage far better than a state fund.

BI's Greenwald wins ASBPE award for article

SAN JOSE, Calif.—*Business Insurance* Senior Editor Judy Greenwald has won second-place in the feature article category of the American Society of Business Press Editors' 1997 Editorial Excellence Competition for the West/Midwestern Region.

Ms. Greenwald's May 20, 1996, article, "Liability at Life's End," provided an in-depth look at the liability exposures hospitals may face from not complying with advance directives, such as do-not-resuscitate orders. Those threats range from litigation over medical bills once the patient is revived to charges of battery, pain and suffering from having family members removed from a patient's bedside as doctors intervene.

The story also contained practical advice for hospital risk managers on how to ensure that the patient's wishes are respected and that the liability exposure to the medical facility is reduced.

Ms. Greenwald, who joined *BI* in 1984 in New York, now is based in San Jose, Calif.

The Lombard, Ill.-based ASBPE is a professional association for full-time and freelance editors and writers in the business, trade, and specialty press. The 1997 competition included 1,302 entries from 288 magazines at 168 publishing companies, according to the ASBPE. There were 227 entries in the feature article category alone, more than any other category of the competition.

Letters

Firing injured workers the wrong approach

To the editor: The April 21 article "Written Policies Reduce Risk in Firing Workers Comp Abusers" leaves one with the impression that it is OK to terminate an injured worker, as long as you have written policies which may or may not protect you if you get sued.

The presenters at this Risk & Insurance Management Society Inc. conference session overlook several important points:

• Firing an injured worker is the fastest way to lose at a discontinuance hearing, as the employee will wave the termination notice in front of the judge and say, "I would love to go back to work, but they fired me because I could not meet their expectations, could not tolerate the position, etc."

Most judges, given that the workers compensation systems was set up to protect the injured employee, will side with the terminated employee who has some earning capacity but no place to use it.

• Firing is the wrong thing to do. Injury, especially serious, traumatic injury, can turn a perfectly normal person into a temporarily unstable, guarded person afraid of taking risks. Is the "abuse" real or a manifestation of the injured person's psychological defense mechanisms?

Your supervisor must assess why the person is abusing. Is it because he/she cannot physically tolerate the work? Is it because he/she must go for treatment? Is there a legitimate reason for taking time off?

• There is no sound business reason to terminate an injured employee who has decided he or she would rather not be back at work. Do you gain financially? No, on the contrary, as most often you are saddled with additional premium payments for three years.

• You should spend your time and energy figuring out how to get your injured employee back to work and keeping him or her on the job.

Robert K. Tuman
Compensation Claims Review Corp.
Andover, Mass.

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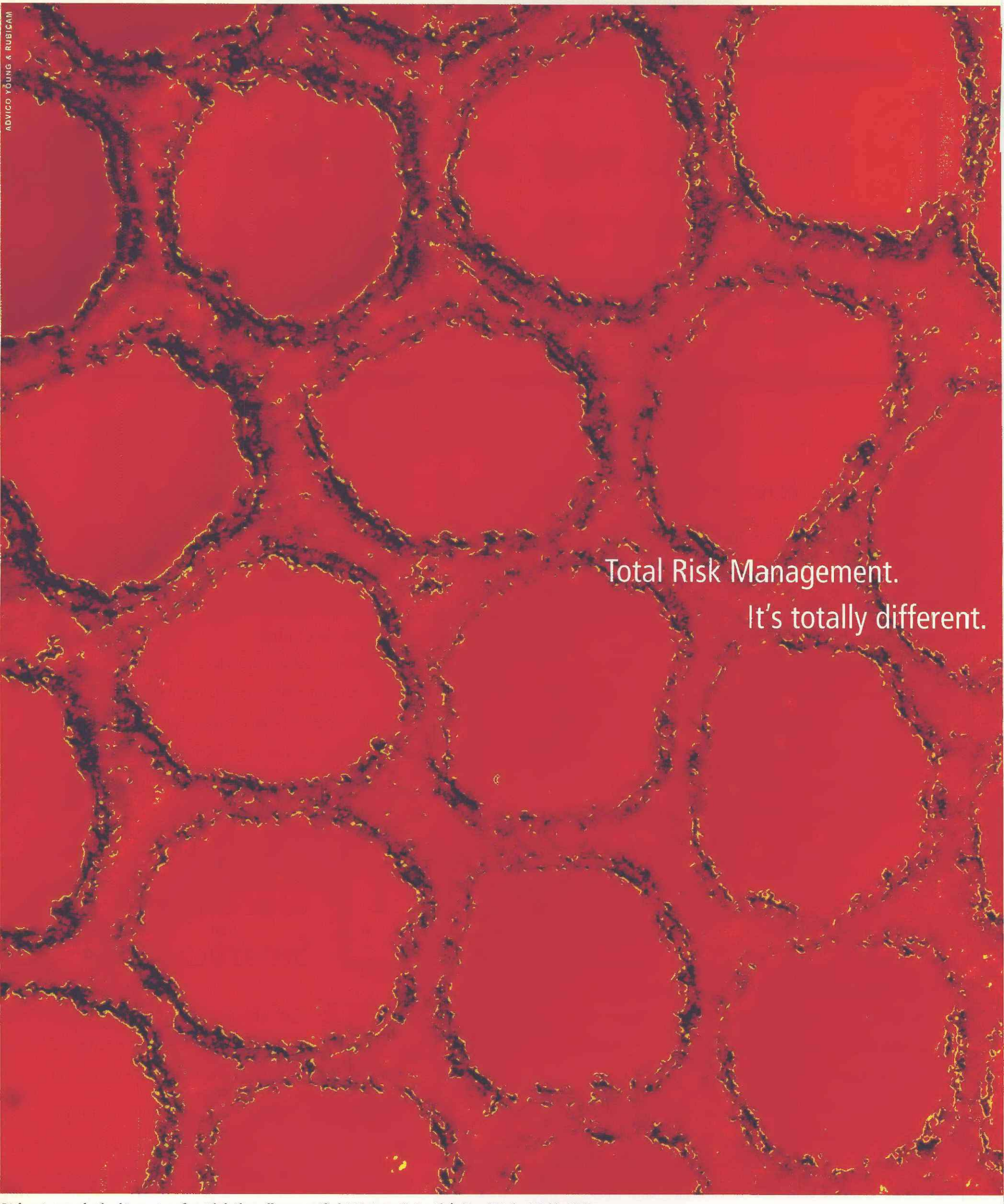
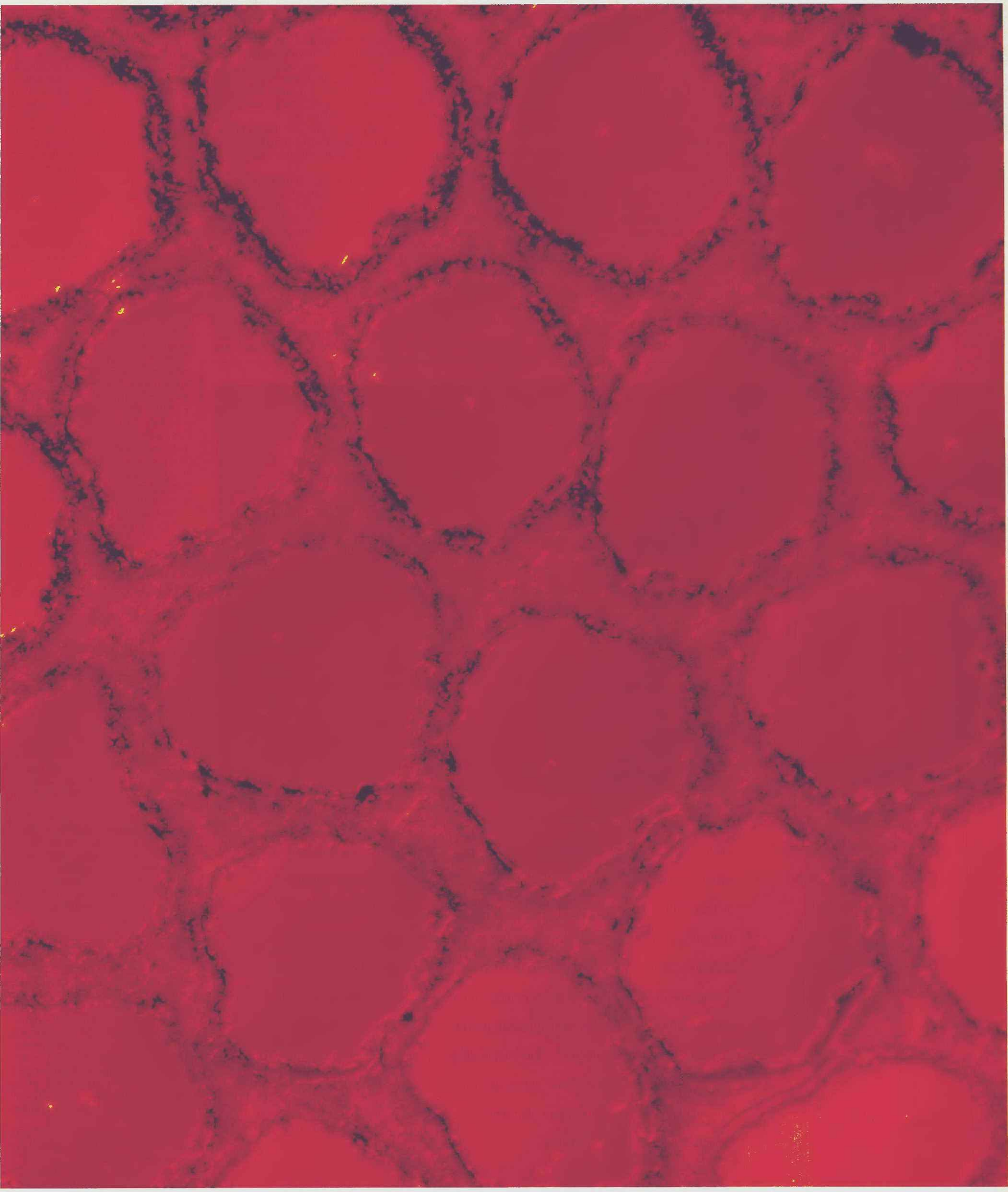


Light micrograph of a thin section of a nickel-silver alloy, magnified 100 times. ©Astrid & Hans Frieder Michler/SPL.



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Outsource

Continued from page 3

Colo.

"We started the process with our savings plan in the late '80s, and it's evolved since that time, and more and more effort was directed toward outsourcing the defined benefit plan since the early 1990s," said Mr. Kamen, who said US West's outsourcing is being handled by a joint venture between Bankers Trust Co. and Towers Perrin. He noted, though, that US West continues to use in-house staff to handle much of the claims, correspondence and interaction with retirees and also explanation of benefits to active employees. Plan design and future strategy also is carried out in-house.

The US West defined benefit plan covers about 60,000 active participants, 39,000 retirees and about another 10,000 deferred vested pensioners, he said.

Consultants note that outsourcing administration of defined contribution plans has been standard practice for years. In fact, "Today, it's the unusual employer that is still doing its own 401(k) administration," said Dave Thompson, a principal in Towers Perrin's Philadelphia office.

"Very few companies still perform defined contribution administration in-house. In defined benefit, when there's a plan change or systems change at the employer, that's when they begin to ask the question whether it makes sense to keep the administrative function in-house," said Curt Morgan, a principal with The Kwasha Lipton Group in Fort Lee, N.J.

Outsourcing defined benefit plan administration lagged behind outsourcing defined contribution plan functions for a variety of reasons, noted E. Scott Peterson, a Hewitt Associates outsourcing consultant in Lincolnshire, Ill. Plans are complex, and there "was a sense that defined benefits was not something you could easily automate," he said.

Handling defined benefit plans in-house is a "huge job," he said. Companies find that the data management work and the benefits calculation process are functions they want to stop doing themselves and are more than willing to outsource.

"These days, people are looking at outsourcing the entire process. The largest growth is in the employee service area," said Mr. Peterson. This includes fielding participants' questions, providing benefit estimates and the like, he said.

"There are two reasons for outsourcing that run hand-in-hand: the administrative complexity of retirement plans today, and the costs associated with them," said Fred Schick, vp and managing consultant with Sedgwick Noble Lowndes in Chicago.

"Every corporation today is lean and mean. There's no one sitting around with nothing to do," he said.

"Sponsors are looking for ways to divest themselves of day-to-day functions. They're trying to concentrate more on strategic benefits and human resources functions," said Jeff Lanzet, a managing consultant with A. Foster Higgins & Co. Inc. in Princeton, N.J.

The defined benefit plan "traditionally has not been an area that has been outsourced a lot," said Mr. Lanzet. But "defined benefits plans never get easier" to administer because of regulations and growing complexity as employers acquire other companies with different plans, he said. Outsourcing provides significant advantages in terms of quality, consistency of administration, and the ability to access retirement experts, he added.

Outsourcing also has a risk management advantage, helping employers manage the risk of changing regulatory and technological environments. "As a provider, I need to stay abreast of either current changes in technology or changes in the law," he said.

"We're under a mandate to reduce staffing," said Richard D. Quinn, director-performance and rewards for Public Service Enterprise Group, a Newark, N.J.-based energy company. The company found it wasn't practical to make a heavy investment in new technology as its plan grew more and more complicated.

The company completely outsourced its two 401(k) plans, one for unionized employees and one for the rest of workforce, to Hewitt in 1993. Last year, the company followed suit by outsourcing its cash balance defined benefit plan to Hewitt and is in the process of doing so with its traditional plan, Mr. Quinn said. He said he has asked Hewitt to build a completely new calculation system to replace a 20-year-old in-house system "that's completely outlived its usefulness."

He said PSEG will be transferring a voice response system to Hewitt that allows any participant to get an up-to-date benefit calculation.

Since it began the process of outsourcing in 1992, the company's human resources department has shrunk to 11 employees from 35, he said.

In addition to achieving staff reduction, "one unexpected benefit was we've been able to identify a lot of things in our own systems where we thought we had some checks and balances" but didn't, said Mr. Quinn. This included calculating vesting dates, and other "administrative things that we thought we running smoothly," he said.

"We weren't really sure we could outsource defined benefits at first," thinking that vendors might be able to do only some basic functions, said John Stradinski, U.S. retirement program services manager for Digital. Instead, Digital "found that they could do a full soup to nuts."

Making the best use of technology is a key to successful outsourcing, said John McGlone, principal and director of participant services for Buck Consultants Inc. in Secaucus, N.J.

Some of the most common technological applications are 24-hour-a-day, seven-days-a-week interactive voice response systems; participant service centers with live operators fielding participants' questions for 12 to 16 hours every weekday; and the use of intranet communications within a company, he said.

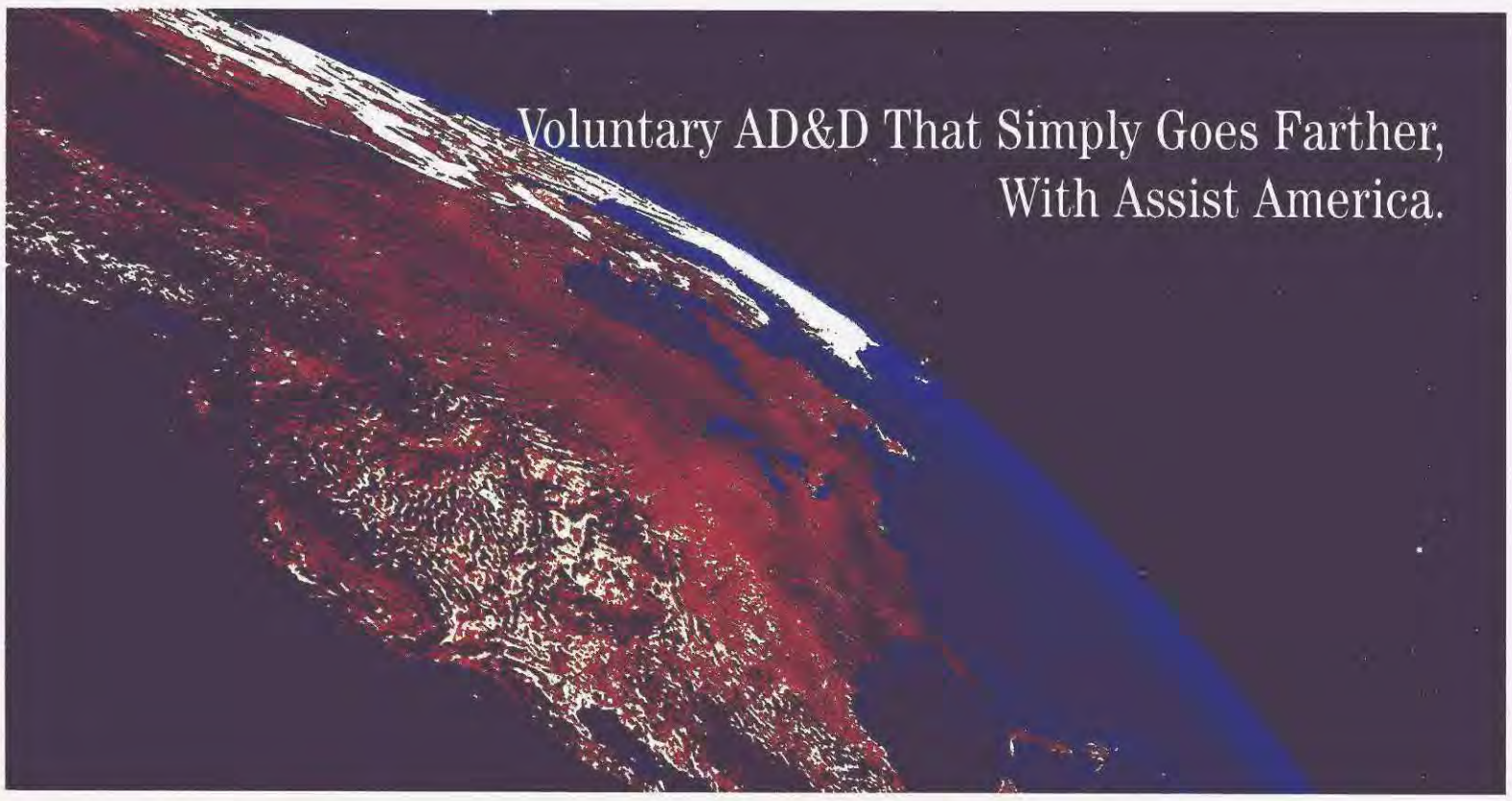
Mr. McGlone warned, though, that "you have to apply technology to the right end user."

For example, retirees, who generally prefer talking to customer service representatives, often bypass voice response systems.

But "by and large, participants like both services because they get it on expanded hours and they like the anonymity involved," he said.

A lot of times, employers may have to really hold employees' hands throughout the process of outsourcing, said Kwasha's Mr. Morgan. "It's an educational and

See **Outsource** *on page 14*



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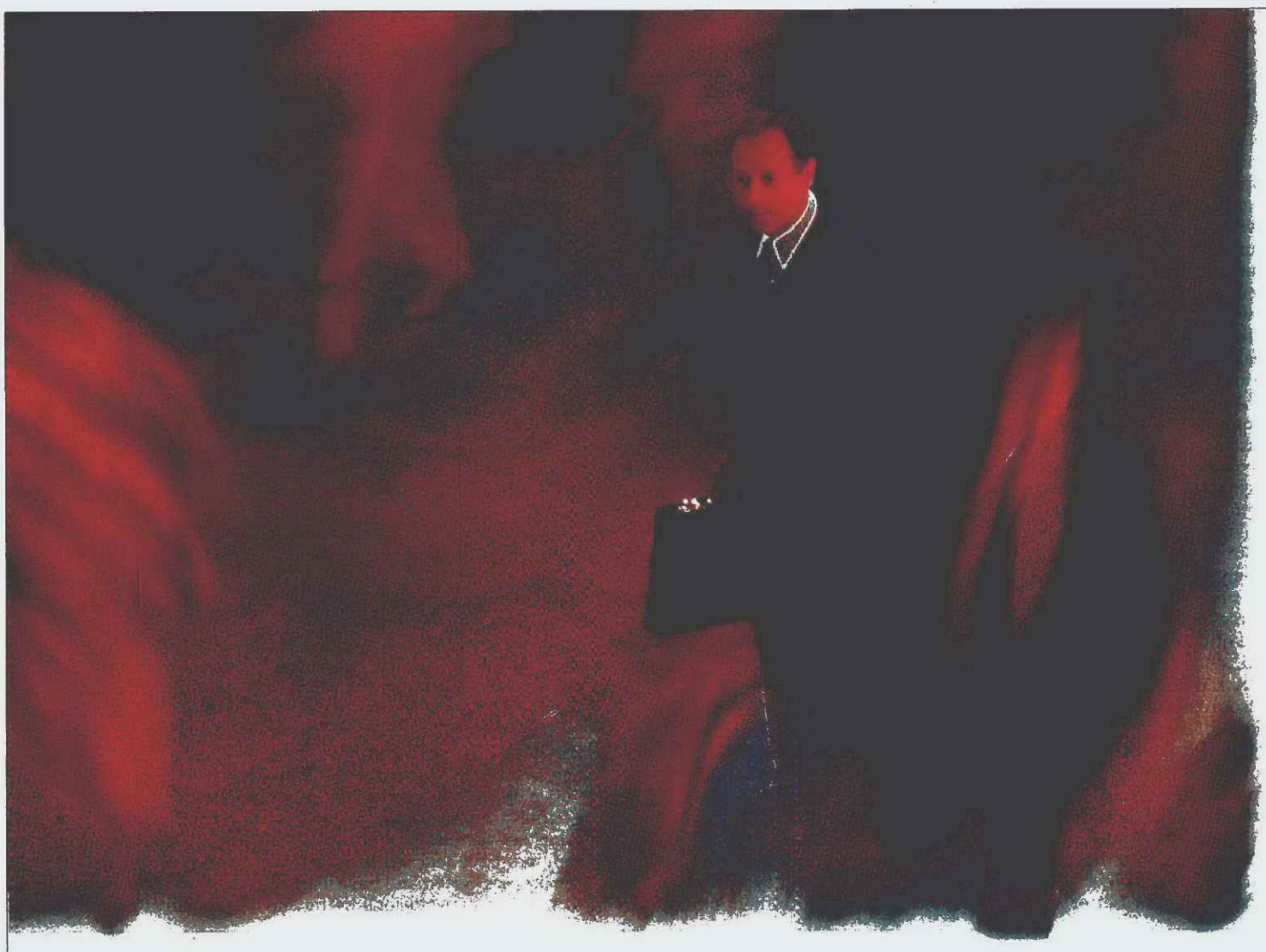

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Outsource

Continued from page 12

communications challenge."

The education is typically carried out by an employer-consultant team, and "it is critical that all the parties be at the table to talk through this," he said.

Mr. Morgan said Kwasha handles all needs of the participants. It enables participants—both employees and former employees—to call any time and receive projections about pension benefits under various economic and personal employment scenarios. They can do so using a touch-tone telephone and will soon be using the Internet or company intranet to access the same information, he said.

The outsourcing service can build upon traditional human resources practices and expand on them, noted Tony Herron, a vp with Wellspring Resources L.L.P. in Minneapolis. Wellspring is a Jacksonville, Fla.-based joint venture of Watson Wyatt Worldwide and State Street Bank & Trust.

"Today, when employers are making the decision to outsource the pensions, it's essentially the full scope of services involving defined benefits," said Mr. Herron. This includes data management, estimated and final pension calculations, qualified domestic relations orders, nonqualified plan administration—all interaction with active, retired and terminated vested participants, he said.

Wellspring's Mr. Herron said that while employers used to think that retirement counseling was a function that should not be outsourced, in reality it has become one of the outsourcing success stories. It provides improved access to information, real-time modeling and more consistent information, he said.

Overall customer service has improved dramatically, and the counseling is at more of an arm's length, which many participants appreciate because the anonymity makes them more comfortable when asking questions they fear some people might consider stupid, he said.

While there is agreement among consultants and employers that outsourcing makes economic sense, there is no universal agreement on how best to go about outsourcing, with some experts advocating a phased approach while others say to do as much as possible at once.

"A phased implementation is perhaps easier to do," said Foster Higgins' Mr. Lanzet. He added that if it becomes apparent that an employer is going to outsource a function in the future, staff retention becomes an issue.

But outsourcing all at once means having to manage a lot of change at one time, and it requires a lot of resources. That does have the advantage of being a clean transition, he said.

"Avoid the big bang theory" of outsourcing, said Buck's Mr. McGlone. "I recommend an evolutionary staged process," with the employer making sure it's a phased approach and handled properly through education, he said.

"It's difficult to do it in pieces because you get into the problem that you never really get those pieces outsourced. It's better to make a clean break," said Towers Perrin's Mr. Thompson.

"Do the whole thing," said Mr. Herron of Wellspring. He said there are not "a lot of advantages to doing it in pieces" and added that it is more effective to re-engineer the process if it is done all at once.

There is also some disagreement over what downsides—if any—an employer can expect while attempting to reap the benefits of outsourcing.

"I can't think of any real downside to it," said Mr. Quinn of PSEG. There were "heavy start-up costs," he noted and added that start-up costs typically outstrip the first year's savings.

"I think people don't tend to look at it as an immediate cost savings. We looked at it as where is our core business? We concluded that there were other people who could do it better than we could on an ongoing basis. It also gives you access to the latest technology without a lot of new expenses," said Mr. Quinn.

He added that participants are happy with the outsourcing arrangement—in a survey taken last year, more than 80% said they were very satisfied with the program, he said.

"I actually think the quality is better when you outsource," said Wellspring's Mr. Herron. Data is cleaned up, there's "more automation around it," there are internal audit controls, and the entities doing the outsourcing are "focused exclusively on these services," he said.

"The closest thing to a downside as employers are considering outsourcing is that they worry they will lose contact with their employees," said Hewitt's Mr. Peterson.

"Control is an issue. Basically, there is the opportunity to lose control. A plan sponsor needs to assure that adequate controls are in place," said Mr. Lanzet of Foster Higgins.

"The major downside is that without a clean definition of roles and a clean break, the client will end up not only paying for outsourcing but still have the HR/benefits people," said Towers Perrin's Mr. Thompson. As a result, employers have to change procedures and eliminate access to data to achieve the clean break.

"One of the areas for improvement has to do with really understanding that the outsourcing provider has to be willing to step into the shoes of US West and have the interaction with active employees and retirees that we would have as in-house staff," said US West's Mr. Kamen. He said that process is continuing.

Employers face quality control questions as well, and for defined benefit plans, these questions often involve the quality of data, said Buck's Mr. McGlone. Most companies have a large portion of their data on paper files, and even the data stored in computers has to be cleaned up, he said. Cleaning up data is one of the biggest expenses in outsourcing, he said.

"It is a new field," said Buck's Mr. McGlone. He said that five years ago, it took two years to get a client "up to speed" on outsourcing. Now, getting a client to the same level takes six to nine months, he said. Vendors have learned to carry out the process better, and have learned to manage expectations better, he said. Many employers consider outsourcing a "panacea, that they would be absolved of all day-to-day" responsibilities, he said. That is not the case.

Digital's Ms. Craven said she thinks some employers follow "myths connected with outsourcing."

Some people think it means total staff reduction, and that's not true, she said. Also, there is a belief that work will go away, which it doesn't, she said. Instead, the nature of the work changes.

Ms. Craven said Digital holds formal quarterly reviews with Hewitt to discuss the outsourcing and measure progress against the written objectives for the retirement plan. The company has "very explicit goals and expectations of the services that will be performed."

Another quality issue is the performance standards involved said Mr. McGlone. Buck recommends that the client negotiate performance standards going into the contract and have vendors put fees at risk if standards aren't met.

"Quality control is a big issue," agreed Sedgwick Noble Lowndes' Mr. Schick.

But outsourcing is here to stay, agreed consultants and employers. As Towers Perrin's Mr. Thompson put it: "Where it ends up is anybody's guess. But some of the outsourcing that's going on right now is irreversible, because more and more outsourcing is tied to the technology, and as vendors vie with one another to improve their technologies, the cost of entry gets higher and higher for a new provider or for a company to do it themselves." BI

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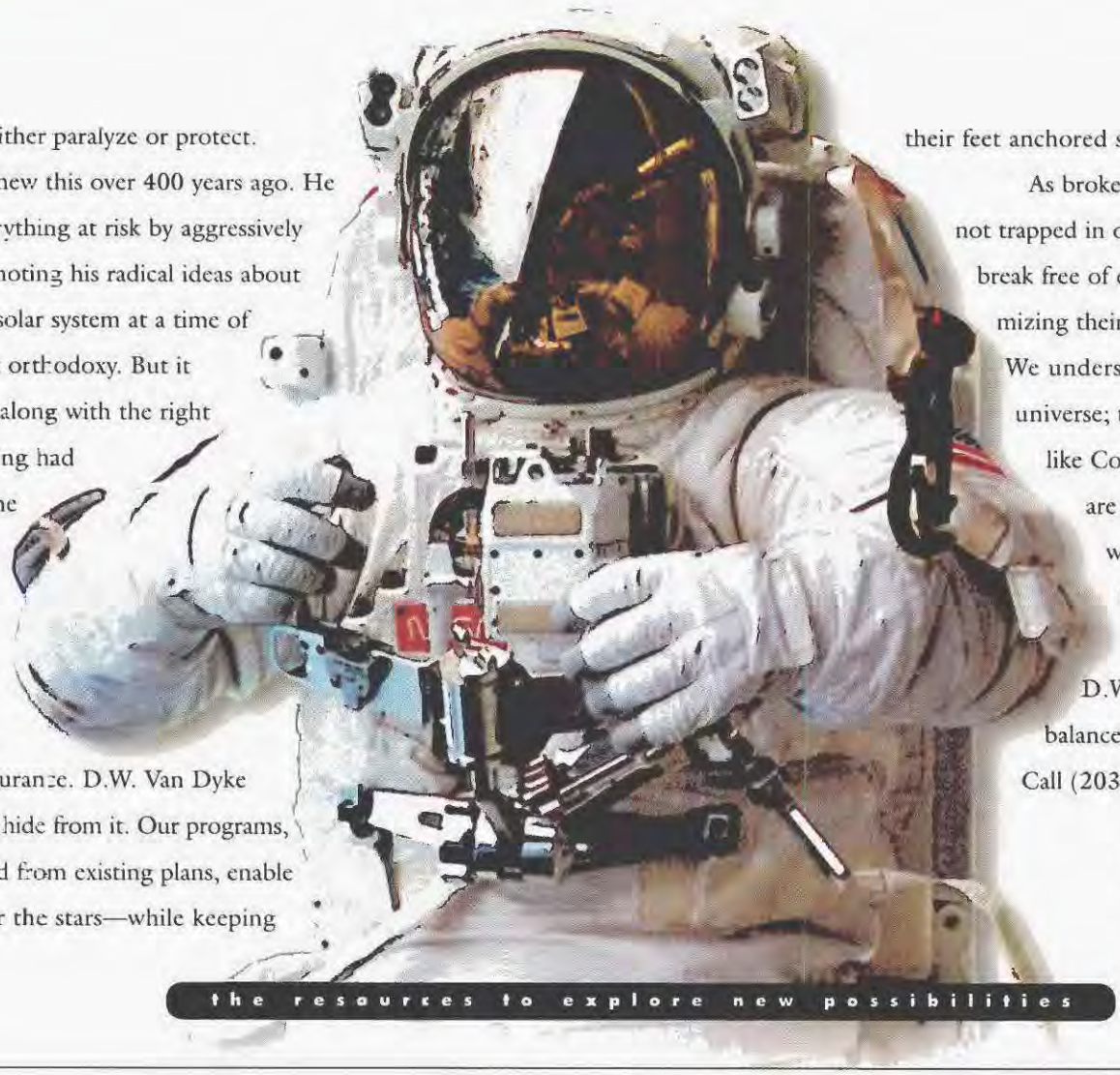

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Enroll

Continued from page 3

the plan upon hiring, or after a customary waiting period, unless he or she specifically signs a waiver opting out of the plan.

Automatic enrollment has not seemed to generate much negative employee reaction where it has been tried and has not sparked legal challenges, said Rich Koski, a principal at Buck Consultants Inc. in Secaucus, N.J. It is not enough, however, to get the employees in the plan through an automatic intake pump, because most such workers will wind up with their investments in a default fund with the lowest possible per-check deduction, he said. Ongoing communication touting the benefits of increased contribution then becomes essential, Mr. Koski said.

But automatic enrollment, though seemingly a boon to any campaign to increase fund enrollment, is not recommended by all analysts. More preferable, said Dennis Coleman, a principal in The Kwasha Lipton Group in Fort Lee, N.J., is "simplified enrollment," in which the new hire is specifically asked at the initial post-hire interview with human resources staff if he or she would like to enroll in a defined contribution plan. The new employee has a clearer opportunity to select participation than under automatic enrollment.

Highly compensated company executives who are eager to see lower-paid workers' investment in plans increase, so as to help the plan to pass federal non-discrimination tests, still would see a benefit from simplified enrollment rather than an automatic process, Mr. Koski said. And no workers would be denied free choice.

"I think there are some potential problems with it (automatic enrollment), because the person really hasn't authorized a reduction in his pay," said Mr. Koski. But in simplified enrollment, "You make it clear at any time you can make the change from a positive election to a negative election."

Kwasha Lipton advises any employer considering automatic enrollment to first obtain a favorable determination letter from the Internal Revenue Service. And Ms. Langsett of Aon warns, "I would argue there is a huge portion of the work force that is so trusting and so naive they wouldn't catch it until they see it in their paycheck."

Having an employee match is an obvious and often highly effective tactic an employer can use to boost retirement plan enrollment. Though the value of matching may seem intuitive, many employers maintain plans with no match and lackluster employee involvement. According to a study by Buck last year, 9% of companies surveyed still make no matching contribution to their 401(k) plans. Most—63% of those surveyed—contributed a fixed amount per dollar up to a maximum percentage of salary.

As of the end of 1996, there were 248,000 401(k) plans, according to Access Research Inc., a financial services consulting firm in Windsor, Conn.

According to a 1996 Buck survey, the average participation rate was 78% in the 586 plans surveyed (*BI*, Oct. 21, 1996).

Allowing employees greater access to loans is another way of enticing more employees to take part in defined contribution plans, especially young workers reluctant to part with their earnings in case they may need it for a car or home purchase.

According to a study commissioned by Hartford, Conn.-based CIGNA Retirement & Investment Services last year, those plans that have achieved at least 90% participation have mainly been those that have a loan option but neither encourage nor discourage its use. In other words, simply having loans available appears to quietly draw employees into the savings fold.

Being unable to offer employees loans from their investment can limit the growth of a defined contribution plan. At Denver Water, an independent municipal department with 1,000 employees, the agency provides neither matching contributions nor allows any employee money to be removed from its Section 457 plan—deferred compensation held by government entities—until the retirement or death of the worker. It has achieved only 55% participation among its workers, said James E. Crockett, manager of risk and benefits.

Even if no provisions for a company match or loans exist, however, employees continue to stream into the agency's 457 plan out of economic insecurity, he said.

"They've been listening to the Social Security horror stories," he said. "Now we're asking people to do an analysis of their retirement needs, being aware that a large portion will have to come from their own savings."

A problem for benefit managers that is as challenging as getting workers into defined contribution plans is maintaining their interest in the programs and spurring more savings as time passes. That requires intense, creative and ongoing communication of the advantages of savings to employees, and more companies have moved beyond the basics to sophisticated investor education programs.

"A really good communication campaign can be the difference between a 60% participation rate and an 85% or 90% participation rate," said Mr. Coleman.

A case in point is Stamford, Conn.-based Welbilt Corp., a manufacturer of food service equipment that employs about 2,600 people. Welbilt has achieved 82% participation in its 401(k) plan through a series of promotional meetings held at its 10 primary worksites around the United States. The meetings were held with representatives from FMR Corp. of Boston, better known as Fidelity Investments, its plan administrator.

The gatherings at worksites began in 1995 and were flavored "with a little more excitement, sort of like employers do their United Way campaigns," said Susan Jenson-Fegan, vp of human resources and benefits.

"We're not trying to pressure the employee to jump in; we're trying to educate them," she said.

But there were carrots. The comp-

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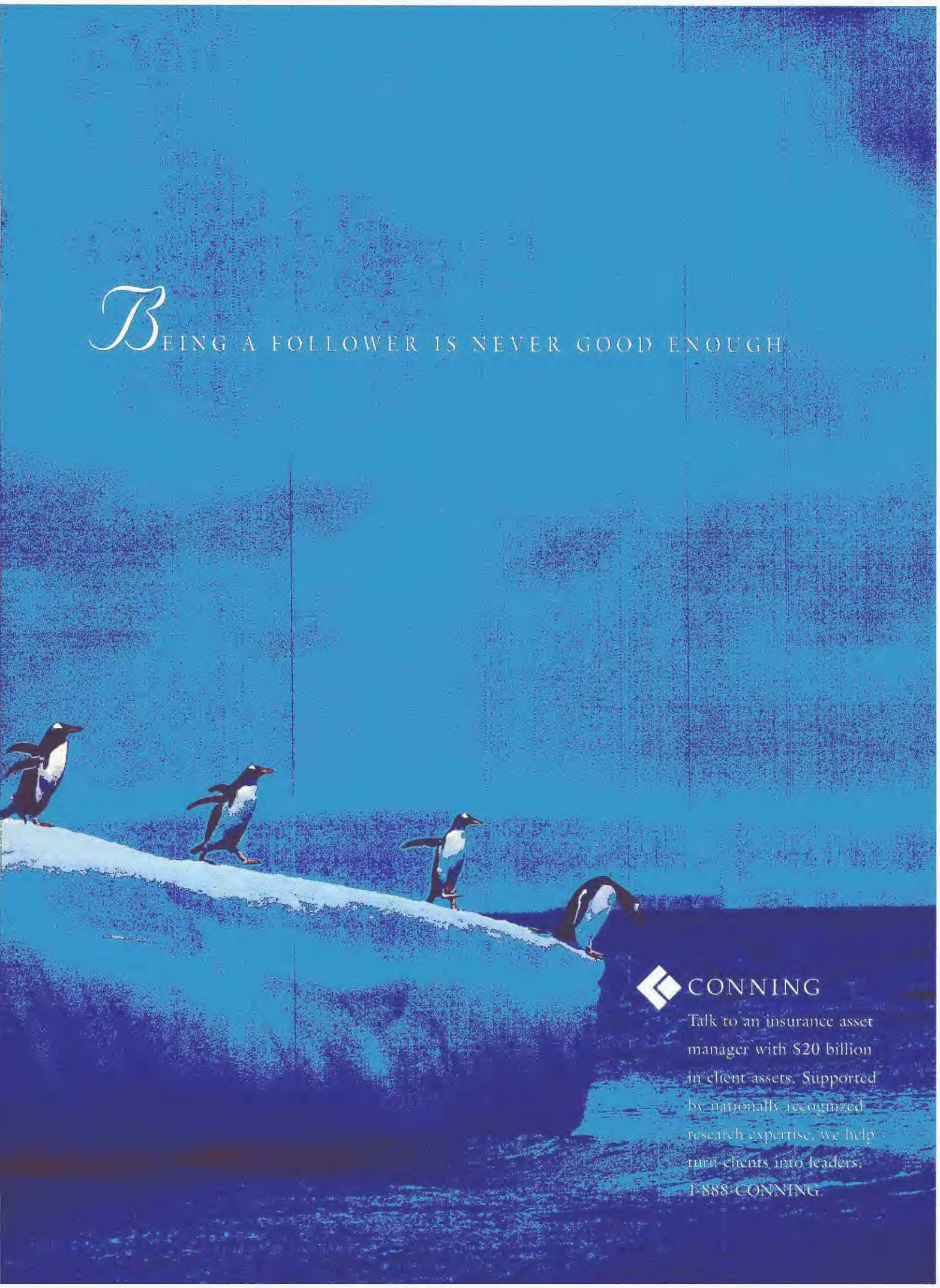

Enroll

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any held contests to spur workers to join the plan or to increase their contributions, with raffles determining the winners of prizes, such as gift certificates. In the first three months, participation in the plan increased to 82% from 76%, Ms. Jenson-Fegan said.

Companies should supply employees with a large amount of varied material on retirement savings, which may include printed promotions, videos and software models—sometimes accessible over the Internet—that show the potential growth of investments over time.

"The information going out to employees now is more complex," said Paul Sanchez, national communication and education practice director for Watson Wyatt Worldwide in New York. "There's more of it. It's more personalized, and it's coming to them in a host of new media."

But because defined contribution plans are a very complicated topic, trying to compress information about them onto a video may be counterproductive, said Monica Jerussi, a principal at Kwasha Lipton.

Companies can use targeted marketing strategies to advertise the benefits of tax-deferred savings to different audiences within the workplace, said Ms. Langsett. Audiences with different levels of understanding or concerns may include lesser-paid vs. higher-paid workers, older vs. younger workers, and those with college educations vs. those without.

Typically, companies provide employees with fund prospectuses but may stop short of advising on the strengths of different types of investments—for example, the recommendation of stock-heavy mutual funds for those younger employees willing to ride out long-term risks. In such cases, employers may be fearful of treading too closely to giving employees blatant financial advice, a practice that may violate federal law.

The hiring of outside, certified financial planners to guide employees in their investments is becoming increasingly common, though, and encourages employees to invest more, plan sponsors say. At Duke Power, the company has approved three investment counseling firms to do seminars on request by employees, Mr. Allee said. But before long, Duke plans to set up a more formal relationship with a financial counselor for its employees. BI

Directory of 401(k) plan administrators

A

AAAA Benefit Inc.

201 McCullough Drive, Charlotte, N.C. 28262; 704-594-6270; fax: 704-594-6290

Staff

Total	16
Involved in 401(k) plan services	10

Clients

Total	150
Receiving unbundled services	2
Receiving bundled services	148
Average participants/plan	100
Minimum participants/plan	1
Maximum participants/plan	10,000

1996 revenues

Total	$1,000,000

Services began: 1984.

Parent: American Assn. of Advertising Agencies.

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

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

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

Service area: Nationwide.

Charges: Determined by assets under management.

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

AccuRecord Inc.

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

Staff

Total	46
Involved in 401(k) plan services	46

Clients

Total	723
Receiving unbundled services	135
Receiving bundled services	588
Average participants/plan	846
Minimum participants/plan	10
Maximum participants/plan	Unlimited

Services began: 1982.

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

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

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

Service area: Nationwide.

Charges: Determined by number of participants, frequency valuations.

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

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

Actuaries & Associates

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

Staff

Total	17
Involved in 401(k) plan services	13

Clients

Total	700
Receiving unbundled services	700
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

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

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

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

Service area: Nationwide.

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

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

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

Actuarial & Employee Benefit Services Co.

3481 Central Parkway, Suite 100, Cincinnati, Ohio 45223-3397; 513-872-7505; fax: 513-872-7509

Staff

Total	23
Involved in 401(k) plan services	4

Clients

Total	27
Receiving unbundled services	23
Receiving bundled services	4
Average participants/plan	39
Minimum participants/plan	1
Maximum participants/plan	1,000

1996 revenues

Total	$1,900,000
401(k) plan administration	$59,000

Parent: CAI Insurance Agency Inc.

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

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

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

Service area: Midwest.

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

Contact: James T. Schlotman, Carl R. Schlotman.

Acuff & Associates Inc.

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

Staff

Total	22
Involved in 401(k) plan services	12

Clients

Total	240
Receiving unbundled services	210
Receiving bundled services	30
Average participants/plan	450
Minimum participants/plan	10
Maximum participants/plan	12,000

1996 revenues

401(k) plan administration	$950,000

Services began: 1991.

Software: Leased from outside vendor, accommodates 20 investment funds and 20

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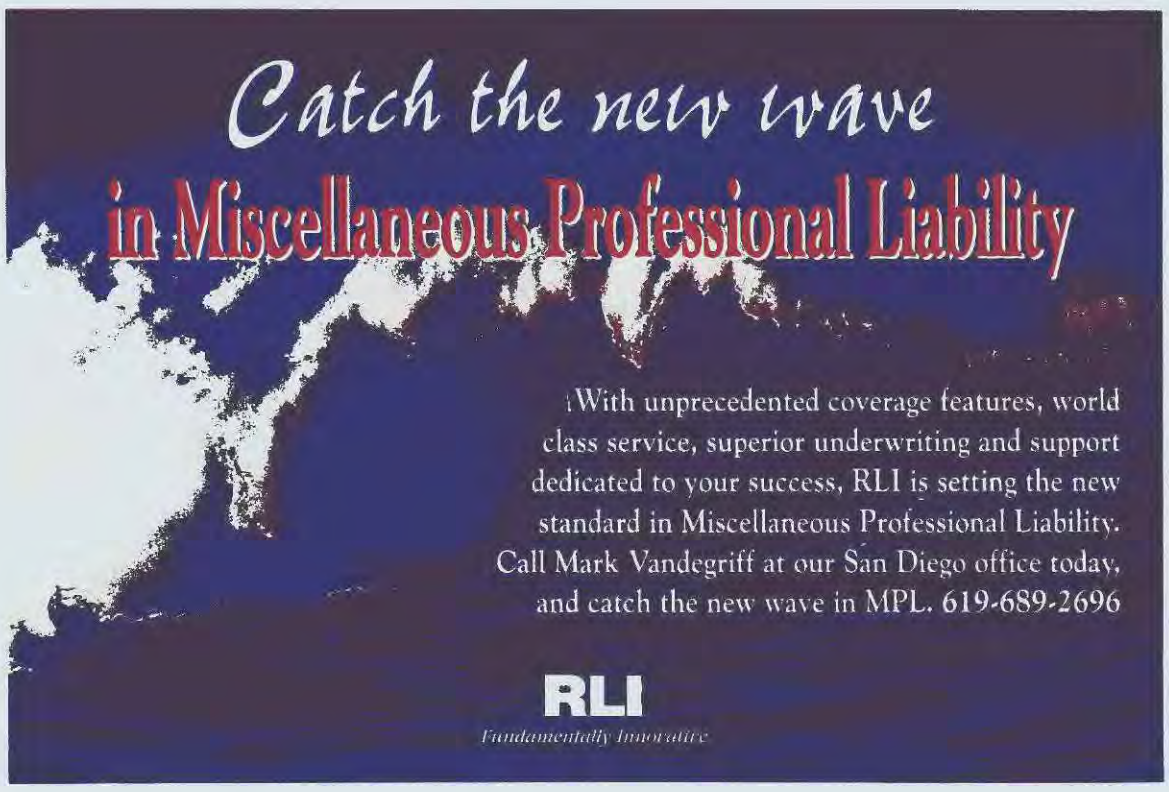

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types of contributions.

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

Client support: 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: Southeast.

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

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

Contact: Lucian B. Acuff.

The Administrative Management Group

3800 N. Wilke Road, Suite 250, Arlington Heights, Ill. 60004; 847-577-6000; fax: 847-870-9200

Staff

Total	95
Involved in 401(k) plan services	55

Clients

Total	200
Receiving unbundled services	170
Receiving bundled services	30
Average participants/plan	900

Services began: 1982.

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

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

Client support: 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. Other services include retirement projection software, loan software and data management.

Service area: Nationwide.

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

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

Contact: Mark Tucker, director-sales/marketing.

Altschuler, Melvoin & Glasser L.L.P.

30 S. Wacker Drive, Chicago, Ill. 60606; 312-207-2800; fax: 312-207-2860

Staff

Total	10
Involved in 401(k) plan services	10

Clients

Total	100
Receiving unbundled services	100
Average participants/plan	300
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1985.

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

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

Client support: 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: Nationwide.

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

Officers: Rosemarie M. Panico, partner.

Contact: Rosemarie M. Panico, 312-207-2882.

American Pension Benefits Inc.

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

Staff

Total	20
Involved in 401(k) plan services	15

Clients

Total	90
Receiving unbundled services	35
Receiving bundled services	55
Average participants/plan	62
Minimum participants/plan	25
Maximum participants/plan	2,000

Services began: 1990.

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

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

Client support: 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, employee communications. Manages investment of 401(k) plan funds. Other services include a pension network for remote processing by client or third-party administrator; larger client access to dedicated port.

Service area: Nationwide.

Locations: Birmingham, Ala.; Los Angeles; San Francisco; Baltimore; Boston; St. Louis; Philadelphia.

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

Officers: James W. Landis, president.

Ameritas Life Insurance Corp.

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

Staff

Total	759
Involved in 401(k) plan services	26

Clients

Total	150
Receiving unbundled services	18
Receiving bundled services	132
Average participants/plan	45
Minimum participants/plan	1
Maximum participants/plan	Unlimited

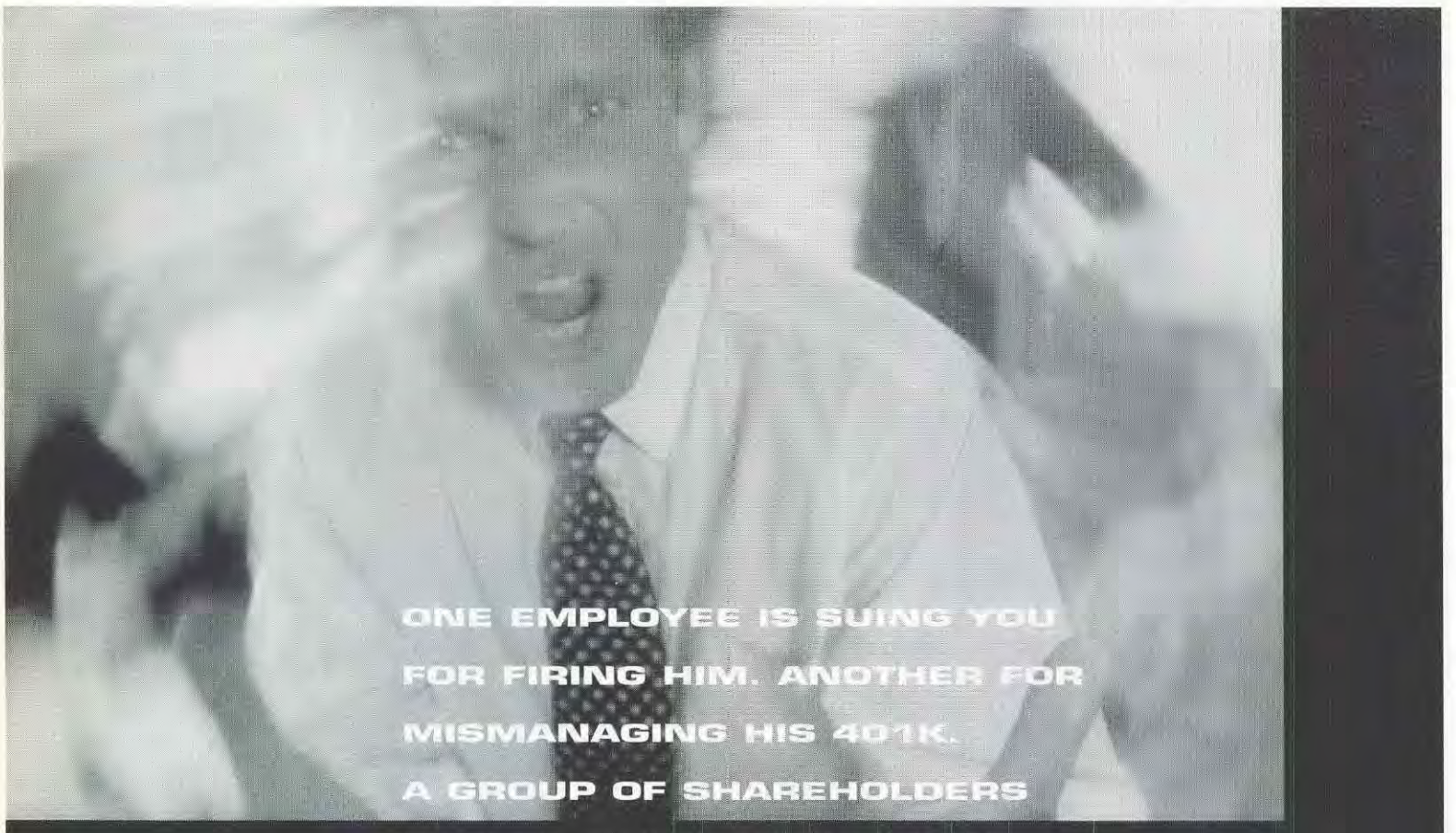
1996 revenues

Total	$746,236,000
401(k) plan administration	$82,678

Services began: 1985.

Software: Purchased from outside vendor, accommodates 400 investment funds and

Continued on page 20



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Explanation of directory terms

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

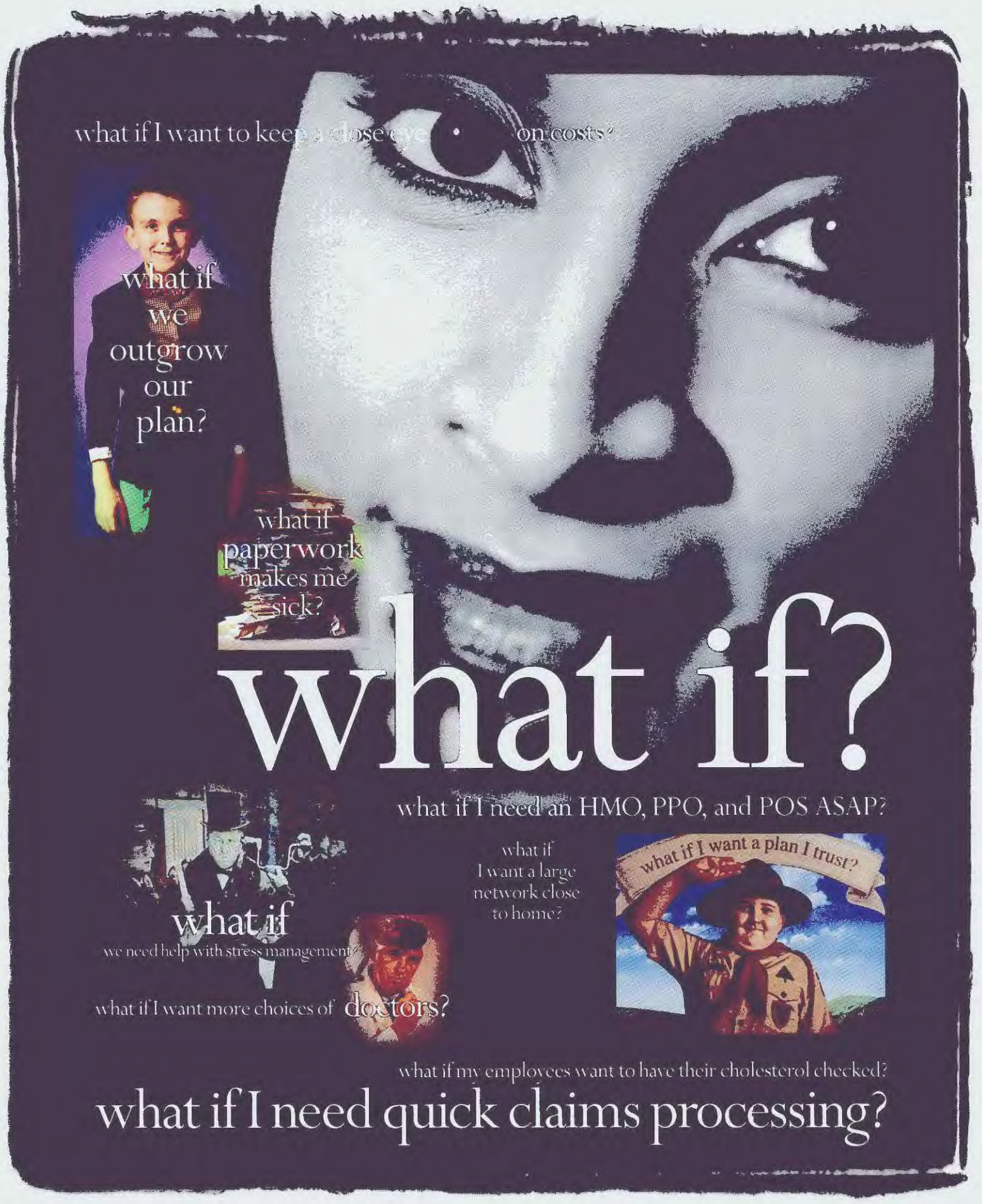
The directory is published as an editorial service and there is no charge to be included. Information in the directory is provided by participating companies via a *BI* questionnaire.

Listings begin with details on **staff,** including total staff and the number involved with 401(k) plan services. Total **401(k) clients**, including those clients receiving 401(k) plan administration services on an unbundled and a bundled basis are listed next. 1996 **gross revenues** and revenues from 401(k) plan administration services are included when provided by the company. Next, the year the company began offering 401(k) plan administration services and **parent company** (if any) are listed.

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

Following, the **service area** and locations of **branch offices** are given. How the company charges for its services and names and titles of principal **officers** and a **contact** person complete the listings.

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



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400 types of contributions, software may be used by clients in-house.

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

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

Service area: Nationwide.

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

Officers: Larry Arth, chairman/CEO; Ker Louis, president/COO; JoAnn Martin, senior vp/controller/CFO; David Moore, executive vp-group/pensions; Jon Headrick, executive vp-investments/treasurer.

Contact: Joseph Roy, 800-793-2542 or Jessie Waller, 800-745-9995.

Aon Consulting

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

Staff

Total	3,200
Involved in 401(k) plan services	350

Clients

Total	936
Receiving unbundled services	810
Receiving bundled services	126
Average participants/plan	833
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: Aon Corp.

Software: Written and maintained in-house, purchased from outside vendor, accommodates 40 investment funds and 10 types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications, trustee and custodial services through alliance, financial and retirement planning, educational software, plan sponsor and participant newsletters, customer service representatives.

Service area: Nationwide.

Locations: Administrative/consulting offices in 26 locations nationwide.

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

Contact: Linda P. Holleman, senior vp.

Asset & Risk Management (ARM)

2000 Southbridge Parkway, Suite 400, Birmingham, Ala. 35209; 205-222-4015; fax: 205-870-9025

Staff

Total	4
Involved in 401(k) plan services	2

Clients

Total	54
Receiving unbundled services	11
Receiving bundled services	43
Average participants/plan	200
Minimum participants/plan	10
Maximum participants/plan	75,000

Services began: 1991.

Software: Record keeping provided by third party, accommodates 70 investment funds.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, 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. Other services include employee enrollment and retirement education meetings.

Service area: Nationwide.

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

Officers: Olin B. Barnes III, retirement plan specialist/president.

Automatic Data Processing Inc.—401(k) Division

1 ADP Blvd., MS580, Roseland, N.J. 07068; 800-432-4015; fax: 201-533-7410

Staff

Total	280
Involved in 401(k) plan services	182

Clients

Total	5,200
Receiving unbundled services	180
Receiving bundled services	5,020
Average participants/plan	50
Minimum participants/plan	5
Maximum participants/plan	1,000

Services began: 1989.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, 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, complexity of plan, assets under management, time and expense, frequency valuations.

Contact: Brian Skalski, senior director-401(k) marketing, 201-992-6469.

B

Benefit Administration Corp.

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

Staff

Total	40
Involved in 401(k) plan services	4

Services began: 1995.

Software: Leased from outside vendor, accommodates 24 investment funds and nine types of contributions.

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

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

Service area: Southwest.

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

Contact: Randolph A. Buresh, vp.

Benefit Concepts Inc.

115 Glastonbury Blvd., Glastonbury, Conn. 06033; 860-633-5283; fax: 860-659-6757

Staff

Total	100
Involved in 401(k) plan services	35

Clients

Total	185
Receiving unbundled services	175
Receiving bundled services	10
Average participants/plan	525
Minimum participants/plan	50
Maximum participants/plan	Unlimited

1996 revenues

Total	$12,000,000
401(k) plan administration	$3,000,000

Services began: 1982.

Parent: USI.

Software: Leased from outside vendor, accommodates 999 investment funds and 99 types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues. Manages investment of 401(k) plan funds. Other services include 403(b) administration, extended outsourcing, ESOP consulting and administration.

Service area: Nationwide.

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

Officers: Brian Whitney, president/CEO; William Tremko, executive vp; William Husic, Rob Plante, Bob Cross, senior vps.

Contact: William Husic.

Benefit Dynamics Inc.

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

Staff

Total	25
Involved in 401(k) plan services	9

Clients

Total	130
Receiving unbundled services	105
Receiving bundled services	25
Average participants/plan	110
Minimum participants/plan	20
Maximum participants/plan	25,000

1996 revenues

Total	$1,540,000
401(k) plan administration	$325,000

Services began: 1982.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include individual voice response system, electronic enrollment, daily valuation system, defined benefit and defined contribution paired-plan administration.

Service area: Nationwide.

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

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

Contact: Mark Moran.

Benefit Equity Plans Inc.

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

Staff

Total	18
Involved in 401(k) plan services	15

Clients

Total	525
Receiving unbundled services	525
Average participants/plan	80
Minimum participants/plan	25
Maximum participants/plan	Unlimited

Services began: 1989.

Software: Leased from outside vendor, accommodates unlimited investment funds and 10 types of contributions, software may be used by clients in-house.

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

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

Service area: Arizona, California, Nevada.

Locations: Administrative/consulting offices in Santa Ana and San Diego, Calif.

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

Officers: Robert H. Goralick, president.

The Benefits Group

6450 Rockside Woods Blvd. S., Cleveland, Ohio 44131; 216-328-1300; fax: 216-328-1309

Staff

Total	65
Involved in 401(k) plan services	29

Clients

Total	450
Receiving unbundled services	20
Receiving bundled services	430
Average participants/plan	150
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include registered investment advisor services, non-qualified programs, retirement planning seminars and plan documents.

Service area: Nationwide.

Locations: Administrative/consulting offices in Cleveland and Columbus, Ohio.

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

Officers: Charles J. Farro, chairman/CEO; Joseph R. Crea, president.

Contact: James S. Vitalie, 216-520-6167 or Anthony J. McMasters, 216-520-5014.

Benefits+PPA

5435 Corporate Drive, Troy, Mich. 48098; 810-641-7525; fax: 810-641-7430

Staff

Total	50
Involved in 401(k) plan services	50

Clients

Total	580
Receiving unbundled services	280
Receiving bundled services	300
Average participants/plan	75
Minimum participants/plan	25
Maximum participants/plan	Unlimited

1996 revenues

Total	$5,000,000
401(k) plan administration	$1,800,000

Services began: 1983.

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

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

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

Service area: Nationwide.

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

Contact: Mark Wayne, president/CEO.

Boyce & Associates Inc.

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

Staff

Total	13
Involved in 401(k) plan services	9

Clients

Total	85
Receiving unbundled services	85
Average participants/plan	45
Minimum participants/plan	1
Maximum participants/plan	5,000

1996 revenues

Total	$810,000
401(k) plan administration	$288,000

Services began: 1989.

Software: Purchased from outside vendor, accommodates unlimited investment funds and 999 types of contributions.

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

Client support: Communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include plan documents and employee education.

Service area: Nationwide.

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

Contact: Kerry M. Boyce, president.

Buck Consultants Inc.

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

Staff

Total	2,580
Involved in 401(k) plan services	180

Clients

Total	450
Average participants/plan	850
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1996 revenues

Total	$228,000,000

Services began: 1981.

Parent: Mellon Bank Corp.*

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds through an alliance program. Other services include voice response systems/services; defined contribution, defined benefit and health and welfare outsourcing; participant service center; integrated data system; investment supervisory services; plan document preparation; pre-retirement and financial planning seminars/system; employee investment education material/consulting

Service area: Nationwide.

Locations: Administrative/consulting offices in 29 locations nationwide.

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

Officers: William E. Giegerich, chairman; Joseph A. LoCicero, president/CEO; Maureen O'Malley, national director-administrative services group.

Contact: Ed Gadowski, 201-902-2565 or Pamela Stewart, 201-902-2558.

** Buck Consultants Inc. and Mellon Bank Corp. have signed a definitive agreement for Mellon to acquire Buck.*

Business Benefits Corp.

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

Staff

Total	9
Involved in 401(k) plan services	3

Clients

Total	55
Receiving unbundled services	55
Average participants/plan	43
Minimum participants/plan	1
Maximum participants/plan	300

1996 revenues

Total	$500,000

Services began: 1982.

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

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

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

Service area: Texas and surrounding states.

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

Officers: Jim Smith, president; Tom Townsend, vp-marketing.

Contact: Tom Townsend.

Continued on next page

This directory contains information on companies that provide services such as recording enrollment, maintaining participants' accounts and handling account activity. A firm must offer these services independently from any investment services to be listed; it may or may not offer investment management services in addition to plan administration services.

Agent/Broker Topics

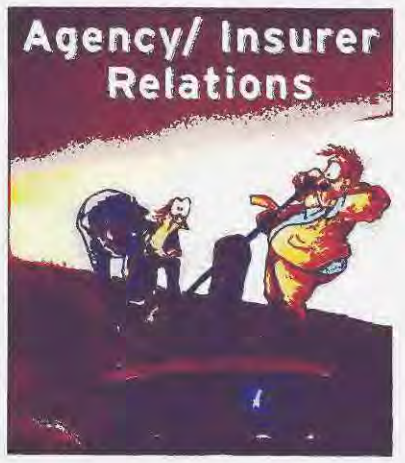
A monthly editorial section sent exclusively to agents and brokers

Agency/Insurer Relations

As market pressures close in, cooperation becomes a necessity

Agent/Broker Topics

Insurers seeking fewer agents and brokers



By REGIS COCCIA

As competition continues to force insurers to trim costs and streamline operations, many large companies are looking at reducing the number of intermediaries they use to distribute products.

Downsizing among the U.S. property/casualty companies could reduce the number of markets available to small and midsize agents and brokers, said Coletta Kemper, director of industry affairs at the Washington-based Council of Insurance Agents & Brokers.

But, intermediaries that have expertise in a niche area likely will find insurers more willing to maintain ties, Ms. Kemper said.

If an agent or broker has "niche business or specialty expertise, carriers will recognize that and will keep the relationship going," she said.

For example, insurers such as TIG Insurance Co. are switching to fewer agents and brokers but are looking to underwrite higher-volume risks, such as program business.

Even though TIG in the past several years slashed the number of commercial lines producers to 175 from more than 3,500, the company says its focus on productivity has strengthened producer relations.

In preparation for an initial public offering in 1993, the Irving, Texas-based insurer took an in-depth look at its business, its producer base and its distribution channels, explained Roger Torneden, TIG's chief marketing officer and senior vp.

TIG found that it could reduce the cost of providing products and services by eliminating redundancies and using computer technology to speed up the underwriting process, he said.

At the same time, the company saw a way to maintain premium volume by writing program business, a TIG spokeswoman said.

That meant breaking away from traditional methods of quoting and issuing policies. For example, handling a workers compensation policy "in the traditional mold" meant the insurer had a full-time workers comp underwriter in an office sending out price quotes. The process not only took time, but it also resulted in a low hit ratio—about 10 to 15 policies for every 100 quotes, Mr. Torneden said.

Converting to an automated quotation system that analyzed risk information entered in an electronic questionnaire speeded things up, but not every agent or broker was equipped to handle such transactions, he said.

"We narrowed down the underwriting decision on workers compensation risks to fewer than 10 questions. Essentially, we were able to quote a workers comp policy in a survey," Mr. Torneden said.

"For some producers, that wasn't acceptable. For those producers, we were not a good fit," he said. "We wanted to have data entry in the producers' offices and needed producers who share some of the same vision," he added.

"We looked at our producer base and determined that there was a small number (of producers) that we could efficiently serve with high technology," he said.

In addition, TIG wanted to get a greater flow of business from the agents and brokers with which it worked. "We had literally hundreds of producers that sent us one, two or three pieces of business that we bound in a year," Mr. Torneden said.

Rather than deal with thousands of agents on an account-by-account basis, with sometimes spotty results, TIG narrowed its producer base, he explained.

"We helped producers to find other markets. It wasn't abrupt," he said. "It was very successful. We explained what we needed to do and why we needed to do it."

It's a path other insurers have followed, particularly after a merger or acquisition, industry observers note.

"It's really a cost issue. It's part of the whole consolidation (trend), getting redundancies out of the distribution system," the Council's Ms. Kemper said.

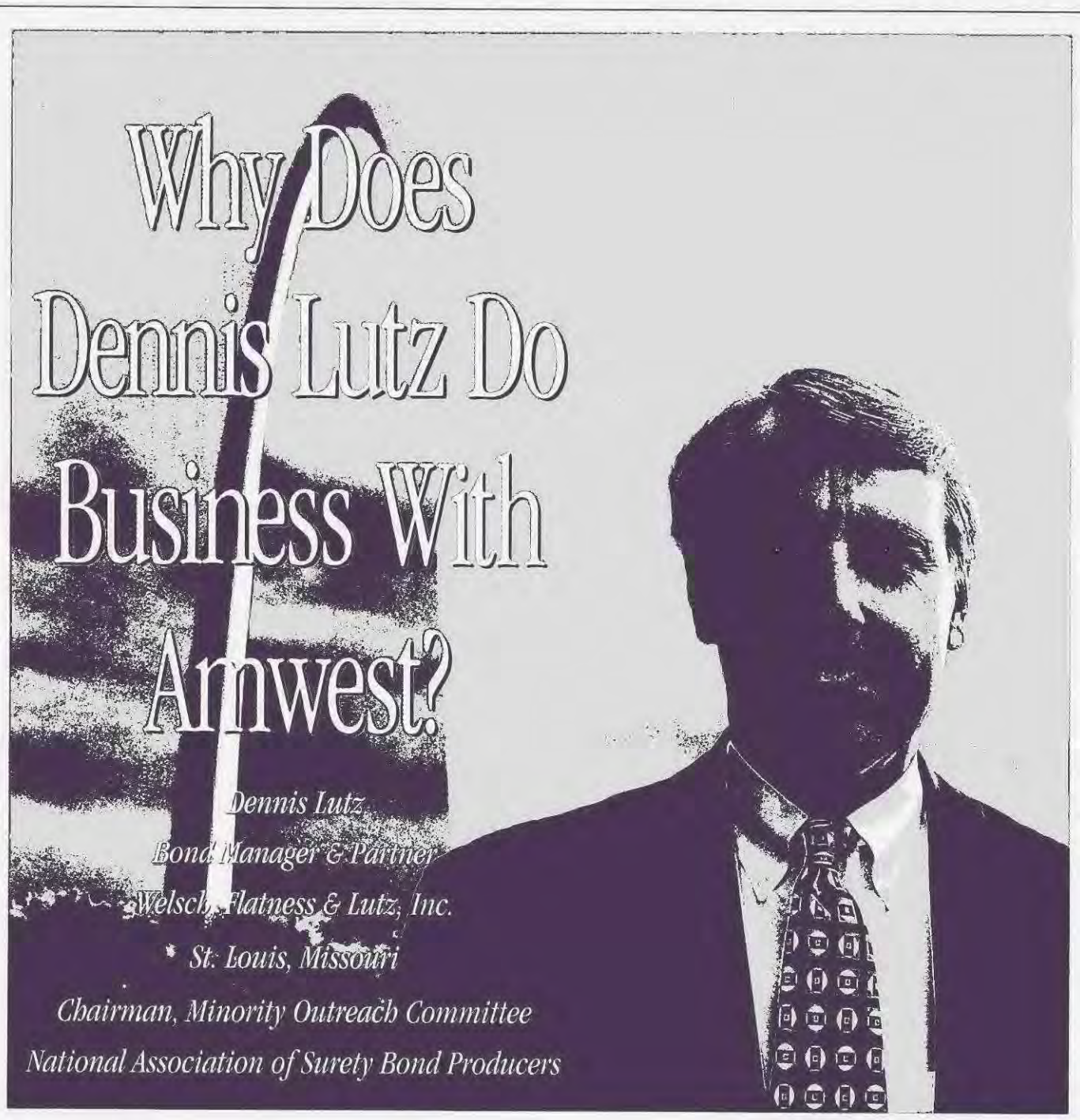
In TIG's case, internal restructuring not only reduced the number of producers, but it also made the insurer's executives more accessible to them, Mr. Torneden said.

"Hardly a day goes by that a producer doesn't call with a question or concern," Mr. Torneden said. "It makes me feel really good that relationships are strong enough that we get information fed to us from the front lines."

As a result, the insurer has an ongoing dialogue with its agents and brokers to improve relations.

"You need to have a partner mentality to have a successful program," Mr. Torneden said. "We share loss

See **Downsize** *on page 20D*



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Downsize

Continued from page 20B

information, expense information, with the objective that we can find ways to cut expenses and improve the product," he explained.

Accessibility is particularly appealing to TIG agent Glenn Clark, president of Rockwood Programs Inc., a managing general agency in Wilmington, Del., and a unit of E.W. Blanch Co.

"I have the access to call in. I don't have to go through the hierarchy," he said. "It makes us partners."

Other ways TIG is strengthening ties with agents include long-term contracts lasting a minimum of five years and profit-sharing agreements, Mr. Torneden said.

In the wake of downsizing, agents and brokers can improve relations with insurers by presenting business more carefully, checking out potential clients' risks before taking them to an underwriter, the Council's Ms. Kemper said.

"More and more carriers are depending on the agents and brokers to do the pre-screening and risk selection," she said.

She recommended that agents put their best foot forward when proposing a new account or program.

"Be careful about bringing quality business to the insurer. Quality business will help the relationship," Ms. Kemper advised. BI

Court upholds agency suit over non-compete clause

By MARK A. HOFMANN

Is a non-compete provision in an agreement between an insurance agency and the former exclusive underwriter of one of that agency's largest programs legally enforceable?

The answer, at least in Pennsylvania and for the time being, is yes.

The non-compete clause is at the heart of *Volunteer Firemen's Services Inc. et al. vs. CIGNA Property & Casualty Insurance Co. et al.* A state district court judge in York, Pa., ruled in favor of VFIS' parent, York-based Arthur J. Glatfelter Agency Inc., last year, but the matter did not end there.

CIGNA appealed to state superior court in Harrisburg, which heard arguments earlier this year. No decision has been rendered.

CIGNA declined to comment on the case, citing its policy against discussing ongoing litigation.

While CIGNA was dealing with Glatfelter, creating a response to the agency's request for proposal for a company to front an alternative risk transfer vehicle, "they were working on their possible entry into this market in direct competition with us, and I believe the opinion reflects that," said Ray Fidler, Glatfelter's vp and general counsel.

"I think it's rare that an agent would have the bargaining power and the business wherewithal to obtain the kind of promises CIGNA made in the contract, whether it's promising not to compete or acknowledging a wide range of materials to be trade secrets of the agent," he said.

"It upholds the traditional agency/company law that validates the American agency system, that ownership of the program and the expiration vests with the agent as opposed to the company," added Mr. Fidler.

As outlined by District Court Judge John T. Miller of York, Pa., in his original decision in favor of Glatfelter, the agency issued the first of the insurance products designed for emergency service organizations in 1969. In 1972, Volunteer Fireman's Insurance Services Inc. and CIGNA began a relationship when Insurance Co. of North America, which later merged with Connecticut General Insurance Co. to create CIGNA, became the exclusive underwriter for the program. The relationship between VFIS and CIGNA ended May 31, 1996.

During the relationship, "CIGNA had access to confidential information and information that was not easily attainable in publicly available material," Judge Miller wrote in his decision.

According to the court, CIGNA received at least $94 million in premium from the emergency services business in each year between 1991 and 1995, with a high of $101 million in both 1992 and 1993. VFIS received commissions of between $32 million and $38 million during each year of the five-year period.

In 1990, the two parties began negotiating a new contract, a process that ultimately would take four years. VFIS' initial draft called for a non-compete provision. In 1993, CIGNA responded with a five-year agreement that did not contain a non-compete provision. VFIS said the draft was not acceptable because of the length of the contract and the absence of the non-compete provision, court papers show. VFIS countered with a draft that called for a three-year contract containing a non-compete provision, but CIGNA

See **Clause** *on page 20F*

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Clause

Continued from page 20D

rejected that.

Finally, in mid-1994, the parties agreed to a contract and addenda, retroactive to Jan. 1, 1993. Judge Miller cited two sections of the document as having a bearing on the case.

One spelled out a confidentiality agreement. After detailing what would be covered by the confidentiality provision, the section read: "We agree to safeguard and maintain in confidence such information and will make such confidential information known only to those affiliates, employees or representatives whose business purposes necessitates their access to such information. We will not during the term of this agreement or any time thereafter disclose to others confidential information obtained from you, except to the extent required by law or by order of a court of competent jurisdiction."

The judge also cited the non-compete provision as bearing upon the case. That provision read, in part: "Acknowledging the longstanding relationship between you and us, we together agree as follows. For a period of three years following any termination of this addendum, except termination for those grounds set forth" in three other sections of the confidentiality agreement. Judge Miller, however, deemed those other sections of the agreement "inapplicable to this case."

The non-compete provision further held that CIGNA "will not directly or indirectly solicit, sell or issue a voluntary property/casualty policy to any volunteer fire business, except for volunteer fire business which is part of a municipal account. . . .This agreement applies to those states and territories in which volunteer fire business is conducted at the time of termination. . . .As used in this paragraph, 'solicit' means the actual or attempted solicitation, sale, placement or procurement of insurance for, or on behalf of, any volunteer fire business."

Shortly before the agreement was signed, VFIS began strategic planning for an alternative risk structure without telling CIGNA, Judge Miller wrote. One of the reasons for VFIS' move was concern over CIGNA's rating from A.M. Best Co. So Glatfelter formed a Bermuda-based captive reinsurance company in 1993 called GIG Reinsurance Co. Ltd. and retained Tillinghast Towers Perrin as a consultant "to formulate a research proposal to investigate potential fronting companies suitable for VFIS' future strategic plans."

Judge Miller noted that CIGNA's A.M. Best rating was downgraded to B++ on Dec. 21, 1994, and that VFIS' addendum "provided that VFIS would terminate for cause the addendum, with written notice within 60 days after a 'downgrade in A.M. Best rating below A-.'"

The judge also noted that VFIS informed CIGNA of its concerns and "expressed willingness to work with CIGNA in its attempts to restore its prior Best rating. However, concerns remained because of municipal customers which require ratings of A for coverage."

VFIS sent out requests for proposal to fronting candidates for its new structure. The RFPs contained confidentiality agreements. CIGNA was not informed of the process until Best restored the insurer's A- rating in February 1995. CIGNA received an RFP shortly thereafter, but American Re-Insurance Co. ultimately was chosen for the arrangement.

CIGNA began exploring entering the emergency services market itself. A few weeks after VFIS informed CIGNA it was ending the relationship, CIGNA told VFIS of its decision to enter the market. VFIS filed suit to block the insurer from doing so.

CIGNA countered that the non-compete agreement was voided because VFIS had misled the insurer by concealing its plans to possibly replace CIGNA as the underwriter for the book of business, court papers say. Enforcing the non-compete agreement also would amount to an illegal restraint of trade and reduce competition, CIGNA argued.

Judge Miller rejected the arguments.

Noting that the concept of non-compete covenants has been "disfavored" by Pennsylvania courts, Judge Miller explained why he ruled this particular covenant to be valid. The relationships between the two parties had many of the attributes of a joint venture, he wrote.

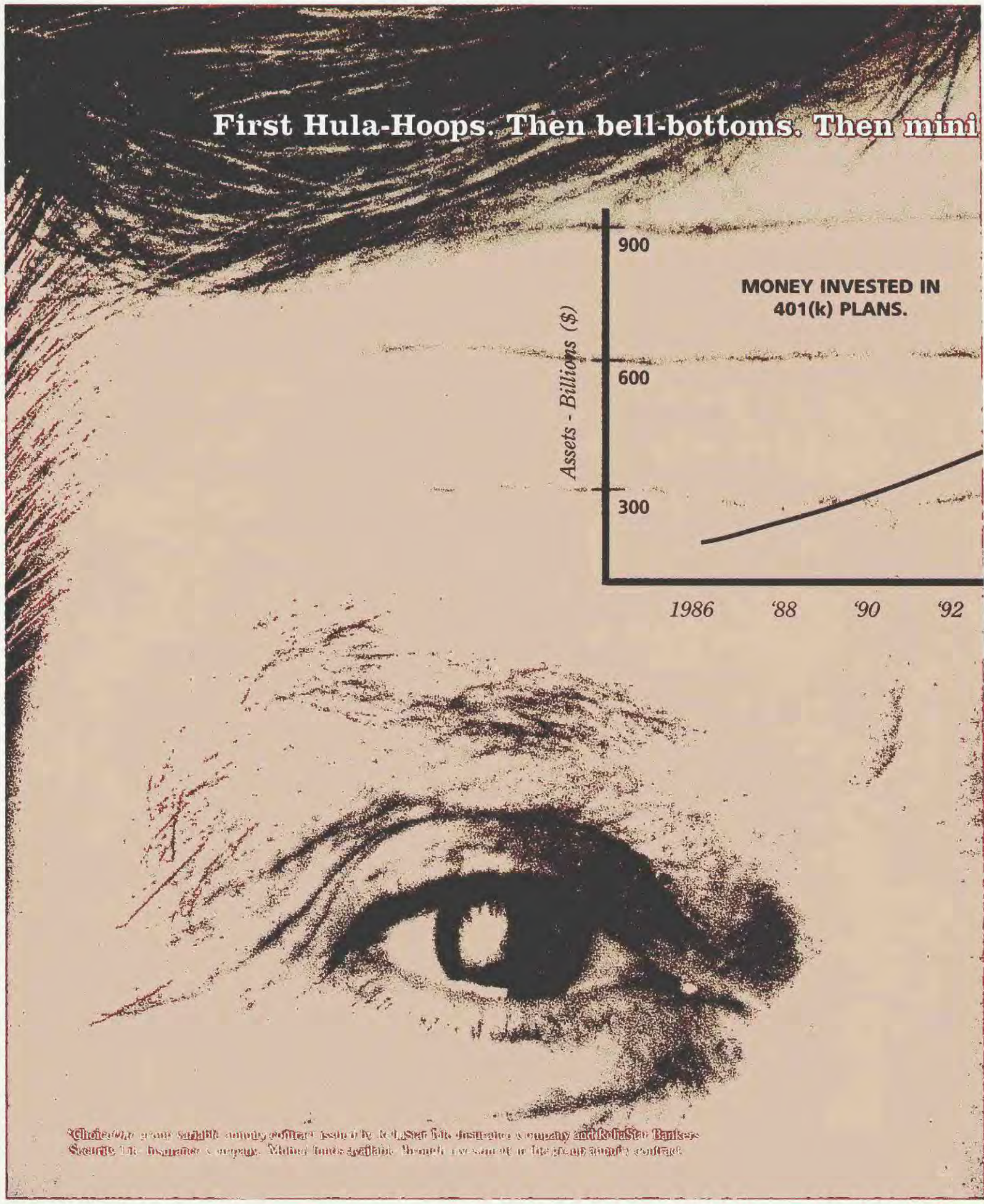
In addition, the arrangement was not governed by any pre-emption of federal antitrust laws by the McCarran-Ferguson Act. That said, the non-compete provision did not violate federal antitrust laws, he wrote. There was no way that VFIS, which controlled between 30% and 40% of an increasingly competitive market, could engage in monopolistic practices, the judge wrote.

The arrangement did not violate state laws against restraint of trade. And the fact that VFIS intended to replace CIGNA as underwriter did not constitute fraudulent behavior, he wrote.

"We conclude the analysis by reference to the agreement of VFIS addendum thereto were carefully negotiated contracts between two sophisticated business organizations. The covenant against competition was ancillary to the main purpose of the agreement, i.e. to protect VFIS after the termination of the agreement and VFIS addendum by giving VFIS time to develop a new business structure without fear of being overwhelmed by the very size and scope of an insurance underwriter such as CIGNA armed with confidential and proprietary information derived from its long relationship with VFIS."

•

Volunteer Firemen's Insurance Services Inc. et al. vs. CIGNA Property & Casualty Insurance Co. et al., Court of Common Pleas of York County, Pa.; No. 96-SU-01294-07, Aug. 26, 1996.



Unique product, expertise are specialty keys

Exec reveals tips for prospering in niche markets

By JUDY GREENWALD

The keys to becoming a successful specialty insurer include differentiating one's product, finding an unfulfilled market and developing expertise in that area, an insurance executive says.

Walter A. Rhulen, chairman and chief executive officer of Frontier Insurance Group, discussed how the Rock Hill, N.Y.-based company developed its role as a specialty insurer during the national insurance symposium leadership conference sponsored recently by San Francisco-based Russell Miller Inc.

Today, Frontier offers 132 separate programs. Its origins as a successful insurer began with the underwriting activities of an agency subsidiary.

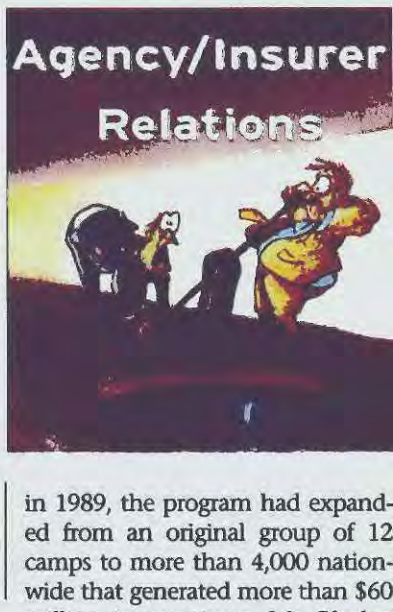
Mr. Rhulen said he had been "born on the other side of the tracks" as the son of an insurance agent who had successfully developed liability and property programs for resort hotels, the major business in the small resort town of Monticello, N.Y., where he grew up.

When Mr. Rhulen joined the Rhulen Agency in 1954, he decided to look for another specialty in which to grow the business and settled on summer camps. The agency later expanded into animal mortality coverage for pet owners as well. Subsequently, Frontier sold the Rhulen Agency, and Mr. Rhulen joined the insurer.

One of the keys to developing as a successful specialist, said Mr. Rhulen, is to differentiate one's product. For instance, an insurer can charge more than average but offer more services, such as loss control and risk management.

It also is important to find an unfulfilled market, said Mr. Rhulen, and to have expertise in that market. For instance, the Rhulen Agency published a bulletin four times a year called "Camp Tips" that offered advice on topics ranging from ridding camps of vermin to screening job applicants for potential sex offenses.

By the time the agency was sold in 1989, the program had expanded from an original group of 12 camps to more than 4,000 nationwide that generated more than $60 million in premiums, Mr. Rhulen said.



Gaining association endorsements was another key strategy. For instance, in its animal mortality business, Rhulen gained the endorsement of associations such as the American Painted Horse Assn., while its camp business had the American Camping Assn.'s endorsement.

Another key element in the company's success has been its ability to expand into areas "similar or related" to the original concept.

For instance, when specialty camps became popular, Rhulen began to offer programs for gymnastics camps, which led to clubs for gymnastics and other Olympic sports. Karate programs led to tai chi, music, arts and coverages for event venues, said Mr. Rhulen. "You wind up dramatically expanding the scope of your specialty," he said.

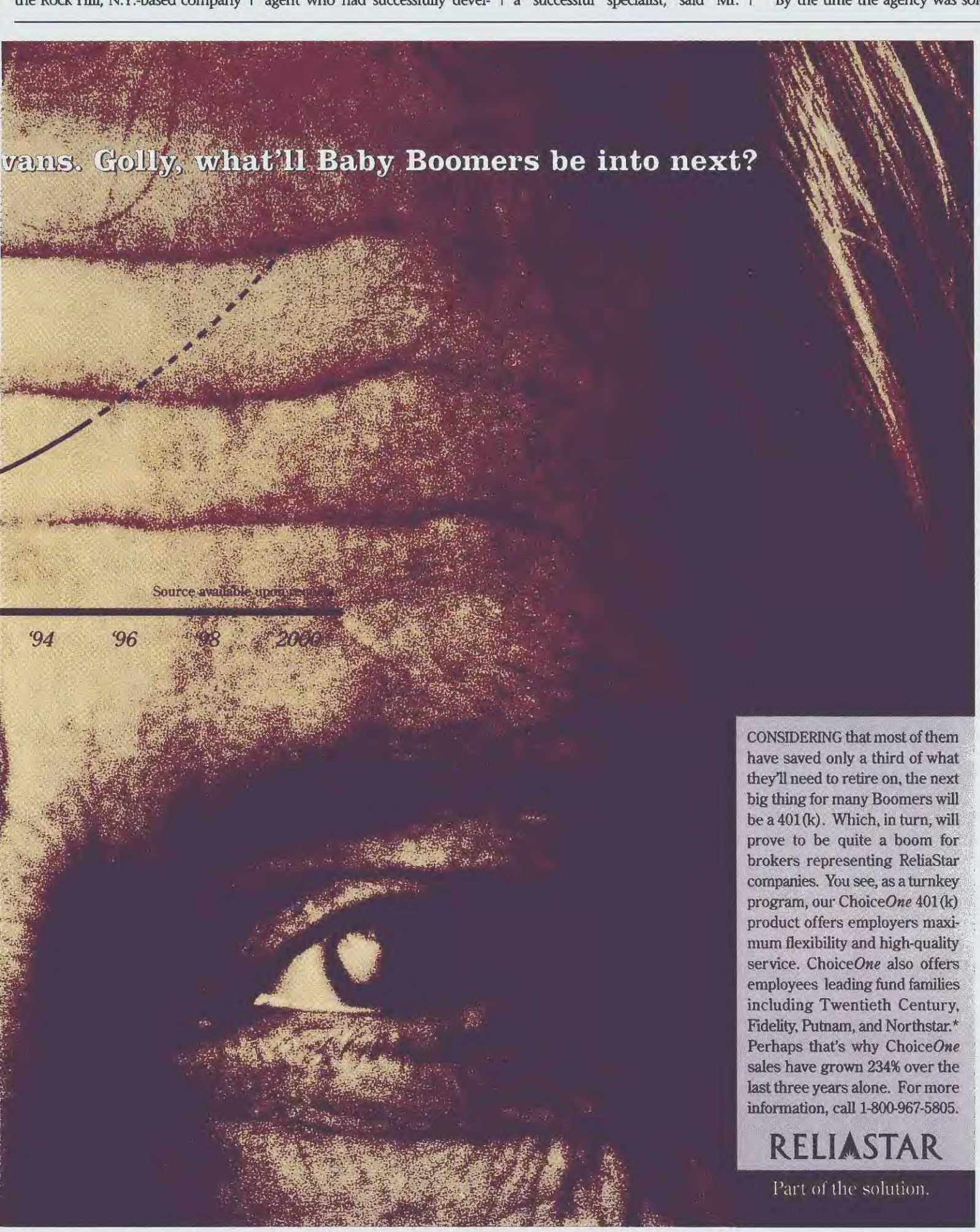
A company also can "be successful in a line if you're nimble," said Mr. Rhulen. When the aerobics craze hit in the early 1980s, the agency was quick to offer programs for aerobic dance studios, which had good loss experience.

He noted also that in the process of doing business in the animal husbandry line, the company began offering related lines as well, including: liability for thoroughbred owners; fire loss coverage for horses at every track in the country; accidental death and dismemberment coverage for harness drivers; and coverages for whales at the San Diego Zoo; and "lions and tigers and bears, and even exotic birds."

But, the company did stumble when it decided to get into the pet insurance business, Mr. Rhulen said. It got involved in this line based on its experienced claims staff, which was used to dealing with veterinarians; a comparable program's success in England; and a population of 48 million dogs and 39 million cats, with the participation of only 0.1% needed to make the program profitable.

"Unfortunately, we were wrong on all counts," said Mr. Rhulen. It turned out that the policy involved a different kind of claimant from what the company was used to, and veterinarians, who were difficult to deal with. And the fact that this line was successful in the past "does not mean anything about your future business."

See **Niche** *on next page*



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Niche

Continued from previous page

After three years, the program had just 1,000 policies with a 130% loss ratio and a 300% combined ratio. "It was quite a lesson," he said.

Among the criteria the insurer uses today to select programs are relatively little competition and a sufficient number of potential policyholders, said Mr. Rhulen. He added that the insurer has an open door and welcomes proposals.

Insurers that are trapped by volume requirements and an inflexible distribution system see becoming niche players as a solution to their growth problems, he said. Unfortunately, however, many unprofitable programs are now available because the insurers are not well organized.

The smaller, experienced niche player has a significant advantage, said Mr. Rhulen. Apart from American International Group Inc., which has a niche-oriented culture to start with, said Mr. Rhulen, he does not believe major insurers will make a successful transition to becoming niche players. BI

New laws benefiting agents

Legislators in Montana and Wyoming have enacted new laws that will benefit insurance agents and brokers.

Beginning this summer, agents in Montana will be able to contract with and earn commissions from the state workers compensation fund.

Under a bill passed by the Legislature this spring, the Montana State Compensation Insurance Fund will begin contracting July 1 with licensed insurance agencies to sell workers comp coverage offered by the fund.

The fund intends to contract with 16 to 20 agencies during a seven-month pilot project; next February, the fund will open the process to all agencies in the state.

The Montana law was enacted in an effort to make the state fund more competitive with private workers compensation insurers in the state, according to a spokeswoman.

In Wyoming, beginning July 1, insurance agents can operate as limited liability companies and limited partnerships.

During the 1997 legislative session that ended earlier this spring, the state Legislature amended its corporation code to allow licensed insurance entities, other than insurance companies, to operate as limited liability companies and limited partnerships.

The change enables insurance agents to organize their businesses in a form that other professionals in the state already are allowed to use, noted Ken Vines, Wyoming's deputy insurance commissioner.

The Insurance Department had supported the legislation.

—By Deborah Shalowitz Cowans

Insurers can help agencies automate, IIAA executive says

Standardizing agency automation will benefit the independent agency distribution system more than proprietary technology, an Independent Insurance Agents of America executive says.

"It is ridiculous for agents to spend time entering data twice or training new staff on five different company proprietary systems when they could be using that time calling a new prospect or rounding out an existing account," IIAA Executive Vp and General Counsel Jeffrey M. Yates said at a recent conference of the Insurance Value Added Network Services. His comments were reported in a statement issued by the Alexandria, Va.-based agents association.

Insurance companies and vendors should think from the agent's perspective when they make automation decisions, Mr. Yates said.

According to the IIAA statement, he added that the industry needs to begin looking at single-entry, multi-company interface and availability on everyone's desktop.

He said insurance companies should conduct joint planning sessions with agents and discuss what automation changes would make those agents more productive, according to the association's statement.

Mr. Yates said that he is "encouraged" that insurance company executives have shown they are concerned that their approaches may hamper agents' ability to sell.

Criticism deposited on bank oversight

Dingell calls for removal of comptroller of the currency

By MARK A. HOFMANN

No one has ever accused former House Energy and Commerce Committee Chairman John D. Dingell of sugarcoating his public statements.

He reinforced his reputation for speaking his mind during an appearance before the Independent Insurance Agents of America's 21st annual legislative conference in Washington last month.

Rep. Dingell, D-Mich., who is now the ranking Democrat on the renamed Commerce Committee, won agent applause as he blasted efforts to give banks more powers and then called for the "removal" of the comptroller of the currency.

Rep. Dingell presented House Banking Chairman Jim Leach, R-Iowa, with a hard act to follow, but the scholarly congressional leader from Iowa still won applause for his criticism of moves to mix banking and commerce.

Financial restructuring often has "hidden meanings," said Rep. Dingell.

"One would think after the debacle in the savings and loan industry" that Congress and the administration would be more interested in preventing future raids on the Treasury, he said. But "there's never a shortage of fools and scoundrels" who are anxious to repeat the errors of history, he said.

Rep. Dingell accused the Office of the U.S. Comptroller of the Currency and the Federal Reserve Board of engaging in a "classic race to the bottom" in their efforts to give banks broader powers.

Rep. Dingell

Noting the recent decision of Comptroller Edward Ludwig to recuse himself from a decision involving a bank's application to engage in real estate development through a subsidiary, Rep. Dingell said "recusal in this instance is a fine first step toward a more productive goal—removal" of the incumbent comptroller.

Rep. Dingell told his audience that he wasn't referring to ethical problems but rather what he called a "stupid policy" of expanding bank powers. He added that he has yet to be convinced that banks are effective competitors with agents as things currently stand. A comparison of the service given by banks with that provided by agents proves agents' superiority, he said.

He warned his audience, though, that they are "in a huge fight. Your successes so far do you great credit, but you're going to have to fight even harder in the future."

Rep. Dingell also noted that despite the questions involving solvency that arise when banks get into the insurance business, he doesn't see much chance that his old measure to create a federal solvency framework for certain insurers will be revived.

"I'm not sure the time is right for that bill to pass in the 105th Congress," he said.

Rep. Leach said: "We have a circumstance where we've moved from a government by law to a government by decree" as regulators, rather than lawmakers, set the rules for the powers enjoyed by banks. Rep. Leach pointed out that he introduced a financial services modernization bill, H.R. 10, early

See **IIAA** *on next page*

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IIAA

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in the session to bring fairness and competition in the financial services industry.

Rep. Leach said that while there is some justification to allowing banks greater freedom in the financial services industry, he believes any inclination toward allowing banks and commercial enterprise to combine should be stopped.

"I personally believe this is one of the great 'no's,'" said Rep. Leach.

"Culturally, the United States has no appetite for this type of thing," he said. Allowing such combinations runs counter to philosophies of Thomas Jefferson and Theodore Roosevelt, Rep. Leach said.

"There is no economic case that has been brought that this is good for society," he said, adding that banks do not have a good track record when they've become involved in business outside of what they understand.

The interests of insurance agents and the nation converge on several points regarding financial regulation, he said.

'There is no economic case that has been brought that this is good for society,' says Rep. Jim Leach.

There should be no integration of commerce and banking, he cited as one example of this convergence. Regarding finance, there should be functional regulation so that all institutions engaging in the same business should do so under the same rules. If other financial institutions get into the business of insurance, they should be allowed to do so only through a holding company structure so they cannot tap into federally guaranteed deposits for non-bank activities. Finally, he said, permissible activities should be determined by the rule of law rather than regulator decree.

During a question-and-answer session following his prepared remarks, Rep. Leach said that natural disaster response legislation will be the subject of hearings across the country during this Congress.

Several bills have been offered to make property insurance more affordable and available in catastrophe-prone areas. "But we don't want to take on a huge new contingent liability for the U.S. government," said Rep. Leach. He said there was no guarantee that a bill would be enacted during the 105th Congress.

Rep. Dingell was awarded the IIAA's Legislator of the Year award at the conference. BI

Global change sparks demand for education

International Insurance Foundation taps insurance industry to support initiatives

By SUSAN BARD HALL

Privatization of the insurance industry in emerging markets is creating new demand for education and training worldwide, and the International Insurance Foundation is responding with new resources and financial commitments from the industry.

In addition to privatization of national insurance markets, such factors as trade liberalization and insurance law reforms also have heightened the need for customized professional education programs and training among members of the insurance industry, explained Edward B. Jobe, chairman of the IIF's board of founding directors. He pointed out that insurance education and training encompass technical issues as well as ethics.

"The IIF's overall goal is to facilitate the emergence of a global private insurance industry characterized by the highest levels of knowledge, technology, professionalism and business ethics," Mr. Jobe said, quoting the foundation's mission statement. "Our highest priority is to assist insurance regulators in developing adequate systems and expertise for effective insurance supervision."

Mr. Jobe was appointed founding chairman of the IIF in 1995. A 40-year veteran of the insurance/reinsurance business, Mr. Jobe said his retirement in 1996 as chairman and chief executive officer of the American Re-Insurance Co. enabled him to focus his attention on the IIF. He has the title of chairman emeritus and director at American Re and maintains an office at its Princeton, N.J., headquarters.

Chartered by the International Insurance Council as a philanthropic institution, the IIF officially started Jan. 1, 1996.

"The IIC had been thinking for a few years of creating an educational arm and had been looking for the right person to serve as chairman," Mr. Jobe said.

See **Foundation** *on next page*

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Evidence of need

Mr. Jobe said he eagerly accepted the challenge because several IIC missions in which he participated prior to the IIF's formation underscored the need for education and training in emerging insurance markets.

"It's a labor of love for me," Mr. Jobe said. "I have both the time and the inclination and have made a commitment to stay on through 1998, longer if they still want me."

Soon after he assumed the IIF chairmanship, he began contacting industry colleagues to ascertain their interest and determine the level of support they were willing to commit to the foundation.

Gordon J. Cloney, president of the Washington-based International Insurance Council, said approximately $1 million has been raised so far, which will be used for IIF programs over the next few years. In addition to financial support, the founding companies on the IIF's board have pledged to donate their resources whenever possible and wherever appropriate. "Through these companies' in-kind support, such as providing speakers and trainers, we are actually looking at a budget with a multiplier of two to three times that dollar figure," Mr. Cloney said.

Still, the needs far outweigh the IIF's resources, Mr. Jobe pointed out.

The majority of the educational needs are identified by the IIC and brought to the foundation's attention. Additionally, overseas programs and missions conducted in emerging markets uncover specific needs, Mr. Jobe said.

Once the needs are identified, the IIF calls upon the expertise of a board of educational advisers that counsels the foundation on the quality and content of its programs. As each program is finalized, it is presented to the board of directors for its input and approval.

The IIF's board of educational advisers includes: Norman A. Baglini, president and CEO of the American Institute for CPCU in Malvern, Pa.; Charles D. Edinger, executive vp of the College of Insurance in New York; Michael L. Murray, professor of insurance at Drake University in Des Moines, Iowa; and Harold D. Skipper Jr., C.V. Starr Distinguished Professor at Georgia State University in Atlanta.

'Technical information and educational support is urgently needed in many countries,' says Edward B. Jobe.

Another person who is key to the programming process is Robert J. Gibbons, who serves as program director and coordinates the foundation's ongoing programs. Mr. Gibbons explained that the IIF does not insist on any particular educational system but rather works with existing resources in emerging markets to help them to progress toward global standards as quickly as possible.

IIF programs

Mr. Gibbons elaborated on a few of the programs the IIF has conducted in the past year, as well as those planned for the near term.

- In conjunction with FUNENSEG, Brazil's National Foundation for Promoting Insurance Education, the IIF conducted a three-week seminar in the United States to introduce a group of 24 Brazilian insurance executives to underwriting and pricing techniques that are characteristic of the U.S. market.
- During visits to the United States by Indian and Brazilian insurance regulators, the IIF arranged several sessions with various industry organizations to introduce the regulators to the fundamental mechanisms that support a free insurance market in the United States.

Future programs already are in the planning stages. According to Mr. Gibbons, another program for Brazilian executives is planned for this month. The IIF also has received requests from Argentina, Central America, the Middle East, and Eastern Europe to develop similar seminars in the United States. The IIF is considering developing programs abroad to demonstrate risk management techniques.

Another area where education and training are needed in emerging markets is how to select, underwrite and price insurance without tariffs. Mr. Jobe cited catastrophe modeling programs as one example of how this can be done. Computer modeling systems can help identify and manage underwriters' natural catastrophe exposures, he said. These systems record "catastrophe exposures and project those exposures into various categories of loss for various earthquake or hurricane scenarios." The underwriter then prices the risk accordingly.

Catalyst for change

Another vehicle the IIF intends to use periodically to help educate and train is the publication of papers.

According to Mr. Gibbons, the first such paper, authored by Mr. Skipper, will be published soon on foreign insurers in emerging markets. "These objective, scholarly analyses will help policymakers in many countries frame their debates about opening insurance markets," Mr. Gibbons said.

Mr. Jobe sees the IIF as "facilitating" rather than "fostering" the growth and development of the insurance industry worldwide.

"Many countries have reformed their insurance laws, privatized state insurers and invited foreign participation in their efforts to build modern, competitive insurance markets," Mr. Jobe said. "Under conditions of such profound change, technical information and educational support is urgently needed in many countries for insurers to operate successfully within the framework of a private market. In competitive markets, sound insurance operations and proper regulatory oversight require professional knowledge and skills."

He added that the IIF's programs can work as a catalyst for change.

"In the spirit of friendship and cooperation, the IIF's programs can provide a catalyst for vibrant insurance education in emerging markets by helping global sharing of the knowledge and experience of the United States and other industrial insurance markets, by assisting in curriculum planning as well as by identifying resources that can be adapted to local conditions," Mr. Jobe said.

In addition to Messrs. Jobe and Cloney, the IIF's board of founding directors are: Paul H. Inderbitzin, who recently resigned as president of American Re-Insurance Co.; Mahmoud Abdallah, president-international, American Re-Insurance Co.; J. Patrick Gallagher, president and CEO of Arthur J. Gallagher & Co. of Itasca, Ill.; David W. Nelson, managing director and division executive of Chase Manhattan Bank N.A. in New York; Dean R. O'Hare, chairman, president and CEO of Chubb Corp. in Warren, N.J.; H. Edward Hanway, president of CIGNA HealthCare in

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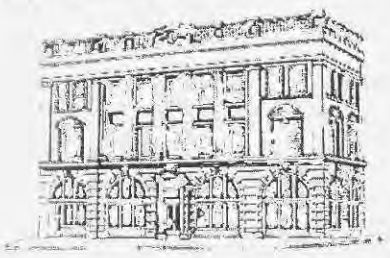

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Grant funds insurance ethics institute

NORMAL, Ill.—Illinois State University and ISU's Katie Insurance School have launched a new insurance ethics institute.

Created last month through a private $300,000 grant raised with the help of the Illinois Department of Insurance, the Institute for Insurance Ethics will operate as a division of the Katie School and will be based in Normal, Ill.

The institute's mission includes developing programs to educate members of the life insurance industry as well as buyers about ethics, social responsibility and ethical standards in the insurance industry. Programs on ethics will include continuing education courses, seminars and instructional materials, as well as research and public forums.

"The Department of Insurance is pleased to help facilitate the Institute for Insurance Ethics at Illinois State University," Dick Rogers, deputy director of the insurance department, said in a statement.

The College of Business Administration at ISU will oversee the institute, which will be led by a board of advisers whose members will include industry experts on ethics and the director of the Illinois Department of Insurance.

Although the institute's initial focus will be ethics in the life insurance industry, a spokesman for the Katie School said the institute eventually will expand its scope to include ethics in the property/casualty industry.

Already planned activities include: a continuing education course on ethics for insurance agents, which is expected to begin this fall; and a symposium on insurance ethics at the annual convention of the American Risk & Insurance Assn. in San Diego Aug. 10-13. The symposium will be jointly sponsored by ISU's Institute for Insurance Ethics and the Malvern, Pa.-based Institute for Applied Ethics.

The Institute for Applied Ethics was launched in 1995 by the Insurance Institute of America and the American Institute of Chartered Property Casualty Underwriters in an effort to further education and awareness of insurance ethics (*A/BT*, Dec. 4, 1995).

For more information on Illinois State University's Institute for Insurance Ethics, contact Charles R. McGuire, chairman of the Department of Finance, Insurance and Law at Illinois State University in Normal, 309-438-8777; or Andrew Nappi, director of the Katie Insurance School, 309-438-3021. BI

A/BT Briefs

Agents help out

Severe flooding in North Dakota and Minnesota has prompted agents in the area to do more than simply handle clients' claims.

Rick Weber, who owns Weber Insurance Agency in Castleton, which is in eastern North Dakota, moved his staff to his home, which still had telephone service. They then called all their clients to see if any needed emergency service, according to the Alexandria, Va.-based National Assn. of Professional Insurance Agents.

Mr. Weber also arranged for two portable generators to power his agency and to lend to clients who did not have electricity in freezing temperatures.

He added that several insurers he represents got claims checks to customers in fewer than four days.

According to a statement, North Dakota state PIA President Dave Aadnesck spent half a day helping a client save his cows from freezing to death and also worked as a volunteer firefighter.

Larry McGillis, an agent with Mayport Insurance & Realty in Portland, N.D., said agents will be

See **A/BT Briefs** *on next page*

Foundation

Continued from previous page

Hartford, Conn.; Dennis H. Chookaszian, chairman and CEO of CNA Financial Corp. in Chicago; John G. Crysler, president of Electronic Data Systems Corp. of Plano, Texas; James MacGinnitie, national director of actuarial services for Ernst & Young L.L.P. in New York; Loay M. Al-Naqib, deputy chairman and chief executive of The Imperial Fire & Marine Re-Insurance Co. of London; Fred Marcon, chairman, president and CEO of the Insurance Services Office Inc. in New York; Gary L. Countryman, chairman and CEO of Liberty Mutual Insurance Co. of Boston; Ian M. Rolland, chairman and CEO of Lincoln National Insurance Co. of Fort Wayne, Inc.; Jan Jobe, president-international for Principal Financial Group of Des Moines, Iowa; and E. John Cloney, managing director and CEO of QBE Insurance Group Ltd. of Sydney, Australia.

Expanding the board is one of the items on Mr. Jobe's agenda.

"We want to involve more non-U.S. companies as well as add an international law firm that specializes in insurance," Mr. Jobe said. BI

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A/BT Briefs

Continued from previous page
crucial in the process of recovering from the Red River flooding.

"We have to be the foundation, the stabilizing force in the community," he said in the PIA statement.

Bonus program

DES MOINES, Iowa—Brokers of non-medical products for Principal Mutual Life Insurance Co. now can get compensation in addition to commissions.

The Non-Medical Producer Bonus also lets brokers use pension sales to qualify for quick entry into the program, the Des Moines, Iowa-based life insurer said.

The bonus applies to all Principal Mutual's group non-medical coverages, including group term life, accidental death and dismemberment, dependent life, supplemental life, group universal life, dental, short- and long-term disability, and vision. All new coverages written after Jan. 1, 1997, are eligible, according to a statement.

"Because the bonus scale is based on coverage counts, brokers can move up the scale faster than they would if the bonus were based on case counts," Vp Carey Jury said in a statement.

Principal Mutual is part of The Principal Financial Group.

Expanding non-medical sales is part of the company's strategy for future growth, Mr. Jury said.

"As The Principal evolves in its strategic focus, non-medical products are key to our long-term growth," Mr. Jury said in the statement. "And brokers are integral to our success."

For more information on the bonus program, call local group and pension sales offices of The Principal Financial Group.

IIAA discount

ALEXANDRIA, Va.—Insurance agents who register before June 30 for the Independent Insurance Agents of America's 102nd Annual Convention will save $50.

The convention is scheduled for Sept. 13-17 at the Hilton Waikoloa Village Hotel on Hawaii's Big Island. The "supersaver discount" rate is $375, $50 off the regular $425. Also, additional agents from the same firm can register before June 30 for $275.

To obtain a registration form, contact the IIAA's convention department at 800-221-7917 or use IIAA's Quick Fax service at 800-296-0578. Select item 2502 for a convention registration form and schedule of events, and item 2503 for a hotel registration form.

Ethics symposium

BRYN MAWR, Pa.—The American College will host a two-day Ethics Symposium May 19-20 that will honor Clarence C. Walton, emeritus professor of ethics.

The symposium, which the college said will bring together scholars in education leadership and business ethics, will be in conjunction with the college's 70th anniversary celebration.

Symposium presentations will address Mr. Walton's roles as public servant, leader and teacher, the college said.

Prof. Walton was appointed a consultant to the college in 1978 to develop a program in ethics and the professions, and in 1980 he became the first person to hold full time the Charles Lamont Post Chair in Ethics & the Professions.

For more information on the symposium, contact Ronald Duska, The American College, 610-526-1387.

Technology director

WASHINGTON—Frank Sentner has been appointed Director of Strategic Technology for the Council of Insurance Agents & Brokers.

"Frank's strong background in technology makes him ideally suited for this new position," Council President Ken Crerar said in a statement.

Mr. Sentner is involved in a three-part program to help the Council and its members take advantage of technology.

Those elements are: internal technology for the Council; a members' survey he has begun on technology issues; and a new strategic vision for the agent/broker group.

Mr. Sentner has been involved in developing agency management software since the early 1980s and has been involved in the development of insurance technology products and services since 1976, the Council said.

He also has worked as an independent consultant for clients that include major brokerages and USF&G Corp.

IIAA awards

ALEXANDRIA, Va.—The Independent Insurance Agents of America honored four agents recently for grass-roots political advocacy efforts.

Presenting two awards for fundraising on behalf of the IIAA's political action committee, InsurPac, the association recognized four member agents' contributions.

John E. Karpierz, president of the Orange Pacific Agency of Irvine, Calif., and J.L. "Randy" Adams, president of Adams Insurance Agency in Gloster, Miss., received the Bernard J. Burns Award for the greatest overall contributions to InsurPac.

Receiving the InsurPac Young Agent Award for fund-raising were Henry S. Kane, president of McLachlin Insurance Affiliates Inc. of Somerville, N.J., and Timothy Templeton, vp of Senn, Dunn, Marsh & Roland Inc. of Greensboro, N.C.

The Independent Insurance Agents of America created InsurPac in 1975 to aid the association's legislative programs. BI

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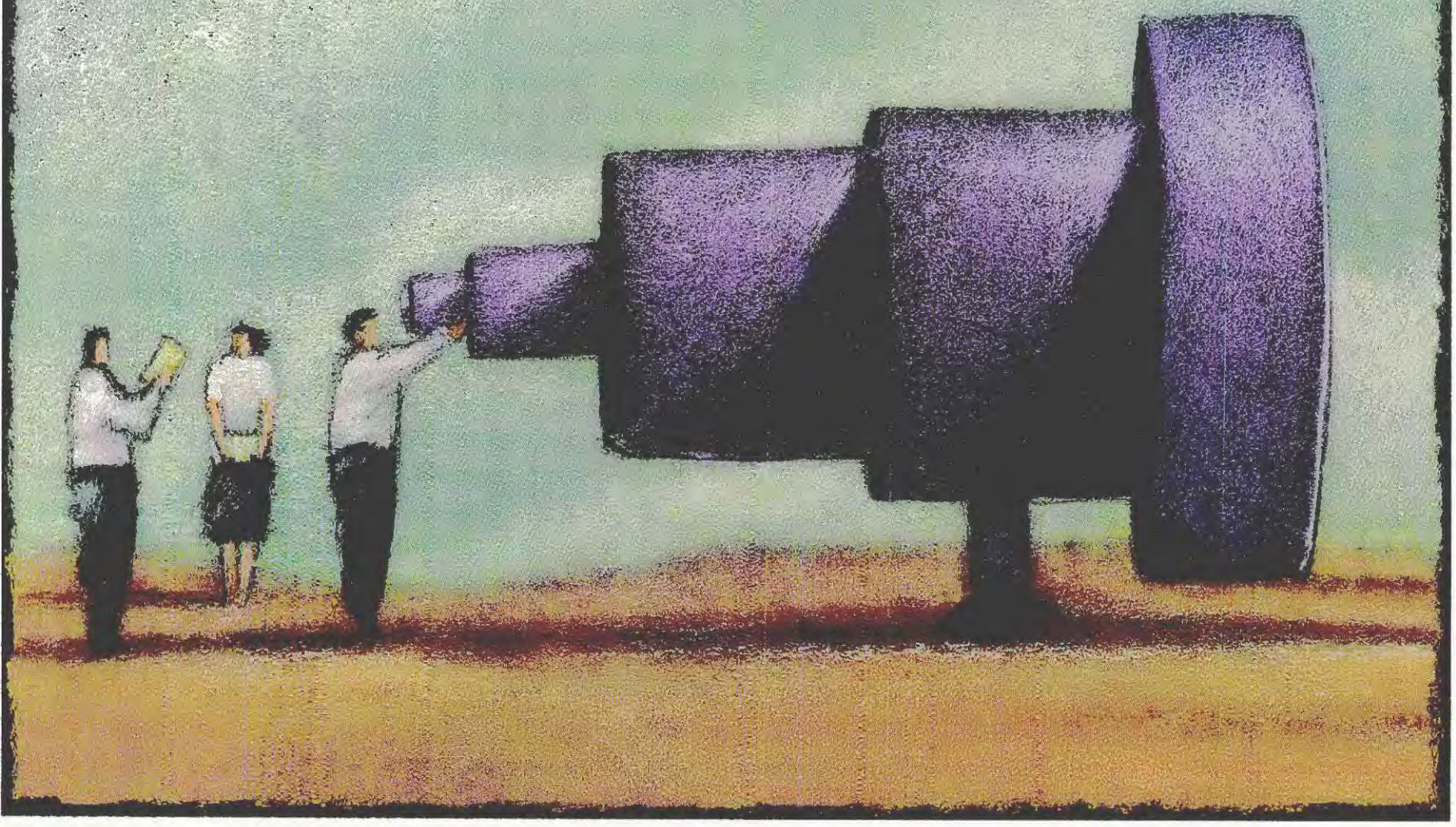

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Jun 9	Specialty Risks: Environmental & Professional [RS] *Directory: Environmental Risk Management Consultants* *Distribution: NAIC*		May 28
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RS: Reader Service, SS: Starch Study

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C

CalTrust

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

Staff

Total	148
Involved in 401(k) plan services	53

Clients

Total	220
Receiving unbundled services	220
Average participants/plan	180
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1996 revenues

Total	$12,140,000

Services began: 1988.
Parent: CNA Financial Corp.
Software: Purchased from outside vendor, accommodates 250 investment funds and 100 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Locations: Administrative/consulting office in San Francisco.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Renate Renfro, president; John Brown, Al Antignolo, senior vps; Sophia Bendush, senior financial officer.
Contact: John Brown, 800-274-8798.

Carlson, Quinn & Associates

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

Staff

Total	10
Involved in 401(k) plan services	10

Clients

Total	150
Receiving unbundled services	110
Receiving unbundled services	40
Average participants/plan	125
Minimum participants/plan	10
Maximum participants/plan	2,500

1996 revenues

Total	$1,000,000
401(k) plan administration	$800,000

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

The Chicago Trust Co.

171 N. Clark St., Mail Location RTR-10,
Chicago, Ill. 60601; 312-223-2630;
fax: 312-223-5731

Staff

Total	85
Involved in 401(k) plan services	76

Clients

Total	185
Receiving unbundled services	25
Receiving bundled services	160
Average participants/plan	350
Minimum participants/plan	100
Maximum participants/plan	10,000

1996 revenues

Total	$7,500,000
401(k) plan administration	$1,600,000

Services began: 1985.
Parent: Alleghany Corp.
Software: Leased from outside vendor, accommodates 20 investment funds per source and unlimited types of contributions.
Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, 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. Other services include distribution outsourcing.
Service area: Nationwide.
Locations: Administrative/consulting office in Atlanta.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense.
Officers: Stuart Bilton, Terry Zirkle, Ronald Quesenberry, Robert Stuark, Karen Fischer Prange.
Contact: Mark Metz, 312-223-2578.

Columbia Benefits Consultants Inc.

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

Staff

Total	5
Involved in 401(k) plan services	3

Clients

Total	105
Receiving unbundled services	35
Receiving bundled services	70
Average participants/plan	110
Minimum participants/plan	1
Maximum participants/plan	5,000

1996 revenues

Total	$300,000
401(k) plan administration	$205,000

Services began: 1982.
Software: Purchased from outside vendor, accommodates unlimited investment funds and 10 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Peter F. Hibbard, president; Jodie A. Dailey, vp.

Compensation Strategies Group Inc.

2920 Toccoa Road, Beaumont,
Texas 77703; 409-898-0061;
fax: 409-898-2450

Staff

Total	8
Involved in 401(k) plan services	7

Clients

Total	100
Receiving unbundled services	100
Average participants/plan	75

1996 revenues

Total	$450,000

Services began: 1985.
Software: Purchased from outside vendor, accommodates 20 investment funds.
Administration: Cash and unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues. Other services include document preparation and submission, examination by IRS or DOL and litigation support.
Service area: Texas.
Locations: Administrative/consulting office in Fort Worth, Texas.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Larry A. Turner, president; Logan Dickinson, vp; Vicky Holland, manager.
Contact: Larry A. Turner.

Coopers & Lybrand L.L.P.*

2100 N. Central Road, Fort Lee,
N.J. 07024; 201-592-1300;
fax: 201-592-9012

Staff

Total	2,000
Involved in 401(k) plan services	400

Clients

Total	588
Receiving unbundled services	588
Average participants/plan	5,000
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.
Software: Written and maintained in-house, accommodates 99 investment funds and 16 types of contributions, software may be used by clients in-house.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include complete plan administration through voice response system and customer service center.
Service area: Nationwide.
Locations: Administrative/consulting offices in 25 locations nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Reed A. Keller, vice chairman-Human Resource Advisory/The Kwasha Lipton Group; Robert S. Byrne, principal/president-The Kwasha Lipton Group; Frank J. Raiti, principal/managing director-Human Resource Advisory.
Contact: Patricia A. Rotello, 201-302-5265.
** Includes information from The Kwasha Lipton Group.*

Cordasco & Associates Inc.

P.O. Box 6607, Mobile, Ala. 36660;
334-473-0044; fax: 334-450-0203

Staff

Total	8
Involved in 401(k) plan services	8

Clients

Total	210
Receiving unbundled services	210
Average participants/plan	300
Minimum participants/plan	1
Maximum participants/plan	Unlimited

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

D

Delaware Charter Guarantee & Trust Co.

1013 Centre Road, Wilmington,
Del. 19805-1298; 800-332-4015;
fax: 302-995-6013

Staff

Total	292
Involved in 401(k) plan services	96

Clients

Total	400
Receiving unbundled services	400
Average participants/plan	160
Minimum participants/plan	10
Maximum participants/plan	10,000

Services began: 1981.
Parent: The Principal Financial Group.
Software: Written and maintained in-house, accommodates 40 investment funds and nine types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include trustee services.
Service area: Nationwide.
Charges: Determined by number of participants, complexity of plan, time and expense.
Officers: Ron Danilson, president; Tom Kline, vp/controller; Susan Judge, vp-401(k) administration; Michael Spencer, vp/national sales manager; Dan O'Neill, vp-MIS.

Deloitte & Touche L.L.P.

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

Staff

Total	800
Involved in 401(k) plan services	75

Clients

Total	500
Receiving unbundled services	500
Average participants/plan	300
Minimum participants/plan	250
Maximum participants/plan	Unlimited

1996 revenues

Total	$129,000,000
401(k) plan administration	$5,500,000

Services began: 1982.
Software: Purchased from outside vendor, accommodates 20 investment funds and 20 types of contributions.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include plan design and implementation, evaluation of outsourcing alternatives, financial planning, vendor selection management, actuarial services and compliance testing.
Service area: Nationwide.
Locations: Administrative/consulting offices in Los Angeles; Detroit; New York; Tulsa, Okla.; Portland, Ore.; Dallas; Houston. Consulting offices in San Francisco; Atlanta; Chicago; Boston; Minneapolis; Parsippany, N.J.; Philadelphia.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Richard J. Berens, principal-Minneapolis; James T. Phoenix, principal-Dallas; Ainar D. Ayala, principal-New York; Susan H. Achenbach, principal-Chicago; Richard A. Kleinert, principal-Los Angeles.
Contact: Donna J. Prall, 214-777-7652.

Detweiler, Hershey & Associates

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

Staff

Total	30
Involved in 401(k) plan services	5

Clients

Total	150
Receiving unbundled services	150
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	5,000

1996 revenues

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

Services began: 1981.
Software: Leased from outside vendor, accommodates 30 investment funds and 10 types of contributions.
Administration: Cash and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include consulting and plan termination.
Service area: Nationwide, primarily New Jersey and Pennsylvania.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Harold Detweiler, managing principal; Harold Hershey, Bruce Detweiler, Robert Schoen, James Rittenhouse, principals.
Contact: Rob Wisner.

Dreyfus Retirement Services

200 Park Ave., New York,
N.Y. 10166; 212-922-6110;
fax: 212-922-6299

Staff

Total	555
Involved in 401(k) plan services	427

Clients

Total	1,750
Receiving unbundled services	1,336
Receiving bundled services	414
Average participants/plan	2,800
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.
Parent: Mellon Bank.
Software: Purchased from outside vendor.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, 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, complexity of plan, assets under management.
Officers: Joseph G. Eck, senior vp.
Contact: Susan LaFond, 617-722-7869.

E

Employee Benefit Specialists Inc.

520 S. El Camino Real, Suite 430,
San Mateo, Calif. 94402; 800-229-7683
or 415-373-0800; fax: 415-373-0810

Staff

Total	18
Involved in 401(k) plan services	5

Clients

Total	300
Receiving unbundled services	300
Average participants/plan	80
Minimum participants/plan	1
Maximum participants/plan	1,500

Services began: 1987.
Software: Purchased from outside vendor.
Administration: Cash, unit value and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: 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. Other services include monthly valuation services, communication via Interactive Voice Response, online ability to make allocation changes, online enrollment, fax-on-demand capability and SPDs.
Service area: Nationwide.
Charges: Determined by number of participants, time and expense, frequency valuations.
Officers: Joan L. Rhodes, president; Chimane M. Rhodes, vp; Elizabeth Juen, general manager.

The Epler Co.

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

Staff

Total	14
Involved in 401(k) plan services	5

Clients

Total	15
Receiving unbundled services	15
Average participants/plan	20
Minimum participants/plan	5
Maximum participants/plan	15,000

1996 revenues

Total	$1,500,000

Services began: 1981.
Software: Leased from outside vendor, accommodates 20 investment funds and 15 types of contributions.
Administration: Cash, unit value, and full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity,

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Continued from previous page

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

Service area: West Coast.

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

Officers: Jane Barry, president; Lou Filliger, vp/senior actuary; Lin Ball, vp.

F

Feldman Benefit Services Inc.

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

Staff

Total	11
Involved in 401(k) plan services	6

Clients

Total	150
Receiving unbundled services	125
Average participants/plan	65
Minimum participants/plan	8
Maximum participants/plan	2,000

1996 revenues

Total	$810,000
401(k) plan administration	$300,000

Services began: 1985.

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

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

Client support: Daily valuations. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include benefit determination packages for terminated employees, including applicable tax information.

Service area: East Coast (Connecticut to Florida).

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

Officers: Elise Feldman, president.

Fringe Benefits Management Co.

P.O. Box 1828, Tallahassee, Fla. 32302; 800-872-0345; fax: 904-425-6220

Staff

Total	155
Involved in 401(k) plan services	3

Clients

Total	6
Receiving bundled services	6
Average participants/plan	1,000
Minimum participants/plan	50
Maximum participants/plan	Unlimited

1996 revenues

Total	$12,748,855
401(k) plan administration	$225,000

Services began: 1985.

Software: Record keeping provided by third party.

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

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

Service area: Nationwide.

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

Officers: Michael Sheridan, CEO; Lorraine Ritch, president; Agnes McMurry, senior vp-administration; Bill Bishoff, senior vp-legal; Debra Tougas, senior vp-comptroller.

Contact: Lew Leopard, vp-marketing.

If your organization was not listed in the directory of 401(k) plan administrators this year but would like to be included in next year's directory, please call Assistant Directory Editor Richard Trout at 312-649-5483.

G

Gallagher ABOW Inc.

1050 Wilshire, Suite 250, P.O. Box 7007, Troy, Mich. 48007-7007; 810-649-1990; fax: 810-649-4978

Staff

Total	100
Involved in 401(k) plan services	32

Clients

Total	425
Receiving unbundled services	400
Receiving bundled services	25
Average participants/plan	350
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1982.

Parent: Arthur J. Gallagher & Co.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include plan qualification, plan termination, representation before IRS or DOL during audits.

Service area: Nationwide.

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

Officers: Bryan Him, area wide president; Craig C. Arnold, area wide vp.

Contact: Craig C. Arnold or James M. Kyle.

H

HPL&S Inc.

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

Staff

Total	35
Involved in 401(k) plan services	22

Clients

Total	260
Receiving unbundled services	200
Receiving bundled services	60
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	5,000

1996 revenues

Total	$3,030,000
401(k) plan administration	$1,100,000

Services began: 1983.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include assistance in selection of investment vehicles and 415 coordination with other plans maintained by sponsor.

Service area: Nationwide, primarily Chicago metropolitan area.

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

Officers: Ira A. Post, president; George F. Castillo, Thomas J. Doherty, vps; 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

Staff

Total	5,350
Involved in 401(k) plan services	2,000

Clients

Total	200
Receiving unbundled services	110
Receiving unbundled services	90
Average participants/plan	11,600
Minimum participants/plan	3,000
Maximum participants/plan	Unlimited

1996 revenues

Total	$568,000,000

Services began: 1981.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include benefits center, interactive communications, check writing, administrative documentation, form design, administrative audits, discrimination testing.

Service area: Nationwide.

Locations: Administrative/consulting offices in 29 locations nationwide.

Charges: Determined by number of participants, complexity of plan, assets under management (through definec contribution alliance), time and expense (if ad hoc), frequency valuations.

Officers: Dale Gifford, CEO.

Contact: Debbie Hazelrigg, marketing assistant.

A. Foster Higgins & Co. Inc.

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

1996 revenues

Total	$251,000,000
401(k) plan administration	$3,700,000

Services began: 1981.

Parent: Johnson & Higgins*.

Service area: Nationwide.

Officers: Tim Lynch, chairman-William M. Mercer Inc.; Vikesh Mahendroo, president-William M. Mercer Inc.

Contact: Stephanie Poe, 202-785-9080.

** Johnson & Higgins has been acquired by Marsh & McLennan.*

J

Howard Johnson & Co.

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

Staff

Total	330

Clients

Total	200
Receiving unbundled services	200
Average participants/plan	3,500
Minimum participants/plan	1,000
Maximum participants/plan	Unlimited

Services began: 1981.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, 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 Los Angeles; San Francisco; Washington; Atlanta; Chicago; New York; Seattle and Spokane, Wash.

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

Officers: Howard J. Johnson, chairman/CEO; Nancy Greer, CFO; Kent Buckles, director-consulting offices; John Claus, director-training/special projects; Brendan O'Farrell.

Contact: Nancy Rizzuto.

W.J. Jones Administrative Services Inc.

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

Staff

Total	160
Involved in 401(k) plan services	10

Clients

Total	20
Receiving unbundled services	16
Receiving bundled services	4
Average participants/plan	2,300
Minimum participants/plan	100
Maximum participants/plan	Unlimited

1996 revenues

Total	$10,000,000
401(k) plan administration	$1,000,000

Services began: 1987.

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

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

Client support: 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. Other services include Form 5500 reporting, maintaining eligible employee enrollment/beneficiary forms, maintaining all loan documentation.

Service area: Nationwide.

Locations: Administrative/consulting offices in Lake Success, N.Y.

Charges: Determined by number of participants.

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

Contact: Robert F. Sherlock.

K

KPMG Peat Marwick L.L.P.

8200 Brookriver Drive, Suite 200, Dallas, Texas 75247; 214-200-7000; fax: 214-200-7001

Staff

Total	20,113
Involved in 401(k) plan services	80

Clients

Total	300
Receiving unbundled services	200
Receiving bundled services	100
Average participants/plan	350
Minimum participants/plan	50
Maximum participants/plan	Unlimited

Services began: 1982.

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

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

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

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; Boston; New York; Dallas.

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

Officers: James Buckley, Dick Dole, Jim Switser, partners; Patrick Considine, Sal Zambito, senior managers.

Contact: Patrick Considine, 617-988-1167.

Klais & Co. Inc.

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

Staff

Total	101
Involved in 401(k) plan services	4

Clients

Total	75
Receiving unbundled services	70
Receiving unbundled services	5
Average participants/plan	25
Minimum participants/plan	1
Maximum participants/plan	2,500

Services began: 1992.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include companion plans, employee videos, electronic interfaces with investment funds, electronic savings calculators and non-discrimination correction counseling.

Service area: Nationwide.

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

Officers: Nancy Archibald, president; James Mendiola, vp-finance.

M

Mammel & Associates Inc.

9110 W. Dodge Road, Suite 175, Omaha, Neb. 68114; 402-397-7000; fax: 402-398-2458

Staff

Total	104
Involved in 401(k) plan services	30

Clients

Total	326
Receiving unbundled services	326
Average participants/plan	178
Minimum participants/plan	2
Maximum participants/plan	35,000

1996 revenues

Total	$12,800,000
401(k) plan administration	$980,000

Services began: 1981.

Parent: SilverStone Group Inc.

Software: Purchased from outside vendor, accommodates 20 investment funds and 99 types of contributions.

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

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

Service area: Mid-Atlantic, Northeast.

Locations: Administrative/consulting offices in Burlington, Piscataway and Wall, N.J.

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

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

Contact: Robb Smith, 402-398-2382.

Meeker Sharkey Benefit Consultants

14 Commerce Drive, Cranford, N.J. 07016; 908-272-8100; fax: 908-709-0414

Staff

Total	40
Involved in 401(k) plan services	12

Clients

Total	100
Receiving unbundled services	25
Receiving bundled services	75
Average participants/plan	50
Minimum participants/plan	20
Maximum participants/plan	1,000

1996 revenues

Total	$1,100,000
401(k) plan administration	$600,000

Services began: 1990.

Parent: MSFG Inc.

Software: Purchased from outside vendor, leased from outside vendor, record keeping provided by third party, accommodates 20 investment funds and six types of contributions.

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

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

Service area: Mid-Atlantic, Northeast.

Locations: Administrative/consulting offices in Burlington, Piscataway and Wall, N.J.

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

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Officers: Ken Spencer, chairman; Gerry Gebauer, president; Pete Gruenburg, executive vp; Ted Munice, actuary; Pete Demers, assistant vp-sales.

Contact: Gerry Gebauer, 908-931-3057.

William M. Mercer Inc.

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

Staff

Total	4,048
Involved in 401(k) plan services	450

Clients

Total	700
Receiving unbundled services	700
Average participants/plan	1,600
Minimum participants/plan	100
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: J&H Marsh & McLennan Inc.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds through an alliance. Other services include integration of the design and administration of employer 401(k) plans with other elements of a total compensation and employee benefits program, investment manager selection and end-performance measurement services, 401(k) modeling through interactive video or PC diskettes, voice response system and benefit service representatives.

Service area: Nationwide.

Locations: Administrative/consulting offices in 42 locations nationwide.

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

Officers: Timothy J. Lynch, chairman; Vikesh Mahendroo, president; P. Ram Mohan, CFO; Yves Roy, chief information officer.

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

Merrill Lynch Group Employee Services

800 Scudders Mill Road, Suite 1G, Plainsboro, N.J. 08536; 609-282-3002; fax: 609-282-3014

Staff

Total	1,000
Involved in 401(k) plan services	810

Clients

Total	9,800
Receiving unbundled services	1,150
Receiving bundled services	8,650
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1983.

Parent: Merrill Lynch & Co. Inc.

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

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

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

Service area: Nationwide.

Locations: Administrative/consulting offices in Lakewood, Colo.; Plainsboro and Somerset, N.J.

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

Officers: G. Stephen Thoma, senior vp/director-business financial services; Rene Campis, first vp/director-group employee services sales/client service; Donna M. Winn, first vp/director-group employee services marketing/operations; William B. Stanton, Kim M. Evans, vps/directors-group employee services.

MetLife Defined Contribution Group

1 Madison Ave., Area 2E, New York, N.Y. 10010; 212-578-3181; fax: 212-578-6765

Staff

Total*	43,500
Involved in 401(k) plan services	300

Clients

Total	1,667
Receiving unbundled services	1,000
Receiving bundled services	667
Average participants/plan**	1,400
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1996 revenues

Total*	$23,700,000,000

Services began: 1981.

Software: Written and maintained in-house, software may be used by clients in-house.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, 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. Other services include record-keeping/administration, trustee services, investment management, custom ongoing educational programs and tools and nonqualified deferred compensation.

Service area: Nationwide.

Locations: Administrative/consulting offices in Denver; Atlanta; East Hanover, N.J.

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

Officers: Gary Lineberry, vp.

** Reflects overall figures from the Metropolitan Life Insurance Co. ** Bundled business only.*

Mid America Group Inc.

2130 Arch St., Third Floor, Philadelphia, Pa. 19103; 215-545-6000; fax: 215-557-4527

Staff

Total	50
Involved in 401(k) plan services	26

Clients

Total	125
Receiving unbundled services	100
Receiving bundled services	25
Average participants/plan	100
Minimum participants/plan	1
Maximum participants/plan	5,000

Services began: 1985.

Software: Purchased from outside vendor, record keeping provided by third party for some clients, accommodates 16 investment funds and 10 types of contributions.

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

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

Service area: Nationwide.

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

Officers: Alvin Block, CEO; Gary Block, president.

Contact: Kal Muchnick, director-marketing.

Milliman & Robertson

1301 Fifth Ave., Suite 3800, Seattle, Wash. 98101-2605; 206-623-7940; fax: 206-340-1380

Staff

Total	350
Involved in 401(k) plan services	100

Clients

Total	1,373
Receiving unbundled services	788
Receiving bundled services	585
Average participants/plan	200
Minimum participants/plan	50
Maximum participants/plan	Unlimited

Services began: 1983.

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

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

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

Service area: Nationwide.

Locations: Administrative/consulting offices in San Francisco; Denver; Hartford, Conn.; Washington; Atlanta; Chicago; Indianapolis; Minneapolis; Omaha, Neb.; Albany and New York, N.Y.; Portland, Ore.; Philadelphia; Dallas; Houston; Milwaukee.

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

Officers: Daniel McCarthy, chairman; Robert Collett, president/CEO; L. Jerry Lee, treasurer; Brian Pollack, secretary; Michael Mahoney, national director.

Contact: Lloyd Robinson, director-marketing.

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210, Farmington Hills, Mich. 48334; 810-539-4000; fax: 810-539-4012

Staff

Total	25
Involved in 401(k) plan services	7

Clients

Total	750
Receiving bundled services	750
Average participants/plan	50
Minimum participants/plan	10
Maximum participants/plan	2,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 99 investment funds and 20 types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include defined benefit and defined contribution plan administration, insurance investment and estate planning.

Service area: Nationwide.

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

Officers: Harold H. Lambert, president; Brian V. Stevens, secretary/treasurer; Michael T. Stacey, vp.

Contact: Michael T. Stacey, 810-539-4000 ext. 1245.

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Issue of May 5

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FREE LITERATURE FOR READERS

Issue Date: MAY 5, 1997

Card Expiration: JUNE 30, 1997

All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

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

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

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

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

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

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Title_____

Company_____

Address_____

City_____ State_____ Zip_____

Phone ( )_____

Continued from previous page

Northeast Benefit Plan Services

P.O. Box 703, Milford, Mass. 01757; 508-478-6214

Staff

Total	2
Involved in 401(k) plan services	2

Clients

Total	24
Receiving unbundled services	24
Average participants/plan	20
Minimum participants/plan	5
Maximum participants/plan	250

Services began: 1990.

Software: Record keeping provided by third party, accommodates 10 investment funds and six types of contributions.

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

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

Service area: New York; Mid-Atlantic, New England.

Locations: Administrative/consulting offices in Columbia, Conn; Milford, Mass.

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

Officers: J. Paul Freniere, principal; Robert J. Bogue, associate.

Contact: J. Paul Freniere.

Northern Trust Retirement Consulting Inc.

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga., 30346; 770-395-9880; fax: 770-512-6320

Staff

Total	294
Involved in 401(k) plan services	193

Clients

Total	155
Receiving unbundled services	134
Receiving bundled services	22
Average participants/plan	5,550
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: The Northern Trust Co.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include strategic consulting, process engineering, actuarial services, pension calculation systems, benefit statements, retirement modeling, trust services, investment consulting.

Service area: Nationwide.

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

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

Officers: James G. Pope, president; Dennis F. Sain, executive vp; David Parsons, principal actuary; Barry Young, consulting actuary; Sue Karch, director-recordkeeping services.

Contact: Dennis F. Sain.

The Nyhart Co. Inc.

3505 N. Washington Blvd., Indianapolis, Ind. 46205; 317-923-2391; fax: 317-926-3303

Staff

Total	110
Involved in 401(k) plan services	18

Clients

Total	58
Receiving unbundled services	58
Average participants/plan	500
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

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

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

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

Service area: Nationwide.

Locations: Administrative/consulting offices in Evansville, Ind.

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

Officers: Daryl Dean, president/CEO; Jeffrey S. Line, vp/general counsel; Nancy Pitt, vp-defined contributions; Jay Hanselmann, vp/chief actuary; Grace Stewart, vp-administration; Gary Chattin, regional vp.

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Cleveland, Ohio 44145; 800-758-7588 or 216-871-8611; fax: 216-871-7485

Staff

Total	40
Involved in 401(k) plan services	24

Clients

Total	261
Receiving unbundled services	261
Average participants/plan	240
Minimum participants/plan	10
Maximum participants/plan	25,000

1996 revenues

Total	$2,725,000
401(k) plan administration	$1,350,000

Services began: 1982.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include interactive retirement planning software for participants, Spanish toll-free access to daily services and multiple plan limitations administration.

Service area: Nationwide.

Locations: Administrative/consulting offices in Charlotte, N.C.

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

Officers: John R. Parsons, chairman; Mark S. Sommers, president; Richard S. Wargo, senior vp/managing actuary; Donald N. Dalessandro, vp-defined contribution services; Jeffery T. Graves, vp-information systems.

Contact: Paul W. Catton (Charlotte, N.C.), 800-876-4140 or 704-556-0094.

TR Paul Inc.

14 Commerce Road, Newtown, Conn. 06470; 203-426-8161; fax: 203-270-0927

Staff

Total	15
Involved in 401(k) plan services	12

Clients

Total	200
Receiving unbundled services	180
Receiving bundled services	20
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	2,500

1996 revenues

Total	$2,000,000

Services began: 1981.

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

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

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

Service area: Nationwide.

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

Officers: Robert L. Levy, president; Mary Ingram, vp/secretary; George Romer, vp.

Contact: George Romer.

Pension Resources

401 N. Michigan Ave., Suite 2600, Chicago, Ill. 60611; 312-245-1740; fax: 312-644-4423

Staff

Total	24
Involved in 401(k) plan services	18

Clients

Total	350
Receiving unbundled services	350
Average participants/plan	60
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1996 revenues

Total	$2,800,000
401(k) plan administration	$1,600,000

Services began: 1980.

Parent: Friedman, Eisenstein, Raemer & Schwartz L.L.P.

Software: Leased from outside vendor, accommodates 25 investment funds and 20 types of contributions.

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

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

Service area: Nationwide.

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

Officers: Michael Schwartz, president/partner; Irwin Friedman, managing partner; Kevin Simpson, CFO.

Contact: Michael Schwartz.

Pension Review Services

45 Executive Drive, Plainview, N.Y. 11803; 516-349-5500; fax: 516-349-0015

Staff

Total	10.5
Involved in 401(k) plan services	3

Clients

Total	55
Receiving unbundled services	55
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	500

Services began: 1990.

Software: Leased from outside vendor, accommodates eight investment funds.

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

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

Service area: Nationwide.

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

Officer: Benjamin E. Feller, president.

Contact: Sue Feller.

The Pentad Corp.

950 Winter St., Suite 1400, Waltham, Mass. 02154; 617-684-8400; fax: 617-684-8440

Staff

Total	26
Involved in 401(k) plan services	10

Clients

Total	150
Receiving unbundled services	150
Average participants/plan	100
Minimum participants/plan	1
Maximum participants/plan	10,000

Services began: 1982.

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

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

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

Service area: Nationwide.

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

Officers: Paul L. Chern, executive vp; Jonathan E. Flitter, partner/general counsel; John Buttrick, vp/treasurer; Gary A. Miller, vp/chief actuary; Richard S. Fitts, vp/client coordinator.

Contact: Richard Fitts.

Principal Mutual Life Insurance Co.

P.O. Box 9397, Des Moines, Iowa 50306-9397; 800-543-4015; fax: 515-248-2118

Staff

Total	13,142
Involved in 401(k) plan services	2,255

Clients

Total	22,655
Receiving unbundled services	400
Receiving bundled services	22,255
Average participants/plan	52
Minimum participants/plan	1
Maximum participants/plan	Unlimited

Services began: 1981.

Parent: The Principal Financial Group.

Software: Written and maintained in-house, accommodates 25 investment funds and six types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of 401(k) plan funds. Other services include 5500 series filings and auditor's package; electronic reporting of plan data; enrollment meetings; plan documents and supporting material; retirement planning software; Internet access; automated voice response system; electronic linkage to multiple mutual fund families and PC tie-in.

Service area: Nationwide.

Locations: Administrative offices in Mason City and Waterloo, Iowa; Spokane, Wash. Consulting offices in 51 locations nationwide.

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

Officers: David J. Drury, chairman/CEO; Theodore M. Hutchison, vice chairman; Ronald E. Keller, Charles E. Rohm, Ray S. Crabtree, J. Barry Griswell, executive vps.

Contact: Gary Dvorak, consultant.

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Carvill

Reinsurance Intermediary

INDEPENDENCE
INTEGRITY
SERVICE

CONSISTENT PHILOSOPHY & PERFORMANCE
SINCE 1977

Atlanta Bermuda Chicago London Stamford

Continued from previous page

Retirement Plan Administrative Services Ltd.

1503 Santa Rosa Road, Suite 120,
Richmond, Va. 23229;
804-288-8782; fax: 804-288-8786

Staff

Total	14
Involved in 401(k) plan services	7

Clients

Total	110
Receiving unbundled services	110
Average participants/plan	35
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1996 revenues*

Total	$911,000
401(k) plan administration	$300,000

Services began: 1981.

Software: Leased from outside vendor, accommodates 999 investment funds and 14 types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, 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: Primarily District of Columbia, Maryland, North Carolina and Virginia.

Locations: Administrative/consulting offices in Fairfax and Norfolk, Va.

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

Officers: Burl V. Bachman, president; Barbara H. Smith, vp.

Retirement Resources Inc.

1983 Marcus Ave., Suite 260,
Lake Success, N.Y. 11042;
800-537-6565 or 516-358-3969;
fax: 516-488-1081

Staff

Total	17
Involved in 401(k) plan services	10

Clients

Total	130
Receiving unbundled services	130
Average participants/plan	70
Minimum participants/plan	5
Maximum participants/plan	Unlimited

Services began: 1981.

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

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

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

Service area: Connecticut, Florida, New Jersey, New York, Pennsylvania.

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

Contact: Steven L. Roemer, president.

San Diego Associates Inc.

3550 Camino del Rio N., Suite 206,
San Diego, Calif. 92108; 619-283-7800;
fax: 619-283-8686

Staff

Total	7
Involved in 401(k) plan services	4

Clients

Total	100
Receiving unbundled services	50
Receiving bundled services	50
Average participants/plan	250
Minimum participants/plan	10
Maximum participants/plan	Unlimited

1996 revenues

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

Services began: 1984.

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

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

Client support: 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. Manages investment of 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative/consulting offices in Laguna Hills, Calif.

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

Officers: David N. Peterson, president; Bruce N. Kesler, director.

Contact: Bruce N. Kesler.

Schloss & Co.

1400 Old Country Road, Suite 310,
Westbury, N.Y. 11590;
516-333-2800; fax: 516-333-2889

Staff

Total	65
Involved in 401(k) plan services	50

Clients

Total	225
Receiving unbundled services	225
Average participants/plan	100
Minimum participants/plan	10
Maximum participants/plan	Unlimited

1996 revenues

Total	$5,000,000

Services began: 1981.

Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions, software may be used by clients in-house.

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

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

Service area: Nationwide.

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

Officers: Eugene Schloss, president; David Dorfman, Elaine Enis, Andrew Zimny, William Buckheit, vps.

Sedgwick Noble Lowndes

1000 Ridgeway Loop Road,
Memphis, Tenn. 38120;
901-761-1550; fax: 901-684-4075

Staff

Total	750
Involved in 401(k) plan services	100

Clients

Total	500
Receiving unbundled services	440
Receiving bundled services	60
Average participants/plan	375
Minimum participants/plan	100
Maximum participants/plan	5,000

1996 revenues

Total	$87,000,000

Services began: 1981.

Parent: Sedgwick Group P.L.C.

Software: Leased from outside vendor, accommodates 30 investment funds and 20 types of contributions, software may be used by clients in-house.

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

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

Service area: Nationwide.

Locations: Administrative/consulting offices in Irvine and San Francisco, Calif.; At-

Continued on next page

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lanta; Chicago; Boston; Roseland, N.J.; Melville and Rochester, N.Y.; Portland, Ore.; Philadelphia.

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

Officers: Kenneth G. Martin, chairman/CEO; James B. Wiertelak, CFO; John Moreno, client development director; Susan T. Gilbert, client/technical services director.

Contact: Mary E. Simcox, national practice leader-defined contribution services, 201-533-4500.

Sentinel Benefits Group Inc.

107 Audubon Road, Building 2,
Wakefield, Mass. 01880;
617-246-9050; fax: 617-246-9054

Staff

Total	33
Involved in 401(k) plan services	25

Clients

Total	300
Receiving unbundled services	170
Receiving bundled services	130
Average participants/plan	100
Minimum participants/plan	20
Maximum participants/plan	2,500

1996 revenues

Total	$2,000,000
401(k) plan administration	$1,000,000

Services began: 1987.

Software: Purchased from outside vendor, accommodates 60 investment funds and 10 types of contributions.

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

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

Service area: New England.

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

Officers: Rob DiMase, principal-sales; Anthony Carneva, principal-operations; Joshua Meltzer, principal-compliance.

SIEBA Ltd.

111 Grant Ave., P.O. Box 5000,
Endicott, N.Y. 13760-5000;
800-252-4624 or 607-786-3003;
fax: 607-786-3437

Staff

Total	40
Involved in 401(k) plan services	7

Clients

Total	22
Receiving unbundled services	12
Receiving bundled services	10
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	1,000

Services began: 1989.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries toll-free service to request account activity, online access, 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: Upstate New York.

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

Officers: Richard G. DoBell, president; Marc Marion, vp; Diana C. DoBell, treasurer.

Contact: George M. Bush, manager-pension/insured products.

J.E. Stone & Associates 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	10

Clients

Total	40
Receiving unbundled services	30
Receiving bundled services	10
Average participants/plan	2,500
Minimum participants/plan	50
Maximum participants/plan	Unlimited

Services began: 1987.

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

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

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

Service area: Nationwide.

Locations: Administrative/consulting offices in Austin and Dallas, Texas.

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

Officers: James E. Stone, director; John E. Ford, managing director; Kenneth L. Haynes, Thomas F. McCord, C. Phil Peters, Peggy J. Pfister, principals.

Swerdlin & Co.

5901 Peachtree Dunwoody Road,
Building B, Suite 170, Atlanta,
Ga. 30328; 770-396-6601;
fax: 770-698-9335

Staff

Total	27
Involved in 401(k) plan services	15

Clients

Total	200
Receiving unbundled services	200
Average participants/plan	150
Minimum participants/plan	1
Maximum participants/plan	10,000

1996 revenues

Total	$1,750,000
401(k) plan administration	$600,000

Services began: 1983.

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

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

Client support: 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.

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

Officers: Dorn Swerdlin, president/CEO; Anthony Brizzolara, executive vp/COO; Joanne Swerdlin, executive vp/director-marketing.

Tanker & Associates

1528 Walnut St., Suite 1610,
Philadelphia, Pa. 19102;
215-546-9546; fax: 215-546-9630

Staff

Total	10
Involved in 401(k) plan services	8

Clients

Total	160
Receiving unbundled services	140
Receiving bundled services	20
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1996 revenues

Total	$740,000
401(k) plan administration	$450,000

Services began: 1993.

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

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

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

Service area: Nationwide.

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

Officers: Scott A. Tanker, president; Joan B. Segal, vp.

Towers Perrin

1500 Market St., Philadelphia,
Pa. 19102; 215-246-6000;
fax: 215-246-4189

Staff

Total	8,000

Clients

Total	73
Receiving unbundled services	73
Average participants/plan	8,400
Minimum participants/plan	2,000
Maximum participants/plan	Unlimited

1996 revenues

Total	$1,000,000,000

Services began: 1981.

Software: Written and maintained in-house, accommodates 15 investment funds and 15 types of contributions; software may be used by clients in-house.

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

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

Service area: Nationwide.

Locations: Administrative offices in Los Angeles; Vorhees, N.J.; Philadelphia. Consulting offices in 40 locations nationwide.

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

Officers: John Lynch, CEO; Alan Dugan, Robert Hogan, John Kneen, Marvin Greene, managing directors.

Trust Consultants Inc.

155 Bovet Road, Suite 200,
San Mateo, Calif. 94402;
415-378-8700; fax: 415-341-7382

Staff

Total	200
Involved in 401(k) plan services	160

Clients

Total	2,900
Receiving unbundled services	150
Average participants/plan	2,750
Minimum participants/plan	5
Maximum participants/plan	Unlimited

Services began: 1983.

Parent: Marsh & McClennan Cos. Inc.

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

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

Client support: Daily valuations, toll-free service for account balance inquiries, 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: Nationwide.

Locations: Administrative/consulting offices in Los Angeles; Chicago; Boston.

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

Officers: Mark Weimer, president; Derek Winegard, Chris Guarino, senior vps; Jack Ringlein, CFO; Chris Woo, compliance.

Contact: Derek Winegard, 617-927-8520.

United States Pension Services Inc.

3507 Frontage Road, Suite 200,
Tampa, Fla. 33607;
800-754-2980; fax: 800-344-1258

Staff

Total	185
Involved in 401(k) plan services	90

Clients

Total	1,800
Receiving unbundled services	1,800
Average participants/plan	75
Minimum participants/plan	25
Maximum participants/plan	5,000

Services began: 1981.

Software: Administration purchased from outside vendor, record keeping leased from outside vendor, accommodates 20 investment funds and 15 types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity. Consults on plan design issues, compliance issues, employee communications. Other services include full service third-party administration, all levels of documents and IRS submissions; IRS and DOL reporting.

Service area: Nationwide.

Locations: Administrative/consulting offices in Los Angeles, San Diego and San Mateo, Calif.; Charlotte, N.C.

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

Officers: Neil Bicknell, president/CEO; John Sciarra, senior vp/director-marketing; James Houpt, senior vp-administration/record keeping; Paul Kelly, senior vp-research/compliance.

Contact: National marketing, 800-325-6860.

Watson Wyatt Worldwide

6707 Democracy Blvd., Suite 800,
Bethesda, Md. 20817;
301-581-4600; fax: 301-581-4688

Staff

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

Clients

Total	800
Receiving unbundled services	800
Average participants/plan	1,000
Minimum participants/plan	250
Maximum participants/plan	Unlimited

Services began: 1981.

Software: Written and maintained in-house, accommodates unlimited investment funds and 15 types of contributions, software may be used by clients in-house.

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

Client support: 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 through alliances. Other services include retirement philosophy development, service provider evaluation, global benefits strategies, mergers and acquisitions support, non-qualified plans and 403(b) plans.

Service area: Nationwide.

Locations: Administrative/consulting offices in 36 locations nationwide.

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

Officers: A.W. (Pete) Smith Jr., president/CEO; Paul Daoust, executive vp/COO.

Contact: Louis Valentino, 212-251-5535.

BI

The 26th annual agent/broker directory will be published in the July 21 issue of *Business Insurance*. If you would like to be listed, please call Assistant Directory Editor Richard Trout at 312-649-5483 to receive a questionnaire. The deadline for returning questionnaires is June 6.

Business Insurance®

• DIRECTORIES •

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INTERNATIONAL

Global Briefs

A.M. Best Co. opened an office in London last week under the name A.M. Best Europe Ltd. to expand its international insurance rating business in the United Kingdom and Europe. This is the first operation that the Oldwick, N.J.-based company has set up outside the United States. It is managed by Gregson Carter, formerly a vp with the London branch of Bank of America. . . .**St. Paul Re**, the reinsurance offshoot of U.S. insurer The St. Paul Cos., has expanded its operations with a new branch office in Sydney, Australia. Headed by Vp and General Manager Bruce Ford, the new office will look at both reinsurance and alternative risk transfer mechanisms for the Australian market. Last year, St. Paul Re wrote $6 million in net premiums in Australia. . . .Rating agency Standard & Poor's has confirmed its A+ rating of Swedish insurer **Sirius International Insurance Corp.** because of Sirius' conservative approach and "excellent capitalization." S&P also notes Sirius' strong business position in Nordic countries, though it has limited reach outside the region. . . .Broker **Willis Corroon Group P.L.C.** last month opened its second office in China. The new office is based in Shanghai and was opened two years after its initial venture in Beijing. Willis has plans to open more offices in the country in the coming years. . . .Meanwhile, French insurer **AXA-UAP** has opened a fourth office in China and applied to the People's Bank of China for a license to sell insurance in the country. AXA-UAP has added an office in Wuhan to its current operations in Beijing, Shanghai and Guangzhou. . . .Michael Dicker, Kirsty Gray and Stephen McGowan have been appointed directors of **Carpenter Bowring Ltd.** in London, part of Marsh & McLennan Cos. Inc. . . .**Colin Hart**, divisional director in the special risks department of GAB Robins U.K. Ltd., has been named president of the Chartered Institute of Loss Adjusters in the United Kingdom. . .German insurer **Gerling-Konzern Allgemeine Versicherungs A.G.** has invested $2 million in Washington-based alternative energy company SunLight Power International through GAIA Kapital, a venture company recently set up by Gerling President Rolf Gerling. Mr. Gerling is a board member of The Solar Century, an awareness group aimed at encouraging financial services companies to invest in solar energy. . . .Gross premiums written by Swiss insurer **The Zurich Insurance Co.** rose more than 10% last year to 11.5 billion Swiss francs ($8.58 billion), while net profits rose by 25.9% to 603.6 million francs ($450.6 million). Subsidiary Zurich Group posted increased profits of 1.1 billion francs ($821.1 million), up 30.2% from the previous year. Currency fluctuations and the consolidation of acquired business—in particular the Kemper Group—helped boost the figures, though Zurich also notes improved performance in both the life and non-life sectors. . . .London insurance agency **CRM Insurance Services Ltd.** has denied any involvement in the fraudulent activities of Dai Ichi Kyoto Reinsurance Co. S.A. and its units Kobe Reinsurance S.A. and North American Fidelity & Guarantee S.A. Last week, CRM Chairman Michael Reeve was detained by Belgian police as he delivered a document he claimed pointed the finger at certain people behind the insurance fraud scandal. Dai Ichi Kyoto Reinsurance collapsed at the end of 1995, owing millions of dollars to U.S. and U.K. insurers and brokers. The Serious Fraud Office in the United Kingdom, the Belgian police and the Federal Bureau of Investigations are working together to identify the culprits (*BI*, April 21).

IMO considers mandatory liability insurance treaty

By EDWIN UNSWORTH

LONDON—The International Maritime Organization, a London-based United Nations agency, is considering proposals for a new international treaty mandating that shipowners carry liability insurance.

Currently, about 95% of the world's shipowners already have some form of liability coverage, through protection and indemnity clubs, private insurance or self-insurance. As a result, some shipping groups contend the IMO's moves are unnecessary and would complicate existing liability requirements.

At a meeting late last month, an IMO correspondence group examined whether a uniform system could be adopted for merchant ships to demonstrate they have the means to meet potential third-party liabilities. It plans to study the matter further and report to the IMO's legal committee in October.

Although IMO member countries are by no means unanimous in believing there is a need for compulsory third-party liability protection, Eric Roseag, the correspondence group's coordinator, said group members decided at their last meeting that two areas deserved to be examined as a priority.

Those priority areas are financial security for:

- Passenger claims, possibly in the form of a convention similar to the 1969 Civil Liability Convention on Oil Pollution.
- Other maritime claims currently covered by P&I clubs, possibly in the form of rules for standardized insurance certificates with some provisions for direct action against insurers.

An insurance mandate could be satisfied with P&I cover, policies from insurance companies, bank guarantees, state insurance or self-insurance.

About 90% of merchant shipping tonnage already is insured for third-party liabilities through P&I clubs, and a further 5% is covered either in the commercial market, or through self-insurance or state liability cover.

The United Kingdom, backed by Norway, is leading the move within the IMO for a convention governing compulsory third-

See **IMO** *on next page*

GAN positions for privatization

By MARIA KIELMAS

PARIS—Groupe des Assurances Nationales S.A. hopes to soon sell its insurance operations.

GAN Chairman Didier Pfeiffer told a press conference in Paris that his company has held talks with Assurances Generales de France, the Netherlands' Internationale Nederlanden Groep N.V., Germany's Allianz Versicherungs A.G. and Italy's Assicurazioni Generali S.p.A.

The sale likely would not be concluded until after France's legislative elections, the first round of which is on May 25 and the second round on June 7, a GAN spokeswoman said. Investment bank Goldman Sachs is advising GAN on the sales and SBC Warburg is advising the government. The French state owns 80% of GAN.

The French government announced a 20 billion franc ($3.44 billion) recapitalization of the company two months ago but said the money for it would come from the proceeds of future privatizations, not directly from French taxpayers. The next scheduled company to be privatized is telecommunications monopoly France Telecom.

Speculation about possible buyers for GAN's insurance business have caused GAN's share price to rise 7.4% over the past month to 143.30 francs ($25) on April 23.

GAN released its 1996 results late last month. It posted a net loss of 5.68 billion francs ($1.09 billion) compared with a loss of 1.79 billion francs ($365 million) in 1995. The 1996 result is net of a capital injection of 9 billion francs ($1.73 billion) from the French government earlier this year (*BI*, March 10). The losses were related mostly to GAN's real estate banking activities. The company's insurance results showed a profit of 1.04 billion francs ($200 million), compared with 700 million francs ($142.7 million) in 1995.

Meanwhile, AGF launched a 4 billion franc ($687 million) convertible bond issue in late April. The bond, which carries a 3.5% coupon with a maturity of 13 years, was three times oversubscribed as of April 24, an AGF spokeswoman said.

Part of the proceeds of the bond offering

See **GAN** *on next page*

Political risk coverages come to the West Bank

By MARIA KIELMAS

WASHINGTON—The Multilateral Investment Guarantee Agency is preparing to write political risk insurance for small and midsize business ventures in the Palestinian autonomous territories of the West Bank and Gaza.

MIGA, a division of the World Bank that provides political risk insurance for companies doing business in developing countries, has signed a deal with the Palestinian Liberation Organization, the latter acting on behalf of the Palestinian Authority, to create a special insurance fund, "a small MIGA," says Luis Dodero, general counsel and vp of MIGA in Washington.

Because the Palestinian territories are not a sovereign state and thus not able to be members of MIGA, the agency cannot provide insurance to the areas through its usual channels, he said. "MIGA can only insure investments in countries which are its members. But as we are part of the World Bank we consider ourselves obliged to help" the Palestinians, he said. Setting up the separate fund enables MIGA to do that.

The plan is to set up a special insurance fund of about $30 million that will be used as the guarantee for political risk insurance in the Palestinian territories. MIGA will administer this fund for a small commission. As a start, the World Bank will loan $10 million to the Palestinian Authority, which will use that as the nucleus of the fund.

Mr. Dodero is seeking contributions to the fund from other countries to bring it to about $30 million. So far, there have been discussions with Sweden, Holland, Jordan and Egypt as potential contributors. Israel also is expected to be a contributor, Mr. Dodero says.

Neither the United States nor the larger European Union members, such as Britain, France and Germany, have indicated they would contribute.

"These countries (the Europeans) are reluctant to contribute because they are already providing aid to the Palestinians on a bilateral basis," Mr. Dodero says.

The political risk insurance will provide cover against any losses due to expropriation of assets by the Palestinian Authority. It also will cover against losses caused by a closures of the border with Israel.

"The definition of war and civil disturbances is wide enough to accommodate border closures," Mr. Dodero said. "But this is a very politically sensitive issue."

The MIGA funds will cover projects that are labor-intensive and environmentally sensitive, Mr. Dodero says, adding that the agency's aim is to promote employment in the territories. A water treatment plant in the area is an example. If the plant is damaged—even if it is by Middle East violence—it will be covered.

About $2 million in insurance cover should be provided per project. BI

GRAPHIC BY JOHN HALL

Swiss Re setting up ART unit

LONDON—Swiss Reinsurance Co., the second-largest reinsurer in the world, is setting up a division specializing in alternative risk transfer mechanisms.

Swiss Re New Markets will have offices in Zurich, New York and London and will consolidate Swiss Re's current ART operations for both corporate insurance buyers and insurance company clients, beginning July 1.

Several joint ventures will trade under the Swiss Re New Markets banner, though they will keep their current identities. These include International Risk Management Group, Securitas Capital L.L.C. and Reinsurance Finance Consultants in Zurich, a joint venture with Swiss bank Credit Suisse.

Swiss Re and Credit Suisse have partnered in several ART ventures, including New York-based Swiss Re Financial Products.

Swiss Re Chief Executive Officer Walter Kielholz said the new division will focus on product innovation and client service.

"We believe that we have something unique to offer to our insurance and corporate clients: a complementary access to a structure of highly skilled and responsive service teams who will work. . .to develop comprehensive, tailor-made solutions with maximum efficiency," Mr. Kielholz said.

—By Sarah Goddard

IMO

Continued from previous page
party insurance cover or proof of financial security to cover liabilities, maintaining there is no uniform regime worldwide covering shipowner liabilities.

However, Chris Horrocks, secretary general of the International Chamber of Shipping, which represents national shipowners' associations that account for about half the world's merchant tonnage, said, "Creating a whole new legal mechanism to deal with what is essentially a small minority of the shipping community is like using a sledgehammer to crack what is a fairly small nut."

He said the proposals also would create problems, such as determining what insurance companies or P&I clubs would be acceptable as insurers under the proposed regime and whether shipping companies would continue to be allowed to maintain high deductibles on their insurance policies.

The International Group of P&I Clubs takes a similar view, stating that there is little need for compulsory insurance when such a vast majority of shipowners already have insurance protection.

The IMO already has in place the 1974 Athens Convention, which sets various passenger liability limits. These were updated by a 1990 amendment, which sets a limit of 175,000 special drawing rights ($238,665) per loss of life. However, not many countries are party to the amendment.

The United Kingdom first put forward to the IMO its proposals for shipowners to demonstrate financial security for third-party liabilities last year in the wake of a number of serious oil spills in U.K. waters and such well-publicized ferry disasters as the *Herald of Free Enterprise* capsizing in the English Channel in 1987 with the loss of 187 lives and the *Estonia* sinking in the North Sea in 1994, causing 852 deaths.

In a written submission to the IMO, the U.K. Department of Transport cited its own difficulties in recovering some £800,000 ($1.3 million) of costs arising from action taken to control pollution from four separate shipping casualties in the past three years.

The U.K. DOT maintains that while the IMO's 1969 Civil Liability Convention establishes shipowner pollution liability in some circumstances, most third-party liabilities are generally a matter dictated by national laws. And while the IMO's Hazardous and Noxious Substances Convention should, when implemented, offer a similar liability regime in this area of spills, the United Kingdom maintains that "victims of other types of damages can face considerable problems in obtaining monies that a court has awarded to them." It singled out coastal communities affected by pollution incidents and ferry passengers as those who would benefit by compulsory third-party liability insurance.

The United Kingdom already is planning unilateral action requiring ships calling at its ports or operating in U.K. waters to have compulsory insurance or be able to demonstrate financial security to meet third-party liabilities, but it would like to see such action adopted on a global scale.

However, the DOT acknowledges that in trying to tackle the problem, there is the difficulty that few shipowner liabilities are specifically defined in international law, and it is impossible to draw up a definitive list of all the liabilities they face. One solution might be to define the nature of liabilities in broad terms, possibly by defining the relevant third parties. BI

Insider trading probe launched by Lloyd's

By EDWIN UNSWORTH

LONDON—Lloyd's of London is investigating several possible cases of insider trading in connection with the market's auctions of syndicate capacity.

A "handful" of alleged cases of insider trading in the capacity auctions, which were first introduced two years ago, currently are being investigated, according to Richard Murphy, head of the monitoring division of Lloyd's regulatory board.

'We'll take action swiftly' if any indications of insider trading are detected, says Richard Murphy.

He announced the probe as Lloyd's unveiled new rules and conditions for the eight capacity auctions scheduled for this year.

The new features include a fully electronic auction system aimed not only at speeding up the settlement process but also providing closer monitoring to help prevent any breaches of auction rules.

Mr. Murphy said that under the new rules, "we'll take action swiftly" if any indications of insider trading by members who have access to privileged syndicate information are detected.

One of the rules requires disclosure by key personnel at Lloyd's—including member agents, managing agents, Lloyd's advisers, members of the Lloyd's Council, Regulatory and Market Boards and anyone closely connected with any of those individuals, such as a spouse—of plans to participate in any auction.

Lloyd's says the changes to this year's auctions "are designed to improve the efficiency of the administration of the auction and increase price stability."

While Lloyd's members' services unit will deal with the day-to-day administration of the auctions, the capital management division will oversee the actual auction process, and Lloyd's regulatory division will monitor all disclosures.

Also new this year is a process in which bidders will actually pay the price they bid, rather than common "strike price" paid by all bidders in last year's auction based on the price of the lowest successful bid.

This year's auctions are scheduled for July 8 and 22, Aug. 5 and 19, and Sept. 2, 9, and 23. There will be an additional auction on Dec. 16 of capacity released by members who have died.

In last year's auctions, some £1.4 billion ($2.4 billion) of capacity—representing 14% of Lloyd's total 1997 capacity—was allocated at a value of £35 million ($59.9 million).

GAN

Continued from previous page
will go toward refinancing some of AGF's current debt. AGF has a total financial debt of 17 billion francs ($2.92 billion) and liabilities from its insurance operations of 12.5 billion francs ($2.15 billion). Its market capitalization as of late last month was about 23 billion francs ($3.95 billion).

The AGF spokeswoman added that the company's second priority is to reinforce its financial margins in the event it acquires companies, such as GAN. AGF also is examining other possible targets in the French market, such as Athena Assurances, a general insurer and a division of financial conglomerate Groupe Worms that may be offered for sale, she added.

A Worms spokeswoman said no decision had been made on the sale of Athena and would not confirm rumors that Worms had been negotiating a deal with Italian insurer, Assicurazioni Generali S.p.A. Generali could not be reached for comment.

Groupe Worms is 20% owned by Italy's Agnelli family, the controller of auto manufacturer Fiat that also owns Turin-based insurer Toro Assicurazioni S.p.A. Groupe Worms has hired the investment bank Morgan Stanley to study future options for Athena, she said. BI

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New Archer CEO expecting challenge

By EDWIN UNSWORTH

LONDON—Stephen Wenman sees the timing of his appointment late in April as chief executive of Archer Group Holdings P.L.C. as a challenge.

Taking over one of Lloyd's of London's largest managing agencies in a soft insurance market provides the sort of backdrop that "gives you the most to do" and makes the job most interesting, Mr. Wenman said.

Other elements of this backdrop include the acquisition of Archer last November by Stamford, Conn.-based Chartwell Re Corp. and the release last month of Lloyd's preliminary 1994 results showing that the performance of Archer syndicates that year ranged from among the best to the very worst of Lloyd's 179 syndicates underwriting in 1994.

As a result, Mr. Wenman said one of his objectives is to "create the environment for underwriters to work to the best of their ability."

Ways he plans to do this include providing the best information technology systems available; providing regular communication throughout the organization; and attracting the best people, including underwriters, to the agency.

According to Mr. Wenman, the third step is not just a matter of offering more money, though compensation is a factor. It also requires recognition of individuals' skills and providing the means to do a good job, such as good communications and technological support, he said. It also means "looking beyond our own doorstep" and finding talent not just from within the Lloyd's market and not necessarily among individuals having a conventional underwriting background.

Stephen Wenman says one of his objectives is to 'create the environment for underwriters to work to the best of their ability.'

He has initiated weekly meetings with Archer syndicate underwriters and their deputies to dis-

See **Archer** *on next page*

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INTERNATIONAL

Archer

Continued from previous page

cuss ideas that would help further these aims and another of his objectives: to bring in new classes of business.

Mr. Wenman is reluctant for commercial reasons to elaborate on new business, though he said he is looking at least one area that could offer a product before the end of the year.

Borrowing a term from Britain's passenger rail service, which offers cheap "Away Day" travel to various parts of the country, Mr. Wenman said he aims to introduce a similarly named outing for Archer's underwriters.

However, these Away Day meetings, while intended to provide a relaxed environment, will not be pure social occasions. They will be primarily strategy meetings to examine ways to further Mr. Wenman's objectives.

His ultimate objective is not so much to move Archer up from being the fourth-largest managing agency at Lloyd's as to make it "the most profitable."

When approached by Chartwell Re to take over at Archer, Mr. Wenman was involved in various projects ranging from corporate finance work to the chairmanship of a couple of companies outside London, and was not looking for a full-time job.

Ownership by Chartwell Re gives Archer greater freedom to do as it wants, says Stephan Wenman.

Prior to this he had spent all of his previous working career as an insurance broker, most recently having founded in the late 1980s Special Risk Services Group, which specializes in professional liability coverages, banker's blanket bonds, and directors and officers liability cover. Not long after Minet Group acquired Special Risk Services Group in September 1995, Mr. Wenman left the company.

Although he had been offered a role in the newly acquired group as a division of Minet, and is a personal friend of Minet Chairman Peter Christie, it is Mr. Wenman's belief that it is not usually a satisfactory arrangement for the head of a company to stay on after its takeover.

Ownership by Chartwell, whose board Mr. Wenman will join, has brought Archer stability and some considerable resources, he said. One way it will do this is through the about £27.5 million ($47.1 million) of capacity it will provide to Archer syndicates in 1997.

As well as providing this "exciting opportunity" to increase its business, ownership by Chartwell Re gives Archer greater freedom to do as it wants, because it is no longer a listed company, added Mr. Wenman.

Commenting on the performance of Archer syndicates in 1994, the latest completed year under Lloyd's three-year accounting system, Mr. Wenman said several syndicates had "really good" results and most others did "quite well."

Of the exceptions, the worst was syndicate 657, a non-marine syndicate that produced a 41.4% loss on capacity of £42.9 million ($73.5 million).

The account was left open because the losses, mainly from U.K. employers liability coverage, are as yet unquantifiable. Mr. Wenman acknowledges that the losses were the result of poor underwriting, but said that David Lowe, the syndicate's underwriter in 1994, left the agency by mutual agreement last year.

The other Archer syndicate left open for 1994 is life syndicate 240, which had a small loss for the year.

However, Mr. Wenman emphasized that Archer syndicate investors and policyholders have the comfort of knowing Archer was the first syndicate manager to arrange for well-known actuaries, in its case London-based Bacon & Woodrow, to publish an assessment of key syndicate results. BI

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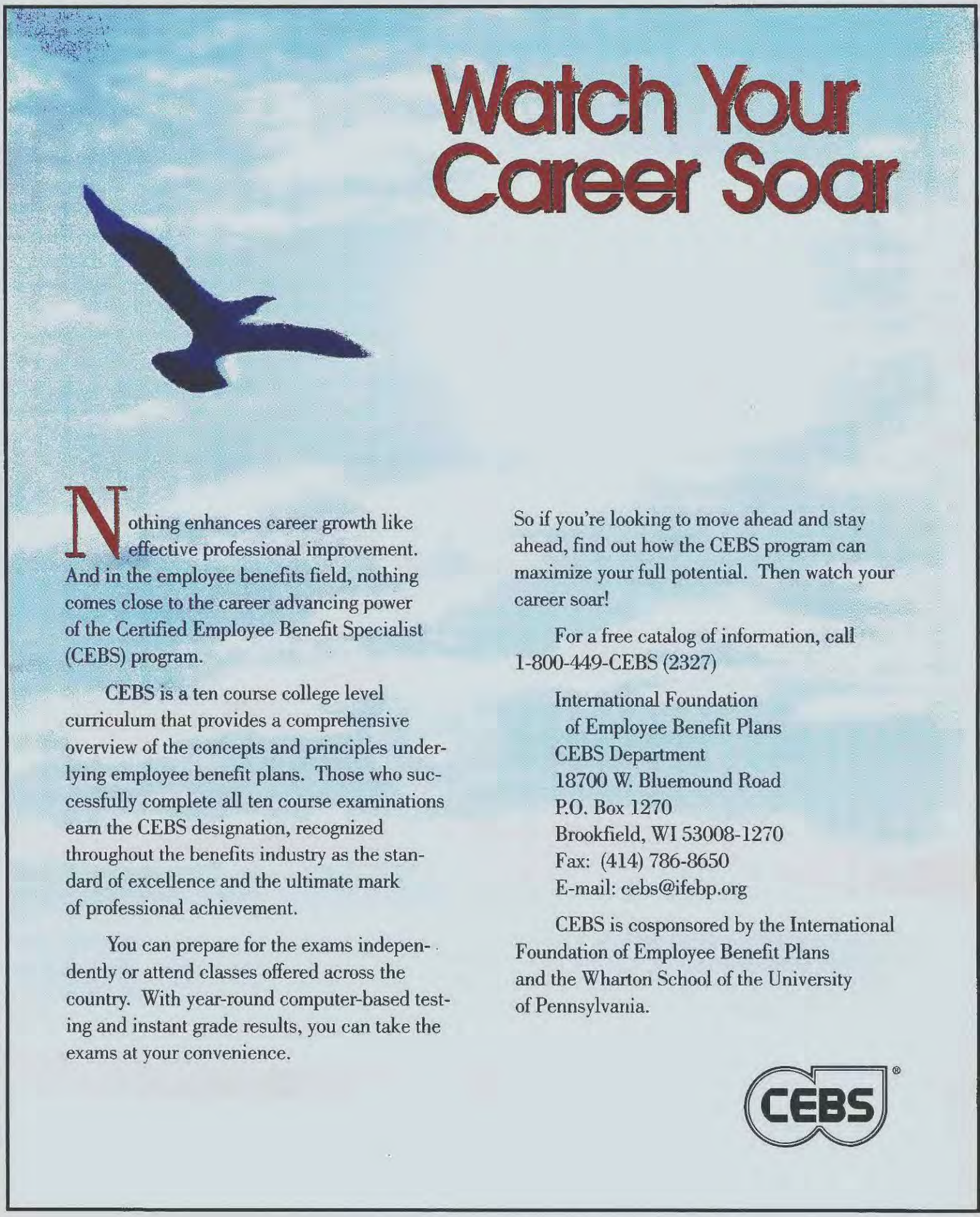

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Aviation

Continued from page 2

arate policy, while liability war risk is included in airlines all-risks liability coverage.

This anomaly is highlighted by the loss of Trans World Airlines Flight 800, which exploded for "as yet unexplained reasons" after takeoff from New York last year, said Mr. Galbraith. The loss could be a hull war risk loss if there was a terrorist explosion or a missile attack; or an all-risks loss if the explosion was caused by mechanical failure.

"If the liability falls under one policy, then why not the hull also?" asked Mr. Galbraith.

• Simpler policy wordings. "The (standard) line 'I'll get my lawyers to interpret with your lawyers' is no joke," said Mr. Galbraith. "It benefits no one other than making lawyers more wealthy."

Everyone would benefit if aviation underwriters used the data they had to evaluate each airline's exposures, said Mr. Galbraith. Underwriters also should set up risk assessment procedures similar to those established several years ago by French aviation underwriter La Reunion Aerienne with the help of British Airways, he said. The lack of risk assessment by underwriters "misses an opportunity for risk management investment decisions" to improve an airline's fleet, said Mr. Galbraith.

Airlines should take the initiative, however, to help underwriters understand their risks. And if appropriate coverage is not available in the market, alternative solutions using airline captives could be an option, he added.

Premiums have fluctuated heavily over many years in the airline insurance market, which doesn't benefit anyone, aviation underwriters say.

Because of the fluctuation, worldwide airline hull and liability premiums, excluding hull war risk from 1991 to the end of 1996, have totaled $7.65 billion, while total claims reached nearly $8.9 billion, according to Tony Medniuk, managing director and chief underwriter of the British Aviation Insurance Group in London. This has meant a cumulative loss of $1.25 billion.

"The airline insurance market is currently trading at what I believe to be unsustainably low prices for the maintenance of a long-term healthy business," warned Mr. Medniuk. "Prices, therefore, must rise."

Stupidity and lack of professionalism, not overcapacity, is pushing the aviation market down, however, said Andre Clerc, general manager of La Reunion Aerienne in Paris. "The market is not only driving (itself) straight into the wall, but we're pushing our foot down on the accelerator to make sure we don't miss the bloodbath," he said.

Technology has come up with many advancements that could be used by underwriters to evaluate airlines' risk, said Mr. Clerc. However, underwriters seem to ignore this and focus on only three parameters when insuring hull and liability coverage: the airline fleet's value; the revenue per passenger mile; and the airline's loss experience.

When establishing a premium, no one seems to care about the airline's operating conditions, maintenance procedures, quality of training programs; equipment on board the aircraft, ground installations or assessment of contractual liabilities, Mr. Clerc said.

And underwriters and brokers are equally bad, he said.

"To make a deal, to keep the business, one must reach the lowest possible intellectual and technical level," he said. "We are not afraid (of losing business) because our competitors are good, brilliant, sharp, imaginative and have talent—but because we anticipate they will surpass our own degree of mediocrity."

Aviation insurance only represents about 0.5% of the world's total insurance premium. So if aviation underwriters don't improve their professionalism and their results, their shareholders "will fix the problem" by pulling out of aviation, he warned.

Mr. Medniuk said evaluations such as those Mr. Clerc was requesting are under way. "We have a sophisticated range of statistics, and we do deploy them," said Mr. Medniuk. "But what difference does it make" in the current competitive market? he asked.

La Reunion Aerienne may have a risk assessment questionnaire, "but is (Mr. Clerc) better able to achieve higher rates?" he asked rhetorically.

Swiss Re offers a solution that could benefit underwriters and buyers, conference delegates were told. The company suggests a layered multiyear airline insurance program that would be tailor-made and offer balance-sheet protection to enhance shareholder value.

"A future aviation policy placement may look this way," said Andreas Peter, head underwriter-aviation department for Swiss Re. "Airlines might further improve their risk management and thus be prepared to run an increased retention. Depending on the financial strength, this retention might either be self-funded or be developed, structured and funded by financial solution experts. Specialist aviation underwriters will offer the more conventional, traditional coverage for the core area of the program."

Catastrophe layers then could be funded by the highly capitalized markets that are emerging, he said. BI

Abundance of capacity reducing satellite rates

By STACY SHAPIRO

VENICE, Italy—Satellite launch insurance rates are dropping and coverage is expanding now that the space insurance business has matured and is flush with capacity.

But underwriters at Assicurazioni Generali S.p.A.'s Ninth Biennial International Space Insurance Conference last month warned that overcapacity could in the future lead to excessive competition, prompting a massive crash in the space insurance market's results.

"We have to take heed and make sure that the high capacity existing today shouldn't be the cause in the future, if results worsen, of a shrinking market that is unable to cover the mounting insurance requirements of this sector," warned Benito Pagnanelli, deputy general manager of Trieste, Italy-based Generali.

for space technology. GENERALI

"We must not forget what happened in 1985 and 1986, when capacity fell below $100 million and rates reached 33%" of the risk insured, he warned.

Satellite insurance capacity grew 43% between 1981 and 1983, and "when the proverbial hit the fan" about 60% of that capacity disappeared, added John S. Korda, senior consultant for Telesat Canada and president of JSK Associates Inc.

New "speculative" capacity in the market today "is no good, and unfortunately clients are sometimes attracted to this capacity," said Mr. Pagnanelli.

The insurance companies offering the new capacity may be financially secure, but "they are innocent" when it comes to having expertise in the market, he said, noting that newcomers are not using a technical approach to evaluate satellite risks.

Generali, one of the largest players in the space market, offers $110 million of capacity per satellite launch.

Capacity has grown to between $850 million and $883 million per satellite launch this year from about $685 million last year and $550 million in 1995, according to various satellite underwriters and brokers at the conference.

This is more than is needed on most commercial satellite launches, which require about $500 million of coverage per launch and no more than $300 million per satellite, according to Generali.

Next year, capacity per launch probably will reach $1 billion, said Per Englesson, department manager and space underwriter of Skandia International Insurance Corp. in Stockholm, Sweden.

Because of this increased capacity, satellite launch rates now vary from 11.5% to as high as 30% of the value of the spacecraft, depending on the type of satellite and launch vehicle used, conference delegates said.

This variation shows that "the commercial insurance market has come of age," said John W. Vinter, president and chief operating officer of International Space Brokers Inc. in Washington. The market now can discriminate among risks according to the satellite specifications and launch vehicle used, he said.

Rates are under pressure, however. On average, satellite launch rates have dropped to 12.85% this year from 13.02% last year and 14% in 1995, Mr. Vinter's charts showed.

Satellite launch coverage also has broadened in recent years. Underwriters now offer in-orbit coverage of up to 730 days as part of the satellite launch insurance package, whereas only a few years ago 180 days in orbit was standard.

"There are cases where it would be more appropriate to speak of an 'in-orbit insurance policy including launch,'" said Mr. Pagnanelli.

See **Satellites** *on next page*

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Satellites

Continued from previous page

These long-term policies mean the satellite's health cannot be checked annually to re-evaluate the premium accordingly, he said. "I don't have any objection to the issuance of even a 10-year policy, but this should be made so that the terms and conditions can be evaluated annually."

Separate in-orbit insurance covers the satellite for its life, which can be up to 15 years. This coverage used to be unattractive to satellite owners, but times have changed.

A soft market and new in-orbit risks may have prompted them to buy the coverage.

In-orbit insurance rates are now significantly below 2% of the insured value, and the terms and conditions have improved, said Alden M. Richards, president and chief executive officer of broker Space Machine Advisors Inc. in Greenwich, Conn.

Mr. Richards will be placing PanAmSat's in-orbit coverage when it comes up for renewal in May, according to Frederick A. Landman, president and CEO of PanAmSat.

Overall, though, the space insurance market is making money.

Worldwide space insurance net premiums since 1984 to date total about $4.8 billion, according to Generali and Skandia International. Paid losses since then total only about $4 billion, said Mr. Englesson.

Just in the past eight years, launch and in-orbit premiums totaled nearly $4 billion against claims of $2.6 billion, Lloyd's space underwriter Simon Clapham said recently in London.

While some market observers warn of the risks of overcapacity, others say that more insurance capacity is needed in the space industry, as demand for satellites mushrooms.

More than 160 spacecraft are now in orbit, and an average of two new ones per month are launched, said Jack F. Juraco, senior vp and deputy leader of the commercial programs business unit of Hughes Space & Communications International Inc. in Long Beach, Calif. Of those in space, Hughes built 40%, he said.

Five satellites already have been launched this year into geostationary orbit more than 22,000 miles above the earth, and another 19 are to be launched. In addition, another 35 smaller satellites also are expected to be launched this year in a lower earth orbit, said Mr. Pagnanelli.

More satellites are necessary to meet demand for all types of new services, such as direct-to-home broadcasting; hand-held global mobile telephony; and interactive high-speed data transmission, said Mr. Juraco.

This might mean 500 TV channels instead of 200 today; online programming and Internet access; and digital telephones that include pagers, organizers and two-way access to personal computers anywhere in the world.

Insurance now comprises about 15% to 20% of a satellite's launch and in-orbit costs, so it is important to reduce this expense, said Mr. Juraco. "We at Hughes well understand that the only rationale for permanently lower rates is permanently lower loss rates. The insurance industry cannot be called upon to provide subsidies other than on a very short-term basis."

Therefore, satellites and launch vehicles must become increasingly reliable, he said.

Mr. Landman of PanAmSat agreed, saying he would prefer to pay insurers a premium than be paid by insurers for a claim. The three R's in his business are "reliability, reliability, reliability." Just one minute of broadcast time lost on a major television event such as a World Cup soccer match because of a satellite malfunction can cost more than what is insured, he noted.

When a satellite malfunctions, the loss of customer confidence "is immeasurable," added Peter E. Jackson, CEO of Asia Satellite Telecommunications Co. Ltd. in Hong Kong. "The only way we can sleep at night is reduce our risk."

AsiaSat is in the middle of negotiations to recover about $20 million from the insurance industry for the partial loss of AsiaSat 2 satellite launched in November 1995.

"Increased risk retention is an option that also merits serious consideration in the struggle to achieve lower rates," said Mr. Juraco of Hughes.

This can take many forms, such as constructing additional hardware in case some fails; self-insuring certain levels of coverage before insurance kicks in; or becoming a member of an excess loss pool.

"We anticipate a trend toward the increased use of more non-traditional forms of space insurance over the next several years," said Mr. Juraco. BI

Risks of hurtling through space

Satellites exposed to damage from meteors, space junk

By STACY SHAPIRO

VENICE, Italy—Satellites are at risk of being damaged by meteor showers and space debris while in orbit, which could create multi-billion dollar losses if multiple orbiters were knocked out of commission by the same event.

Intense meteor storms are expected to hit the earth's atmosphere in 1998 and 1999, with major peaks hitting during the fall, cautioned keynote speaker Benito Pagnanelli, deputy general manager of Assicurazioni Generali S.p.A. in Trieste, Italy.

These meteor showers could be the most intense in more than 30 years, he said during Generali's biennial space insurance conference last month.

Underwriters should begin to evaluate the "economic impact on the insurance market" should such a meteor storm damage even some of the 90 insured satellites in orbit with a combined insured value exceeding $16 billion, said Mr. Pagnanelli.

"All the satellites in orbit could be affected" and not just some satellites in certain sectors around the earth, added Giovanni Gobbo, vice director in charge of the space department at Generali.

But how they will be affected no one knows since the last time there was such an intense storm, 32 years ago, there was only a handful of spacecraft in orbit.

"It might not have any effect at all," said Mr. Gobbo. On the other hand, there is a risk that meteor fragments could create small holes or damage a vital aspect of a satellite, making it inoperable, he said.

The potential for losses from the meteor storm, while unknown, are so high that scientists recommend that there be no manned space missions during this period, said Per Englesson, department manager and space underwriter for Skandia

See **Damage** *on page 35*

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The successful candidate for this position will have a minimum of 5 years commercial property/casualty underwriting experience, including experience with specialty programs. A solid reputation in the industry among MGA's, reinsurers and reinsurance intermediaries is also essential. A proven track record for negotiating and implementing both agency and reinsurer contracts is required. Effective interpersonal and communication skills and a willingness to travel complete the requirements for this exciting opportunity.

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Kathleen Morris
Assistant Vice President
Human Resources
United National Group
3 Bala Plaza East, Suite 300
Bala Cynwyd, PA 19004.

EOE, M/F.

REQUEST FOR PROPOSALS

MEDICARE ASSISTANCE PLAN

The Management Benefits Fund (MBF) of the City of New York provides supplemental benefits to non-unionized personnel of the City of New York. Presently, there are approximately 19,000 active and retired members, including a Medicare-eligible retiree population of 3,765 members, along with 1,923 Medicare eligible spouses. The MBF wishes to introduce a service to enable Medicare-eligible members to gain a better understanding of their rights and benefits under Medicare.

The proposed MBF Medicare Assistance Plan will provide a range of services to Medicare eligible retirees and their spouses. Such services would include, but are not limited to:

- Responding to members' Medicare related questions via a hot-line telephone number.
- Providing advice to members on Medicare, Medicare HMO's, Medigap and other health insurance plans.
- Assisting members in filing appeals against Medicare claims.
- Supplying members with MBF specific educational material covering Medicare and Medicare related issues.
- Providing annual reports of hot-line telephone usage to the Fund.

Companies who have the current capability of providing these services should indicate their interest and submit appropriate detail to Georgette Gestely at (212) 306-7320.

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Deadline: Open until filled.

Contact: Send letter of intent, resume and supporting documentation to Jeanne McLeod, Executive Director of Personnel, P.O. Box 2035, Tyler, Texas 75710. (903) 531-3500, FAX (903) 531 - 3604.

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Business Insurance

Circulation Breakdown

Commercial Consumers

Administrative:

CEO's, Presidents, and Owners,	2,200
Vice Presidents, General Managers and Other Administrative Personnel	5,129

Financial:

Chief Financial Officers and Vice Presidents of Finance	3,166
Secretaries, Treasurers, controllers and other Financial Personnel	2,973

Risk/Employee Benefits:

Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations	17,043
Sub-total	**30,511**
Associations	290
Government, Unions and Educational Institutions	946

Commercial Consumers

Sub-total	**31,747**
Insurance Agents and Brokers	8,588
Insurance Companies	7,327
Accountants, Actuaries, Attorneys & Consultants	2,831
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers	1,624
Others Allied to the Field	966
Total Qualified	**53,083**
Non-qualified	9
Single Copy Sales	16
TOTAL CIRCULATION	**53,108**

★ *Source Business/Occupational breakdown of qualified circulation, November 25, 1996 Issue, as submitted to BPA for December 1996 BPA Publisher's Statement*

Damage

Continued from page 33

International Insurance Corp. in Stockholm, Sweden.

Satellite owners could take action by maneuvering their spacecraft in such a way so as to minimize any damage, noted Mr. Englesson. "What worries me is that when I recently asked executives of two different satellite manufacturers about their risk-curtailing measures in respect (of the meteor showers), they seemed totally unaware of it."

Even before the meteor showers, the number of claims for satellites in orbit "has reached unprecedented numbers last year and this year," Mr. Englesson added. "Some were insured and some were not."

'If the skies continue to be polluted, it could generate a big problem in the future,' says Benito Pagnanelli.

In-orbit claims this year already total about $132 million from a single claim while last year they reached $156 million, according to International Space Brokers Inc., a consortium of New York-based Frank Crystal & Co., London-based Crawley Warren & Co. Ltd. Inc. and Paris-based Groupe Le Blanc de Nicolay.

Many of these claims could be attributed to technical problems, giving rise to the loss of life of a satellite, said Mr. Englesson.

But the satellites in orbit are "constantly exposed to a hostile environment," Mr. Englesson noted. The 11-year solar flare cycle, for example, will peak at the turn of the century and could affect particularly lower-earth-orbit satellites for such services as mobile telephone use.

Earlier this year, the Telstar 401 satellite had a massive power failure for unexplained reasons that made it completely inoperable, added Mr. Englesson. The satellite was insured in orbit for $132.5 million (*BI*, Jan. 20).

Pollution of space also could become a major risk for satellites in orbit and for people on the ground as the amount of space debris increases, Mr. Pagnanelli told General conference delegates.

The scientific theory that manmade objects left in space will disintegrate on impact with the earth's atmosphere "may no longer be valid, as metal alloys that are now used to manufacture new generation satellites and launchers are increasingly resistant and are able to survive that impact," said Mr. Pagnanelli.

For example, last April a component from a Delta rocket landed in the outskirts of Georgetown, Texas. There have been more than 16,000 re-entries of various objects in the last several decades, noted Dario Di Vicenz of the space department of Generali.

Satellites and launch vehicles in orbit are more likely than people on the ground, however, to be hit by space debris. Already 13 windows of various space shuttles have been damaged by debris in the past 16 months, Mr. Di Vicenz said.

Space debris and the risk of it colliding with spacecraft in orbit also could lead to the problem of "third-party liability deriving from activities in space," said Mr. Pagnanelli. "Generally speaking, this problem has been underestimated even by insurers."

Underwriters do not offer third-party liability insurance for satellite owners during launch or in orbit, according to Mr. Pagnanelli. Only some of the launch companies, such as Arianespace, offer third-party liability cover during a launch.

Some underwriters say that if debris caused a loss in space, the satellite owner's product liability insurance might cover third-party claims. "I'm not so sure," said Mr. Pagnanelli.

There are no existing claims related to space debris at the moment, said Mr. Pagnanelli. "I expect, though, that there were some cases (of debris causing damage) which were not insured and there was no claim. It is not easy to identify if something went wrong because of debris or a meteor storm or whatever."

Mr. Pagnanelli said that losses from space debris should not be taken out of proportion, as it is not yet a major problem. "We don't want to be ridiculous and say this is a real danger, but it is something that should be a matter of concern for the future," he said. "If the skies continue to be polluted, it could generate a big problem in the future." BI

Political

Continued from page 2

commit to such long-term contracts because of the difficulty of predicting future losses.

Until recently, commercial insurers usually limited political risk policy terms to three years. In the past few months, some commercial insurers have started to offer contracts for up to 10 years, including ACE in a joint venture with other insurers (*BI*, March 10).

But policyholders seeking political risk coverage for terms of more than three years usually have had to seek coverage from government-sponsored agencies, such as the Overseas Private Investment Corp. in Washington, or MIGA, set up in 1988 to cover investment projects in many World Bank member countries.

ACE decided to increase its exposure to long-term risks because of MIGA's good risk profile, said Mr. Mear.

As the projects covered fall under the auspices of the World Bank, they generally have a low claims frequency, he said.

"We are comfortable with the position that MIGA and the World Bank has in the host countries where they do business," Mr. Mear said.

Under the quota share reinsurance contract, ACE will offer coverage for up to $25 million per contract and $100 million per country.

The ACE capacity will be added to MIGA's existing capacity of $50 million per contract and $225 million per country.

The policy terms will be up to 20 years, though most contracts will be for 15 years. MIGA will conduct all the underwriting.

The ACE agreement could be the first of several reinsurance contracts MIGA sets up with commercial insurers, as there still is a large demand for political risk coverage, Ms. Westholm-Schroeder said.

"Even with this extra capacity, we will still be constrained in what we can do, and we will still be limited in our ability to satisfy demand," she said. BI

Reusable vehicles coming

Premiums might be most costly item, speaker says

By STACY SHAPIRO

VENICE, Italy—Two new launch vehicles will require innovative insurance solutions when they start to fly in the next few years.

The new commercial reusable launch vehicle under development by the National Aeronautics and Space Administration and Lockheed Martin Corp.'s Skunk Works unit may need up to $2 billion in hull coverage per flight if it becomes operational after the turn of the century. Current capacity is estimated at $850 million.

Sea Launch L.P. also will need a whole range of new marine, liability, space and workers compensation insurance programs before it launches near the equator in June 1998. The new launch company will be based in Long Beach, Calif., at an old naval base.

New launch vehicles are badly needed to keep pace with the demand for new satellite systems, delegates heard at the Ninth Biennial Space Insurance Conference sponsored by Assicurazioni Generali S.p.A. last month.

"The availability of launch vehicles is a growing concern," said Jack F. Juraco, senior vp and deputy leader of the commercial programs business unit for Hughes Space & Communications International Inc. Mr. Juraco noted that while manufacturers have cut their delivery time for satellites to 20 months, from 30 to 40 months a few years ago, launch vehicle providers have not kept pace.

There also have been too many launch vehicle failures, he said. These included the Ariane V test flight and a Russian Proton rocket last year; and a Delta rocket launched in January from Cape Canaveral.

"The bottom line is that we need more launch vehicles, an improved infrastructure, shorter processing times, lower (launch) costs and increased flexibility to accommodate (satellite) schedule adjustments," said Mr. Juraco.

NASA/Lockheed Martin mission

At the moment, NASA and Lockheed Martin are developing a reusable launch vehicle known as the X-33, which is expected to be privately owned for commercial use. NASA and Lockheed Martin have a cooperative agreement until Dec. 31, 2000, to build the X-33 technology demonstrator at a cost of $1.1 billion—$900 million from the U.S. government and the rest from the company. But the company will make the final decision on whether to manufacture and finance the vehicle privately once the research and development reaches a conclusion. Lockheed Martin would fund the program if it goes ahead.

The vehicle, which looks like an upgraded space shuttle, is expected to reach speeds of up to 15 times the speed of sound. The first flight is scheduled for March 1, 1999.

Because the X-33 is intended to be privately owned, "I sometimes think that it will be the business and legal issues, not the technical ones, that will determine whether or not the RLV will become a reality in the reasonably near future," said Edward A. Frankle, general counsel for NASA in Washington.

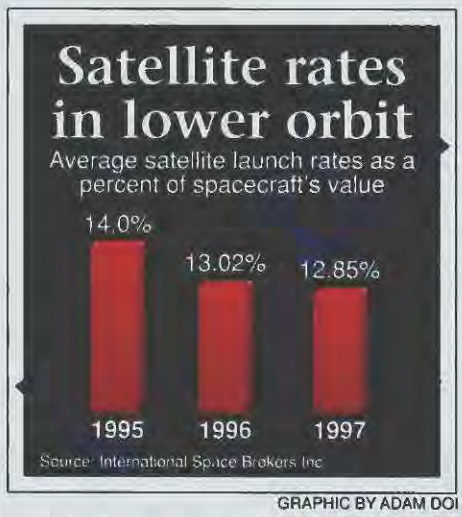
For example, because the vehicle is being built in the private sector, "typical governmental protections and immunities will not apply," he said.

In particular, the National Aeronautics and Space Act allows NASA to indemnify users of NASA vehicles against third-party losses. But because the X-33 would not be a NASA vehicle, that law would not apply, said Mr. Frankle.

NASA hopes new legislation will be introduced this year to amend the act "to provide indemnification for test flights of new aerospace vehicles," said Mr. Frankle. However, even if Congress passes such an act "it will only permit us to indemnify above the level of third-party insurance available at a reasonable cost," said Mr. Frankle.

This means Lockheed Martin probably will have to buy third-party liability insurance, even for test flights, for the X-33, he said.

"How many underwriters do you know would be willing to insure the risk of a new, untested hypersonic vehicle at rates low enough that they would not impact the cost of the overall program?" asked Mr. Frankle. "I am confident that everyone will agree that the level of uncertainty surrounding a new vehicle like the X-33 will make third-party insurance much less available."



GRAPHIC BY ADAM DOI

Once the X-33 is operational, it should produce an income of about $40 million per flight, even though it will offer lower launch costs for satellite owners.

However, the X-33 would need about $2 billion in hull insurance per flight if it is to be insured, Mr. Frankle estimated. Lockheed Martin is considering building an extra vehicle rather than seek hull insurance. Nevertheless, if hull insurance costs about 15% of the vehicle value, the premium per flight would be about $300 million. "Does anyone think it is feasible to spend $300 million to insure a $40 million trip? If that is where we end up, the ultimate effect of developing an RLV will not be a reduction of the cost of access to space but simply to make the cost of insurance the dominant factor in the cost of space access," said Mr. Frankle. "In short, the RLV program will have failed."

"If the X-33 is successful and leads to a real, commercially viable RLV, it changes everything that we have come to understand about access to space. Further, it does so quickly," said Mr. Frankle. "It would be a tragedy for the X-33 program to be technically successful but fail because the business and legal communities could not adapt in time to take advantage of this success."

Sea Launch consortium

Meanwhile, Sea Launch is about a year away from launching its first Ukraine-built Zenit rocket with commercial satellites on board from a converted oil platform about 1,000 miles south of Hawaii in the middle of the ocean. The satellites will be loaded onto the rocket, which will be loaded onto the launch platform at Sea Launch's new headquarters in Long Beach. Then the platform and the command ship with a maximum 240 employees and customers will sail for the launch site near Christmas Island.

When the launch vehicle is ready for liftoff, the ship will move about 3 miles away, where it will serve as the mission control center.

The concept to a layman may sound bizarre, but the idea is ages old, and it has taken many factors, such as the demise of the Soviet Union, for it to become reality, Walter J. Lewis, vp and customer support and operations for Sea Launch in Seattle, said in a later interview.

Indeed, space underwriters and satellite owners are comfortable with the project. Rockets have been launched from the sea for years, though not with commercial satellites on board.

The new launch company is owned by a consortium of companies that are providing the hardware for the project. They are Boeing Commercial Space Co. in the United States, which owns 40%; shipbuilder Kvaerner Maritime A.S. in Norway, which owns 20%; RSC Energia in Russia, which owns 25%; and Yuzhnoye/PO Yuzhmash, which owns 15% and is based in the Ukraine, where the Zenit rocket is built. Boeing is the project manager.

The consortium already has 18 orders to launch satellites for Hughes and Space Systems/Loral, according to its brochure. The first launch will have on board Hughes' latest model communications satellite, known as the Model HS 702.

Hughes has chosen Sea Launch, among other launch companies, because it will decrease total shipment and processing times and costs, according to Mr. Juraco. The new launch company is only 20 miles from Hughes, he said.

Also, "Sea Launch. . .no matter how revolutionary, is based on proven techniques and straightforward upgrades to hardware which has an excellent history of reliability," said Mr. Juraco.

There are a myriad of insurance coverages needed for such a project, which all are being placed by broker J&H Marsh & McLennan Inc. For example, marine builders risk insurance now covers building the ship in Glasgow and the specially designed self-propelled semi-submersible launch platform in Norway, Jan T. Skolmli, finance manager for Sea Launch in Lysaker, Norway, said in a later interview. The coverage is led by Storebrand ASA, he said.

Builder's risk and general liability insurance also covers the building of the "home port" in Long Beach on a former Naval base. The coverages are led by Chubb Corp., said Mr. Skolmli. Though Mr. Skolmli wouldn't give details of any of the coverages, he said the general liability insurance limits "cover the requirements of the Port of Long Beach."

Sea Launch will give a technical presentation to the insurance industry in September in Glasgow before it seeks more coverage for the marine, non-marine and space risks in the project, according to Mr. Lewis.

Other risks to be insured, according to Mr. Skolmli, include:

- The shipment of hardware for the rocket to Long Beach from various destinations.
- The sailing of the command ship from Glasgow through the Panama Canal to Long Beach; and the launch platform around Cape Horn.
- Business interruption, general liability, and workers compensation insurance for employees on the command ship. BI

Derivative

Continued from page 1

pursue their claim in court even after their board rejects their demand. To keep their lawsuits alive, shareholders would have to show a court that their demand would be or was futile because a majority of the board allegedly engaged in the wrongful activity and could not evaluate the demand objectively.

If a derivative lawsuit survives, judges in many jurisdictions may not rely on their own business judgment to second-guess the judgment of company officials. Instead, shareholders bear the burden of showing that company officials knowingly did not act in the organization's best interests.

A notable exception exists in Delaware, where judges in the trial-level Chancery Court may substitute their own business judgment in place of the board's. Courts in a few other states are set up similarly.

The ALI principles were designed to eliminate the distinctions between the "demand refused" and the "demand excused" cases, said Mr. Sachnoff, a partner with Sachnoff & Weaver Ltd. of Chicago.

Under the ALI's principles, a board has much broader power in refusing to press a shareholder's claim and in preventing the shareholder from pursuing his lawsuit without the board's backing.

In adopting the ALI principles, the Pennsylvania Supreme Court:

- Gave boards of Pennsylvania companies the automatic right to review a derivative-action claim under most circumstances. The lone exception is when a shareholder can show that the corporation otherwise would suffer "irreparable injury."
- Stayed suits by shareholders until their board completes its investigation of their claims.
- Required lower courts to uphold the decisions of boards' special committees to terminate derivative litigation, if those committees followed prescribed procedures for investigating shareholder complaints.

The court's 6-0 decision came in derivative litigation filed against Peco Energy Co., a Philadelphia-based gas and electric utility.

Shareholders alleged the utility mismanaged its collection function for years by not aggressively pursuing delinquent accounts.

For companies, the Pennsylvania case emphasizes the importance of investigating every shareholder's claim, says Arter & Hadden's Dan Bailey.

In consultation with attorneys, a special committee consisting of a dozen Peco board members who were not named defendants outlined in a 300-page report why it concluded the charges were meritless. For example, the committee found the state utility commission was more receptive to Peco's rate hike requests after the utility ratcheted down its collection attempts against delinquent customers, many of whom are impoverished.

The Supreme Court's decision overturned two lower court rulings against Peco. Though Pennsylvania courts never used the term "business judgment," the Supreme Court found that the context of state court rulings dating to the 18th Century provided company officials protection under the business judgment doctrine.

That ruling by itself was "significant," said Marc J. Sonnenfeld, a partner with Morgan, Lewis & Bockius L.L.P. of Philadelphia, which filed an amicus brief in the case for three business groups in the state. A contrary ruling "would have made Pennsylvania law aberrational" compared with case law in other states, he said.

Supreme Court Chief Justice John Flaherty explained that the court went further and adopted the ALI principles because the lower courts demonstrated they need guidance in this area.

The judge did not limit his criticism to Pennsylvania courts. He took a swipe at the Delaware courts for allowing judges to substitute their own business judgment for company officials'. He also criticized New York courts for not establishing procedures to govern corporate decisions in derivative litigation. Some attorneys disagreed with the judge's assessment about New York Courts.

The Peco case was remanded to a trial court to decide whether the utility's board conducted a fair investigation of its shareholders' claims.

Peco shareholder attorney Ruthanne Gordon, a partner with Berger & Montague of Philadelphia, said the ruling "is contrary to the law in a number of jurisdictions, including Delaware and New York."

Case law in both states allow shareholders to pursue derivative litigation on their own when they allege the majority of their board engaged in grossly negligent conduct, she said. Those courts have ruled that abdication of a board's function, which occurs when a board fails to correct a long-standing problem at the company, constitutes gross negligence, she said.

Courts in many other states likely will follow the Pennsylvania Supreme Court's lead, attorneys agree.

Considering the controversy over the principles in 1992, their adoption "by a major state is of substantial significance," said Peco attorney Alan J. Davis, a partner with law firm Ballard Spahr Andrews & Ingersoll in Philadelphia.

Courts nationwide will continue to follow Delaware court rulings more closely in general, but the Peco decision "will be persuasive and will be cited and looked at closely," predicted insurer attorney Dan A. Bailey, a partner with Arter & Hadden in Columbus, Ohio.

The decision, though, likely will not influence Delaware and New York courts, attorneys said."It would be a radical change in Delaware," Mr. Sachnoff pointed out.

More likely, if courts nationwide begin adopting the ALI principles, Delaware's Legislature would codify the ALI principles to maintain the state's attraction as a corporate domicile, according to policyholder attorney Larry S. Gangnes, a partner with Lane Powell Spears Lubersky L.L.P. in Seattle.

Most importantly for companies, the Pennsylvania case emphasizes the importance of investigating every shareholder's claim, Mr. Bailey said.

He advised boards not to cut corners. "You jeopardize your ability to get out of the case quickly and cost-effectively. Saving a few thousand dollars on the front end may cost you millions in the long run," he said.

Meanwhile, Chubb Corp. has announced that its D&O liability policies now will provide first-dollar coverage of a board's cost to investigate shareholder claims. It said traditional D&O policies typically have not covered those costs.

But, policyholder attorney Carolyn Rosenberg of Sachnoff & Weaver said that other policies implicitly may cover those costs.

"To the extent that the policy language and defense costs include investigation of claims made and allegations of potential wrongdoing by directors and officers, if the investigation of the claims is in defense of innocent directors and officers, then it very well may be a defense cost," she said.

In addition, if the materials produced by the board's investigation committee assist the company in defending or settling other claims, then the company's D&O insurance may cover the cost of producing that material, Ms. Rosenberg said.

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Albert Cuker et al. derivatively on behalf of Peco Energy Co. vs. Albert G. Mikalauskas et al., Supreme Court of Pennsylvania; No. 115 Eastern District Miscellaneous Docket 1996.

ADA

Continued from page 1

mental turmoil of workers.

The agency's action prompted a wide range of reactions in industry, with some executives expressing guarded support for the EEOC's actions and others criticizing the guidelines as being unworkable and potentially expensive.

At present, 13% of claims filed with the EEOC are for psychiatric disabilities. Legal experts predicted that while the number of claims experienced by employers due to the new guidelines would vary widely, all employers need to be familiar with the ADA guidelines.

"Many of the provisions in the EEOC guidelines are undoubtedly socially useful, but they present a host of legal problems and hidden costs for employers in complying with the guidelines," said Richard Reibstein, a partner in McDermott, Will & Emery in New York. "They're far more comprehensive. Because they're out there, you have to know about them. And if you're not going to follow them, you still better know them."

Employers have been able to help employees with non-psychiatric disabilities under the ADA, he said, but "most human resource managers are ill-equipped to know how to accommodate individuals with psychiatric problems."

The guidelines apply to employees diagnosed with serious psychiatric disorders, such as major depression, bipolar disorder, anxiety disorders, schizophrenia and personality disorders. The illness, to qualify as a disability under the ADA, must substantially limit one or more major life activities, such as learning, thinking, concentrating, interacting with others or working.

To qualify as substantially limiting, the illness must affect these major activities of life for more than several months, the guidelines state, such as when an employee has had major depression for a year with symptoms of sadness, sleeplessness and problems with concentration. Another example, according to the EEOC, would be an employee on medication for a bipolar disorder who goes through repeated bouts of disruptive depression and mania.

In response to such conditions, the employer must provide a reasonable accommodation, according to the ADA, unless doing so would place an undue hardship on the employer. Employees, in speaking to the employer about the problem, need not speak specifically about a psychiatric illness. They need not mention the ADA at all, nor make a written request.

For instance, an employee can ask for time off because he is "depressed and stressed." This alone is sufficient to place the employer on notice that an ADA-related problem may exist.

Employers are not obligated to accede to every employee request for accommodation for psychological distress, however, and as with non-psychiatric ADA claims, employers may insist on documentation of the problem by a health professional.

Accommodations for psychiatric disabilities may include:

- Time off using accrued paid leave or additional unpaid leave, or a modified work schedule, such as a change in working hours.
- Changes in the workplace such as room dividers or soundproofing to aid workers who can't concentrate.
- Changes in workplace policy, such as allowing more frequent breaks.
- Changes in supervision methods, such as giving a worker detailed daily guidance.
- A job coach to temporarily

See **ADA** *on next page*

March 1997

Northington/Connecticut Insurance Reinvestment Fund

$107,000,000
Private Equity Capital

Northington Partners Connecticut, Inc.
Fund Manager

To be invested in insurance and related businesses in Connecticut

Northington Partners, Inc.
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35 Tower Lane
Avon, Connecticut 06001
Tel. (860) 676-1942
Fax (860) 676-1930

This announcement appears as a matter of record only.

Brokers

Continued from page 2
sition of Johnson & Higgins (*BI*, March 17).

Aon Group followed suit in April with its agreement to buy Minet Group from The St. Paul Cos. Inc. (*BI*, April 22).

The Minet deal came while Aon was still digesting the recent acquisitions of Alexander & Alexander Services Inc. and Bain Hogg Group P.L.C., a process that Patrick G. Ryan, Aon chairman and CEO, said is going smoothly.

Executives at the new J&H Marsh & McLennan Inc., similarly digesting recent deals, would not comment on the integration or first-quarter results. The broker entered into "a period of silence" after filing a shelf-registration statement with the Securities and Exchange Commission for the offering of up to 3.4 million shares of its common stock. Under the agreement, M&M will pay $334.3 million in cash and $670.6 million in M&M stock to J&H shareholders, including its roughly 40 active directors and managing principals (*BI*, March 31).

While consolidation has sealed many brokers' fates in the last six months, one broker's future is still up in the air.

Anthem Insurance Cos. Inc. announced in early February that it was exploring the sale of subsidiary Acordia Inc.'s property/casualty brokerage business.

Acordia has declined to comment on rumors that it is in talks with several banks. In discussing first-quarter results, Keith Maib, executive vp and chief financial officer of the Indianapolis-based broker, would only say that the "process announced in February is continuing."

One broker that is a bit more open about is future is Hilb, Rogal & Hamilton Inc., which is bullish about becoming the mid-market industry leader.

Glen Allen, Va.-based HRH, which for the past 10 years has followed an aggressive growth-by-acquisition strategy where an acquisition candidate's revenue stream was a primary focus, is changing its direction, explained Andrew L. Rogal. Mr. Rogal officially takes over as CEO this week, succeeding Robert H. Hilb, who remains chairman of the company.

"We're not in the pooling business" anymore, he said. "We're not interested in using our shares for acquisitions."

Instead, the 15-year-old broker is focusing on improving internal operations and acquiring agencies that are a strategic fit, not just revenue enhancers, Mr. Rogal said.

"We're very excited about our prospects," he continued. HRH has the opportunity "to become the premiere mid-market intermediary in the industry."

But that involves quality, professionalism and, to some degree, size, he said. While the broker focuses on the first two, the latter will come in the future.

"At some point in time, we intend, whether in a series of moves or in one big move, to ratchet up our size considerably," he said. "When that time comes, we will move on those opportunities from a position of strength."

"The company right now feels very aggressive and very hungry," Mr. Rogal said. "We're done playing defense."

For other brokers, the recent spate of mega mergers has had little effect.

"The only vibrations we see is just a lot of resumes in the mail," said Hyatt Brown, chairman and CEO of Daytona Beach, Fla.-based Poe & Brown Inc.

Michael J. Cloherty, executive vp of Arthur J. Gallagher & Co., said with the rash of industry consolidation, the Itasca, Ill.-based broker is one of the few large independent brokers left in the industry. "We see great opportunities because of that independence."

Individual broker results follow:

J&H Marsh & McLennan

Revenues at the world's largest broker increased 12.8% in the first quarter to $1.2 billion. Net income rose 14.9% to $164.4 million.

That percentage is certain to rise when M&M adds in J&H's revenues in the second quarter of 1997. While first-quarter figures do not reflect the J&H purchase, they do take into account M&M's January acquisition of French broker Cie. Europeenne de Courtage d'Assurances et de Reassurances, or CECAR.

As usual, The Putnam Cos., M&M's Boston-based investment management subsidiary, led the way with a 42.9% rise in revenues to $340.6 million during the first quarter. Consulting revenues, including those from unit William M. Mercer Inc., rose 10.3% to $305.4 million. Insurance services, which include retail brokerage revenues, were up just 1.3% during the first three months to $562.7 million.

Aon Group

Revenues at the Chicago-based broker catapulted 81.6% in the first three months to $880.7 million.

However a $145 million charge taken in the first quarter to cover costs associated with the integration of Alexander & Alexander Services Inc. resulted in a $36.4 million pretax loss. Excluding the special charge, pretax profits rose 27.5% to $108.6 million.

Mr. Ryan said internal growth was roughly 3% during the first quarter for which he is "relatively pleased."

"It's a very competitive market," he said. "Reinsurance brokerage continues to be the most competitive area of brokerage services."

Excluding revenues from acquisitions, Aon reported a "very slight decline" in reinsurance brokerage revenues, he said.

In addition to the Minet acquisition, which was expected to close over the weekend, Aon remains busy integrating the operations of A&A and Bain Hogg Group P.L.C.

"All the people are coming together well," he said. And "as an organization, morale is quite high."

Acordia

Revenues edged up only slightly during the first three months of 1997, increasing 0.7% to $165.8 million. Profits, however, dropped 8.5% to $6.7 million.

"We're certainly pleased" with the first-quarter results, Mr. Maib said. There is always "concern when a business is in transition to make sure you keep your eye focused on the ball," he said.

"We're very happy that there's been no impact on the business as a result of our Feb. 6 announcement," he said, referring to Anthem's announcement that it wants to sell the property/casualty operations of Acordia.

Mr. Maib said Acordia's revenues remained flat over the first quarter as lower health-related revenues were offset by higher retail brokerage revenues.

Revenues from its health-related business were down due to the loss of business from Anthem U.S., which represents Anthem's core business outside of Indiana, Ohio and Kentucky, Mr. Maib said. Acordia was the exclusive wholesale distribution arm for Anthem U.S.'s products, but that exclusive arrangement ended Dec. 31.

Acordia's retail brokerage business "showed good internal growth," he said, declining to disclose any percentages or figures.

Mr. Maib attributed the broker's profit decline to higher interest and amortization expenses.

During the first quarter, Acordia did acquire three property/casualty operations; Bush, Cotton, Thompson & Scott Inc., in Seattle; Charles R. Dorsey Inc., in West Palm Beach, Fla.; and Simms & Rose Insurance Agency Inc., in Coconut Grove, Fla.

Arthur J. Gallagher

Revenues at the Itasca, Ill.-based broker increased 3.1% to $111.5 million during the quarter. Net income was up 8.2% to $9.2 million.

"We're pleased considering the marketplace," said Mr. Cloherty. "It's still extremely competitive."

During the first quarter, Gallagher acquired two benefit companies, entered into a joint venture and formed a new division.

The acquisitions of Byerly & Co. of Denver and Arnold & Co. of Troy, Mich., will add about $6 million in annualized revenue to the broker's Gallagher Benefit Services division, Mr. Cloherty said.

The broker also entered into a joint venture with the Wyatt Group, a Brisbane, Australia-based third-party administrator to form a new company there that will provide loss adjusting, claims management, risk control consulting and marine and aviation surveying for the Australian marketplace. The new company is named Wyatt Gallagher Bassett (*BI*, April 14).

And in March, Gallagher announced the formation of AJG Financial Services Inc., a new division which will provide investment services to existing and new clients.

Hilb, Rogal & Hamilton

During the first quarter, revenues increased 11.2% to $47.9 million, while profits rose 4.7% to $5.4 million.

"The first quarter speaks for itself. It's the best quarter we've ever had," Mr. Rogal said. "We clearly exceeded our expectations."

He attributes the success to the company's year-old strategy of focusing on improving the company's internal operations.

"We have a distribution system of high quality that is very deep in people," Mr. Rogal said. "What it lacks, however, is discipline."

In the past year, the broker has reorganized the company into regional business units under leadership that "looks forward and not to the past," he said.

HRH is now in the process of integrating best practices within its operations.

"The company has come unfrozen," Mr. Rogal said. "There is enormous momentum within the company, enormous enthusiasm."

Poe & Brown

Revenues at the Daytona Beach, Fla.-based broker increased 10.6% in the first quarter of 1997 to $34.0 million. Net income also was up, increasing 17.5% to $5.2 million.

"It was a very strong quarter," Mr. Brown said. However, "we're still running behind our goal" for internal growth, he added. Non-acquisition growth grew at a 5.7% pace during the first three months, a little shy of the broker's 7.5% goal.

"Hopefully by mid-year or late this year we'll be running at 7.5% internal growth," according to Mr. Brown.

During the first quarter, Poe & Brown acquired two agencies; Dade Underwriters Insurance Agency Inc. in Aventura, Fla., and Willits Insurance Agency Inc. in Fort Lauderdale, Fla. BI

Brokers' first-quarter results

(in millions of dollars)

	Gross revenues	% change from 1996	Net income	% change from 1996
J&H Marsh & McLennan	$1,211.9	12.8%	$164.4	14.9%
Aon Group	880.7	81.6	(36.4)†	(142.7)
Acordia	165.8	0.7	6.7	(8.5)
Arthur J. Gallagher*	111.5	3.1	9.2	8.2
Hilb, Rogal & Hamilton	47.9	11.2	5.4	4.7
Poe & Brown	34.0	10.6	5.2	17.5

*1996 figures have been restated †pretax
Source: company reports

ADA

Continued from previous page
help a job candidate with a psychiatric disability through training.

The EEOC's advice that employers be aware of how their employees are feeling and to listen for warning signs may be more of a responsibility than many employers are eager to accept, said Judy Bauserman, a consultant with William M. Mercer Inc. in Washington.

"This places a big burden on employers to place a lot of importance on employees' words that may not have been intended by the employee," she said.

Employers will see both pros and cons to the guidelines, said Larry Boress, vp of the Chicago-based Midwest Business Group on Health, a coalition of more than 150 employers. "If these people are identified early on and given a form of treatment, they can get better a lot quicker," said Mr. Boress, adding that certain accommodations, such as adjusting a work schedule by an hour, would probably place no hardship on most employers.

On the other hand, Mr. Boress said, if an employee is empowered to demand a "mental health day" whenever he or she is stressed, it will be unmanageable for the employer. In addition, for the ill employee who genuinely can get help through such sources as an employee assistance program, such short-term solutions as days off may actually get in the way of treatment, he said.

A lawyer for the EEOC said many employer concerns are unwarranted and that companies will never be required to make an accommodation without proof of an actual mental illness, if they request it.

"A lot of this criticism is coming from employers in big business, playing Chicken Little and saying the sky is falling," said Peggy Mastroianni, associate legal counsel.

'The goal is getting people healthier so that they can be fully productive,' says Dr. Catherine Baase.

"If you're just stressed, you don't have a disability," Ms. Mastroianni said.

For those larger companies that have already invested in employees' mental health through their own assistance programs, Ms. Bauserman said, the guidelines will not be onerous.

"For those employers, the approach suggested by the ADA will fit very well with their existing strategies," she said.

Some employers are still studying the new guidelines but aren't panicking.

The medical director of Midland, Mich.-based Dow Chemical Co., Dr. Catherine Baase, said that while Dow has a good track record in being sensitive to employees with psychiatric problems, the new guidelines appear to be rather broad, and "the breadth and sweeping nature of these does pose some potential for abuse."

Despite some potential for added costs for Dow Chemical, however, she said the guidelines would probably result in at least one positive effect: the company instructing supervisors to have more open discussions with workers.

"The goal really is getting people to treatment," she said. "The goal is getting people healthier so that they can be fully productive."

But getting mentally ill people back in their jobs is extremely challenging for the typical human resources staff, and often requires far more creative strategies than someone with a non-psychiatric complaint covered by the ADA, said Veronica Hellwig, senior consultant specializing in disability issues for Watson Wyatt Worldwide in Wellesley Hills, Mass.

"There is probably not one single, solitary issue or diagnosis that is as feared as mental illness and return to work," Ms. Hellwig said.

"It's a lot more easy to modify the physical condition of an office. It's an easy fix to fix a chair," she said. BI

Product

Continued from page 1

much difference if the president doesn't sign it."

That's what happened last year, when both houses of Congress approved H.R. 956 only to have it die with a stroke of the president's veto pen on May 2, 1996 (*BI*, May 6, 1996).

Although proponents of the new bill say they have attempted to address President Clinton's objections to last year's measure, Sen. Rockefeller said the changes they made "tend to be rather the easier ones." He said the bill's drafters had not dealt adequately with the president's objections to the previous bill's formula for awarding punitive damages and its treatment of joint and several liability for non-economic damages.

Sen. Rockefeller said his vote against the new bill was a signal it would not pass presidential muster. "I think we have to be realistic. I don't want another presidential veto," he said.

But he declined to close the door entirely on reform this year. "I look at this as kind of a work in progress."

"I know this isn't the final version of this proposal," said Sen. Slade Gorton, R-Wash., who co-sponsored previous product liability reform bills with Sen. Rockefeller. He and other GOP committee members made clear that they were quite willing to continue talking about possible changes to the bill before it hits the Senate floor, which may happen as early as late June.

But supporters said they wanted to get the bill moving quickly, as the Senate Republican leadership intended when Sen. Gorton, Sen. Majority Leader Trent Lott, R-Miss., and others introduced their version of the Product Liability Reform Act of 1997 as S. 5 early in the current session. The measure, which was identical to H.R. 965, was intended as a "placeholder" bill to be replaced with a new version at the appropriate time. Senate Republicans introduced the revised bill—S. 648—on April 24.

S. 648 contains most of the provisions of H.R. 956. These include limits on the liability of sellers of a defective product under many circumstances; defense against some suits alleging product liability when the product was deliberately misused or altered or when the plaintiff was intoxicated; limiting punitive damages under most circumstances to greater of twice the amount of damages awarded for economic and non-economic loss or $250,000; and limiting defendants' liability for non-economic damages to their proportion of responsibility under most circumstances.

S. 648 differs from its predecessor in several ways, most notably regarding its statute of repose, which prevents a person from suing over a defective product that has been in continuous use for a certain period of time. First, S. 648 would bring most goods under the statute of repose, except for products like drugs and asbestos that could cause latent injuries. Currently, the statute of repose applies only to workplace capital goods.

The change would eliminate the difference in treatment of the same good depending on where it was used, said Victor E. Schwartz, general counsel of the pro-reform Arlington, Va.-based Product Liability Coordinating Committee and a longtime champion of reform.

The new bill also would extend the statute of repose to 18 years from the 15 years contained in the previous measure. Mr. Schwartz said that 18 years is the same statute of repose set by a 1994 law limiting the product liability exposure of general aviation aircraft manufacturers.

Also, the statute of repose proposed in the new bill would pre-empt all state statutes of repose, whereas the previous bill would have pre-empted only those shorter than that set by federal law. Mr. Schwartz said establishing a uniform statute of repose "would extend people's right to sue in 16 or 17 states."

A couple of the other changes occurred after proponents "scrutinized very carefully" the reasons President Clinton gave for his veto, said Mr. Schwartz. As a result, the bill would specifically exempt from any protection barkeepers who sell alcohol to intoxicated patrons and gun sellers who sell firearms to felons. President Clinton cited concern about both possibilities as grounds for his veto.

In another bow to opponents' concerns, drafters of the bill also included a provision that would exempt breast implants from the general immunity granted manufacturers of raw materials used in medical devices.

Also removed from the new bill was a controversial workers compensation provision opposed by self-insurers and many insurers last year (*BI*, March 18, 1996). That section provided that—under certain circumstances—where a product manufacturer proved that the employer was at fault by substantially contributing to the cause of the accident by its actions, the employer or insurer would lose its subrogation lien to recover workers comp payments. Critics claimed this would have allowed double recovery, and would have shifted costs from the liability system to the workers compensation system.

After last Thursday's committee vote, however, opponents of the bill questioned how meaningful the changes were.

"I'm not convinced they're very sincere about addressing the president's concerns," said Richard Vuernick, legislative director of Citizen Action in Washington. "I think it's dead for the time being," he added.

Joanne Doroshow, a staff attorney with Public Citizen, another Washington-based consumer group, agreed. "They're going backwards from where they were last year. I think it's a pretty bad sign for their side that they couldn't work anything out by now."

Not surprisingly, Mr. Schwartz disagreed with that analysis.

The changes show "that the Republicans are not trying to make political statements. They're trying to come up with a reasonable approach," he said.

Mr. Schwartz also defended not making more changes in the liability formula despite the president's unhappiness with it, because it wasn't clear exactly what would be acceptable to the president. The president's objection to the formula is that the calculation of economic damages would discriminate against low-income and unemployed persons and children.

"Before we start cutting muscle, we ought to have a damn good X-ray of the patient," he said.

In fact, "the thing that was important was they didn't try to fix joint and several and punitive without Sen. Rockefeller," said Pat Rowland, the executive director of the PLCC. Negotiations will continue, he said, adding that "they're warming up the engines on the House side," where no reform bill has yet been introduced.

"Product liability, or any liability changes have difficult roads ahead of them. Without bipartisan support, it has no chance at all," pointed out Tom O'Day, who retired last year as associate vp of the Alliance of American Insurers and is now an independent Washington consultant. He had worked on the product liability reform issue for more than a decade.

The New York-based Risk & Insurance Management Society Inc., which has consistently supported reform, "is still analyzing the bill," said Paul Brown, director-government affairs. "To the extent that it is similar to last year's bill, we would again support the measure. We do recognize, however, that a bill similar to last year's would probably not pass muster with the president again. With the loss of Sen. Rockefeller's support, passage of the bill, not to mention making it veto-proof, will be quite difficult," he said.

Another pro-reform observer had a more optimistic assessment.

"I don't think that the party-line vote is that significant. Rockefeller and (Sen. Byron) Dorgan (D-N.D.) said the right things and basically had a disagreement over strategy and the process. We're confident that by the time the bill gets to the floor of the full Senate, the problems can be worked out," said Lawrence Fineran, assistant vp at the National Assn. of Manufacturers in Washington.

"People are committed to finding a solution, and they're going to keep working at it," said Mr. O'Day.

Meanwhile, in another reform-related move, the PLCC has retained former White House Counsel Jack Quinn as an adviser. BI

Updates

Judge overturns Digital verdict

NEW YORK—A judge has thrown out a $5.3 million jury verdict in a keyboard injury suit against Digital Equipment Corp. after new evidence suggested that the plaintiff's injury may not have been work-related.

In a ruling last week in New York, U.S. District Court Judge Jack B. Weinstein said he would call for a new trial in light of the new evidence, filed earlier this month by Digital. The evidence includes a previously undisclosed medical report that concludes the wrist injuries Patricia Geressy suffered were caused by a neck condition unrelated to her work as an executive secretary for the Port Authority of New York and New Jersey. Plaintiff's attorney Steve Phillips with the New York firm of Levy, Phillips & Konigsberg said the information, which was part of Ms. Geressy's workers compensation claim file, had been available during trial but that defendants did not focus on it until afterwards. He said he will appeal the ruling.

The judge also dismissed a $302,000 award to a co-plaintiff in the case because the statute of limitations had expired. No information on the age of the claim by Jill Jackson, a former legal secretary, was made public.

However, he let stand a $274,000 award to Jeannette Rotolo, a former billing clerk with the Long Island Jewish Medical Center. Digital said it would appeal that ruling.

"We are pleased with the judge's decision to overturn the two verdicts, and we plan to appeal the third," a company spokesman said. The award had been the first verdict against a keyboard maker sued for allegedly causing repetitive motion injuries (*BI*, Dec. 16, 1996).

Court: County can't be sued

WASHINGTON—Municipalities will enjoy some immunity against civil rights lawsuits because of the Supreme Court's decision in an Oklahoma case last week.

The high court's decision in *Board of County Commissioners of Bryan County, Okla., vs. Brown et al.* voided an award levied against Bryan County after one of its police officers allegedly used excessive force during a traffic stop.

Jill Brown claimed that Reserve Deputy Stacey Burns had yanked her from a stopped truck, forced her to the ground and injured her knees so severely that she had to have surgery. She sued Mr. Burns, Sheriff B.J. Moore and the county, holding among other things that the county was responsible because the sheriff, who was related to Mr. Burns, had failed to review Mr. Burns' background adequately. Mr. Burns had a record of misdemeanor convictions before he was hired, but only felony convictions automatically bar someone from being hired for law enforcement jobs under Oklahoma law.

Although a federal district court and the 5th U.S. Circuit Court of Appeals said Ms. Brown could sue the county, the high court ruled 5-4 that the county was not liable for "what can only be described as a deviation from Sheriff Moore's ordinary hiring practices." Ms. Brown did not show that the decision to hire Mr. Burns reflected a "conscious disregard" for a risk that he would use excessive force in violation of federal law, Justice Sandra Day O'Connor wrote for the majority.

The district court had earlier ruled that Ms. Brown could not sue Sheriff Moore, and the Supreme Court's ruling does not affect any legal action taken against Mr. Burns.

Briefly noted

Workers compensation rate cuts in Ohio will save private employers 15% or $240 million, and some state agencies 9.7% or more than $5 million. The rate cuts will be effective July 1. . . .Washington Gov. Gary Locke vetoed portions of an insurance industry backed bill that sought to limit Insurance Commissioner Deborah Senn's ability to **regulate managed care standards** such as grievance procedures, utilization review and network adequacy. The April 26 veto of House Bill 2018, sponsored by Rep. Phil Dyer, R-Issaquah, preserves portions of Washington's landmark 1993 health system overhaul prohibiting insurers from rejecting coverage to anyone. . . .**Christine LaSala**, a senior executive at J&H Marsh & McLennan Inc., is the Assn. of Professional Insurance Women's 1997 Insurance Woman of the Year. Ms. LaSala spent 21 years at Johnson & Higgins, where she was made the broker's first woman director in 1993. . .A California court has approved a settlement agreement between the California Insurance Department and Copenhagen Reinsurance Co. Ltd. and several other reinsurers that participated in a pool covering the now-defunct **Mission Insurance Co. Ltd.** The agreement calls for the reinsurers to pay a total of just over $43 million to the Mission Insurance Co. Trust.

New York

Continued from page 1

for about 20,000 doctors.

The program was funded through a surcharge on hospital discharge fees, which the hospitals then used to pay premiums to the insurers that covered the risks. The two main insurers established for the program have been the Medical Malpractice Insurance Assn. in New York and HANYS Insurance Co. Inc. in Albany, N.Y.

Legislation supporting the program was renewed several times until last year, when health care reforms instituted by Gov. George E. Pataki's administration allowed the program to expire at the end of June 1997.

Insurers and employers estimate premiums and investment income earned by the excess medical malpractice insurers during the life of the program exceeds $2 billion. The premiums were calculated as a percentage of the primary medical malpractice premiums doctors paid. Early in the program, the premium for the excess coverage was 40% of the primary premium, but it has since fallen to 21%. The state approves the rates.

Over the course of the program, the state has borrowed more than $700 million from the fund to help balance its budget. In 1992, MMIA had to give $60 million to the state; in 1993, it gave $150 million; in 1996, it gave $350 million; and in 1997, it gave $131 million. No one from HANYS was available to list how much the state borrowed from that insurer.

Claims payments and reserves for future losses also have been a drain on the fund. For example, MMIA, the largest insurer in the program, has paid $100 million in losses; it has case reserves of $280 million; and it has incurred-but-not-reported reserves of $350 million, said Joseph Alvear, chief financial officer of MMIA.

"So we have paid back most of any excess in premiums that we may have collected," he said.

With the expiration date for the program drawing near, doctors and employers are lobbying legislators.

The program is a necessary protection for doctors who are already paying huge premiums for primary medical malpractice coverage, said Gerard Conway, director of governmental affairs at the Medical Society for the State of New York.

In the absence of tort reforms that have been instituted in other states, doctors in New York still face potentially huge liabilities, he said.

"Physicians risk everything they ever worked for every time they deliver health care," he said.

And, with the emergence of managed care in recent years, many doctors are being pressed to reduce their fees, Mr. Conway said. As a result, they are unable to pay for the costly liability protection they need, he said.

The Medical Society is holding meetings with legislators and the New York Insurance Department to try to persuade them to continue the coverage, Mr. Conway said. Possible solutions run from renewing the program in its entirety to assessing whether there is enough money to run the plan without additional premiums, he said.

If the state had not dipped into the funds, there would be enough money to pay claims indefinitely, he said.

Still, even with the depleted funds, there is likely no need for any further surcharges, said Elliott Shaw, director of governmental affairs at the Business Council for the State of New York in Albany.

"Even with the large chunk of money taken out of it, I think the program could be self-funding," he said.

And even if more premiums are needed, they should be paid by the doctors, not raised through what amounts to "a hidden tax" on businesses in New York, Mr. Shaw said.

"The doctors should be able to afford it just as well as a small business that pays its own liability insurance," he said.

The history of the program and the ability of the state to take huge amounts out of the funds shows that it was waste of money, said Geoffrey Taylor, director of public policy and communications for the New York State Conference of Blue Cross & Blue Shield Plans in Albany.

"And it's hard to have a program that provides free insurance to doctors when, according to the last census, there were 2 million uninsured New Yorkers," he said. BI

Ratings

Continued from page 2

occupation and age.

The Division of Workers' Compensation merely modified the rating schedule's list of occupation descriptions, as mandated by 1993 legislative reforms, Mr. Young said. Those descriptions had not been updated in more than 50 years, he said. About half the 1,800 occupational titles listed are new, but he said he did not significantly alter the state's standard disability ratings themselves—a step that would have required review by a commission created to evaluate the state workers comp system.

The changes, adopted at the end of last year, are effective for injuries that occur on or after April 1, 1997.

The acrimonious debate could matter little, though, because the RAND Institute is conducting an exhaustive study of California's disability rating system, observers said.

The research is expected to generate proposals for fundamental structural changes to the state's method of disability rating. The study was ordered by the state Commission on Health, Safety and Workers' Compensation, which was created under the 1993 reforms to examine California's workers comp system and to examine the state's efforts to prevent occupational injuries. Its eight members are appointed by the governor and the state Senate and Assembly.

The scheduled release of RAND's report later this summer is one reason that the Sacramento-based Californians for Compensation Reform, an employer group, so far has remained neutral on the changes, said Lori Kamerer, the group's managing director.

The proposals that follow the RAND study could have greater impact on employers, she said.

Workers comp observers outside California are not surprised that disability rating adjustments have led to controversy.

"The calculation of permanent partial disability is probably one of the toughest issues in the comp system. It's very political, very controversial," said Nancy Schroeder, director of workers compensation for the National Assn. of Independent Insurers in Des Plaines, Ill.

States vary in their approach to rating workers' permanent partial disabilities, Ms. Schroeder said. Oregon and New Mexico have schedules similar to California's, though theirs have undergone more clarification. Other states, such as Nevada and Kentucky, rely on American Medical Assn. guidelines to evaluate impairments. Still other states rely on individual doctors' subjective assessments to determine the percentage of lost earning capacity, then they compare that to a schedule for disability payments.

Part of the controversy in California appears to be over whether Mr. Young's changes to the occupation and age adjustment portion of the rating schedule first required approval from the workers comp commission.

According to reform legislation, Mr. Young was to update the occupation descriptions in the rating schedule and the standard disability ratings. But changes to the standard disability ratings require the commission's approval, while the occupation changes do not, Mr. Young said. So he left the disability ratings alone.

"What he has done is to say, 'Well, I didn't directly modify any ratings,'" the CWCI's Mr. Woodward said. "In my opinion, it's a rather legalistic interpretation he is hiding behind."

By including new occupation and age classification plans and by adding administrative interpretations to work capacity guidelines, Mr. Young essentially changed the ratings, Mr. Woodward said. The change in work capacity guidelines could prove particularly contentious, because they make determination of permanent disability awards and claim reserves more subjective, he added.

'The calculation of permanent partial disability is probably one of the toughest issues in the comp system,' says Nancy Schroeder.

The CWCI's initial analysis found the effect will vary by industry and occupation, with a tendency to reduce benefits for workers in jobs requiring greater physical labor while increasing benefits for those in more sedentary occupations.

And the changes ultimately amount to benefit increases, which require legislative approval, Mr. Woodward said.

Both sides fault each other's data analysis.

Greg Vach, workers comp manager for Interstate Brands in San Diego and a member of the workers comp commission, said he believes Mr. Young has changed some standard ratings. Yet the definition of standard rating in existing law is ambiguous, said Mr. Vach, who added he can see why Mr. Young believes the line wasn't crossed.

Some workers comp commission members are disturbed that Mr. Young did not consult them more, according to Mr. Vach, who said he will call for the state's Office of Administrative Law to review the changes.

In fact, Mr. Young's detractors point out that the administrator adopted the changes on Dec. 31, just hours before a new state law would have required automatic review by the Office of Administrative Law.

"Because of the way it was done, it was sort of snuck in at the last minute, people are just barely now beginning to wonder if there is an effect or not," said Mr. Vach. "So I don't think the employer community is alerted in any way."

A spokesman for Mr. Young said the Workers' Compensation Division did hurry to adopt the occupation alterations before the OAL review would have been required. But that was done so that claims adjusters would have time to learn and integrate the new procedures by April 1.

As for cost increases, the jury is still out on that, Mr. Vach said. He believes some employers will see increases in disability costs as a result of the changes, particularly those with clerical or office workers and especially those in the public sector.

Mr. Young said his work is as close to cost-neutral as possible and will reduce claims-handling costs and disputes because of the clarity provided by adopting the new classifications. The old classifications had not been changed in 50 years, long before the workforce began to use computers, he noted.

The CWCI's Mr. Woodward contends, though, that adjusters now will be working from two schedules, one that applies before April 1, and one for claims filed after that date, which could increase claims disputes. And soon there could be a third schedule, depending on the RAND Institute's proposals.

Some of Mr. Young's critics say he should have waited to see what proposals the RAND study will produce, both because of the entity that commissioned it and because of the study's potential for greater impact.

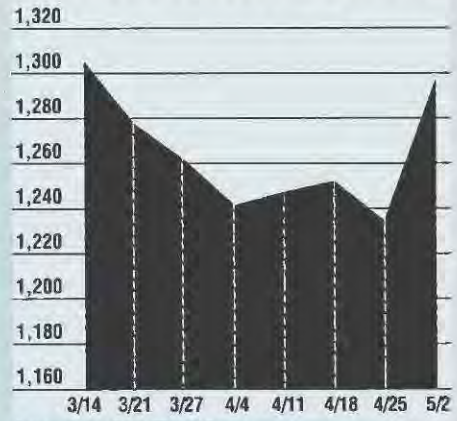
But waiting wasn't an option, Mr. Young said. Adopting any proposed RAND changes could be far off.

"You can imagine, if there is this kind of controversy starting to bubble up now over deferred maintenance to the schedule, what is going to happen when you start talking abut changing the basic structure of it?" he asked.

Meanwhile, to pre-empt future ambiguity problems, the Sacramento-based Assn. of California Insurance Cos. is sponsoring legislation introduced recently in the state Assembly that would clarify that any changes to the state's permanent disability rating schedule could not increase or decrease the cost of workers comp disability payments.

A.B. 1239, introduced by Assemblywoman Marilyn Brewer, also would require the Legislature to hold public hearings on the pending RAND study and the proposals it generates. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of May 2

Call spread	Price bid/ask
Eastern September 1997	
40/60	2/4
60/80	—/4
80/100	—/2.5
National Annual 1997	
80/100	—/6.5
120/140	—/4.5
June Midwestern 1997	
10/20	.7/2
California Annual 1997	
40/60	—/3.4
80/100	—/2
Western Annual 1997	
40/60	—/3.4
80/100	—/2

Total volume: 0 Total open interest: 11,687

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.
Source: Chicago Board of Trade

British Issues

May 2 Companies	Price pence	P/E	Div. pence	Yield %	52 week high—low
Comml Union	703	12.4	30.3	5.4	759—550
Genl Accident	897	8.3	34.3	4.9	897—614
Gdn Royal Exch	284	5.8	10.0	4.4	301—227
Independent	716	8.9	13 3	2.3	717—373
Royal & Sun	484	14.1	19.0	4.9	515—357
Brokers					
Bradstock	76	12.4	5.7	9.4	81—54
CE Heath	90	10.9	4.5	6.2	115—74
Lloyd Thmpson	188	NA	10.0	6.7	206—167
Lmbrt Fenchurch	111	12.8	8.4	9.5	150—101
Nelson Hurst	137	12.5	8.5	7.9	206—121
Sedgwick Grp	125	10.7	8.0	6.4	152—115
Steel Brl Jones	26	9.0	1.5	7.2	48—22
Willis Corroon	146	12.2	6.6	5.7	169—117

Source: Nordby International Inc.

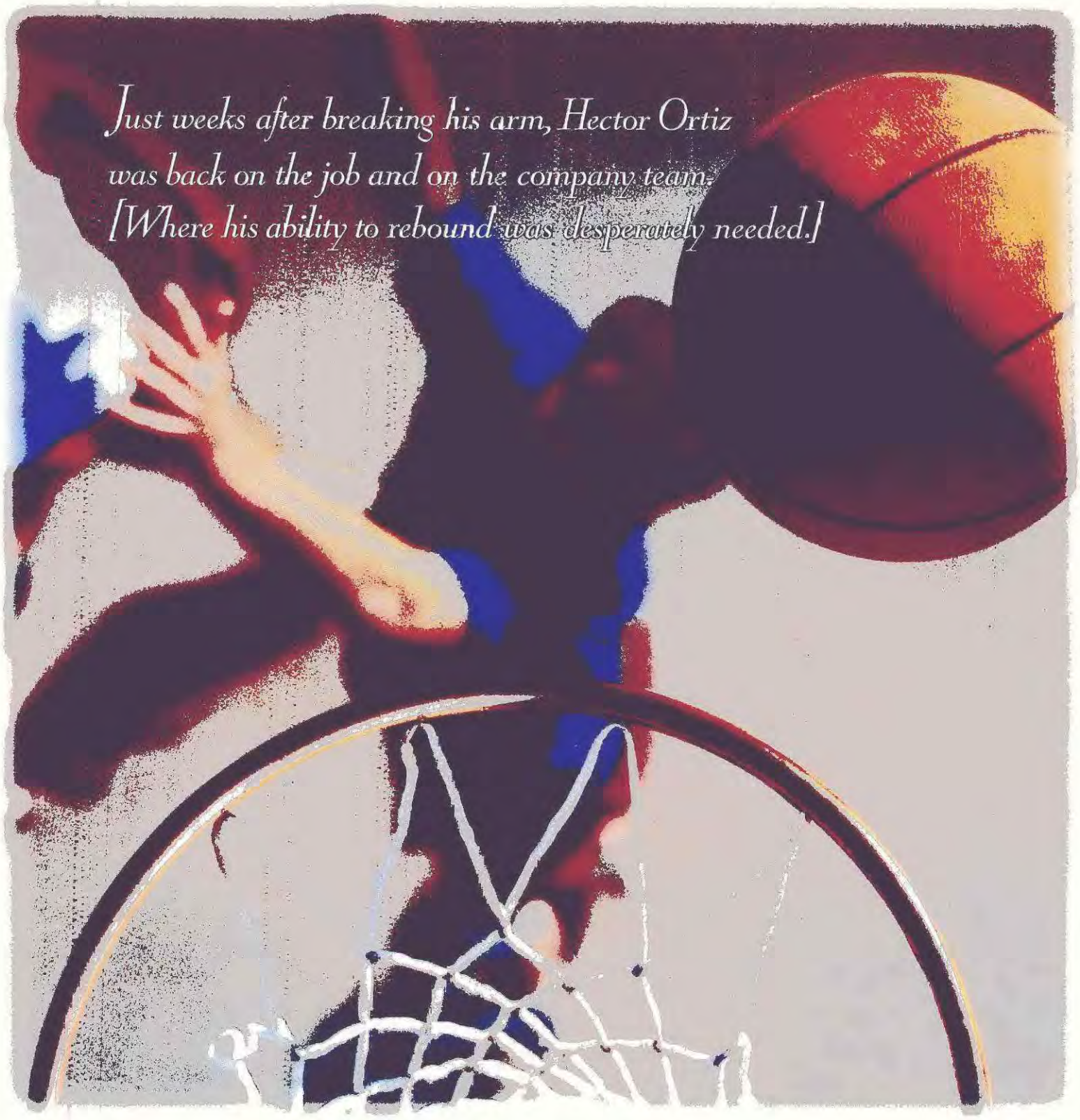
BI Industry Stock Report APRIL 28, 1997, THROUGH MAY 2, 1997

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Low	Vol.(000)
Acordia Inc.	NYS	31.63	-0.39	9.05	33.75	27.25	30
E.W. Blanch Holdings Inc.	NYS	23.00	1.66	14.29	23.50	17.75	96
Gallagher Arthur J. & Co.	NYS	31.00	-1.59	0.00	35.00	29.13	48
Hilb, Rogal & Hamilton	NYS	14.38	3.60	8.49	14.38	11.38	47
Kaye Group Inc.	NDQ	5.00	5.26	-4.76	7.25	4.38	2
Marsh & McLennan	NYS	121.50	6.00	16.83	129.63	88.00	1240
Poe & Brown	NDQ	27.00	0.47	1.89	27.50	23.50	37
BROKERS	AVERAGE		2.14	6.54			
INSURERS/REINSURERS							
ACE Ltd.	NYS	60.88	3.62	1.25	66.38	40.50	766
Acceptance Insurance Cos.	NYS	19.63	7.53	-0.63	23.13	15.13	175
AEGON N.V.	NYS	72.13	1.23	14.03	73.63	42.25	84
Aetna Life & Casualty	NYS	89.88	6.99	12.34	93.38	55.38	2244
AFLAC Inc.	NYS	44.25	7.27	3.51	44.25	28.25	1154
Allied Group Inc.	NYS	38.38	8.10	17.62	38.63	22.38	90
Allmerica Prop. & Casualty	NYS	31.75	1.20	4.53	32.25	25.00	240
Allstate Corp.	NYS	66.63	9.00	15.12	68.25	37.38	4308
AMBAC Indemnity Corp.	NYS	68.88	8.25	3.77	74.00	47.00	184
American Bankers Ins.	NDQ	52.38	-1.64	2.44	59.50	38.00	486
American Financial Group	NYS	36.88	10.49	-2.32	38.88	28.50	771
American General	NYS	43.50	8.07	6.42	44.63	33.00	2895
American Heritage Life Ins.	NYS	25.63	-0.49	-2.38	27.75	19.00	21
American Indemnity/Fin'l	NDQ	12.00	-4.95	17.07	14.00	9.50	42
American International	NYS	132.38	11.12	22.29	132.38	88.13	4212
Aon Corp.	NYS	68.75	6.38	10.66	68.75	47.50	757
Argonaut Group	NDQ	29.13	1.30	-5.28	34.25	27.25	98
AVEMCO Corp.	NYS	26.38	11.64	68.80	27.38	11.75	250
Baldwin & Lyons Inc.	NDQ	17.50	0.00	-4.76	20.75	14.75	8
Berkley W.R. Corp.	NDQ	49.00	0.64	-3.45	55.00	40.25	803
Berkshire Hathaway Inc.	NYS	38000.00	0.66	11.44	38500.00	30000.00	1
Capital RE Corporation	NYS	40.50	2.86	-13.14	48.00	32.50	176
CapMac Holdings Ltd.	NYS	26.25	3.45	-20.75	36.88	22.50	169
Capsure Holdings Corp.	NYS	11.25	-4.26	-2.17	18.88	8.00	92
Chartwell Re	NYS	25.75	4.04	-3.74	28.50	20.75	40
Chubb Corp.	NYS	59.00	8.01	9.77	62.75	40.88	2383
CIGNA Corp.	NYS	158.00	9.63	15.65	161.63	103.75	1126
CNA Financial Corp.	NYS	101.63	4.77	-5.02	114.75	95.75	177
EMC Insurance Group Inc.	NDQ	11.75	6.21	-2.08	14.50	10.13	88
Enhance Financial Services	NYS	39.50	3.61	8.22	39.50	26.13	112
Everest Reinsurance	NYS	30.00	5.73	4.35	32.75	21.88	1266
Executive Risk Inc.	NYS	45.38	2.25	22.64	49.00	29.25	69
EXEL Ltd.	NYS	40.00	0.30	5.61	45.13	31.75	559
Fremont General Corp.	NYS	29.13	5.43	-6.05	32.63	21.50	273
Frontier Insurance Group	NYS	54.25	5.08	41.83	54.25	30.13	404
Gainsco Inc.	NYS	8.75	2.94	-9.09	11.63	8.38	188
GCR Holding Ltd.	NDQ	22.63	1.69	1.69	27.25	20.25	951
General RE Corp.	NYS	170.63	5.65	8.16	177.75	138.75	753
Gryphon Holdings	NDQ	14.38	2.68	1.77	19.25	12.00	21
Guaranty National Corp.	NYS	20.38	9.40	21.64	20.38	13.50	31
Harleysville Group	NDQ	32.50	1.56	6.56	34.00	24.50	176
Hartford Steam Boiler	NYS	49.63	7.01	7.01	49.63	42.75	209
HCC Insurance Holdings	NYS	27.13	11.66	13.02	32.75	19.13	384
IPC Holdings Ltd.	NDQ	23.25	3.33	3.91	26.38	19.00	296
ITT Hartford Group	NYS	74.00	7.05	9.63	81.00	46.25	1594
LaSalle Re Ltd.	NDQ	28.13	-2.17	-3.85	29.50	19.75	530
Lincoln National	NYS	57.75	11.59	10.00	61.63	40.75	886
MAIC Holdings Inc.	NYS	33.88	1.50	0.00	36.00	28.25	11
Markel Corp.	NDQ	112.00	4.67	24.44	113.50	80.00	17
MBIA Insurance Group	NYS	100.50	7.77	-0.74	104.63	70.13	524
Meadowbrook Insur. Group	NYS	23.88	-1.55	13.69	34.13	15.25	13
Mid Ocean Ltd.	NYS	45.50	-0.82	-13.33	55.38	35.50	83
MMI Cos. Inc.	NYS	21.88	1.16	-32.17	33.38	20.75	143
Mutual Risk Mgmt. Ltd.	NYS	37.50	3.09	1.35	40.00	26.88	138
NAC Re Corp.	NYS	39.50	2.93	16.61	40.63	30.25	225
Navigators Group	NDQ	17.38	-0.71	-4.79	20.25	15.75	56
Nobel Insurance Ltd.	NDQ	12.25	0.00	-2.49	14.00	10.88	12
NYMagic Inc.	NYS	19.63	6.80	9.03	21.13	17.00	133
Ohio Casualty Corp.	NDQ	40.75	12.80	14.79	42.63	30.00	400
Old Republic Int'l	NYS	28.88	5.48	7.94	28.88	20.25	641
Orion Capital Corp.	NYS	63.25	0.40	3.48	67.75	43.50	230
Partner Re Ltd.	NYS	34.00	3.03	0.00	36.50	25.63	177
Penn-America Group Inc.	NDQ	13.13	2.94	22.09	14.50	8.63	36
Philadelphia Cons. Holding	NDQ	30.25	4.31	30.11	30.25	16.75	43
PXRE Corp.	NYS	25.88	2.99	4.55	27.00	22.25	215
Reliance Group Holdings	NYS	11.25	2.27	23.29	12.25	6.50	840
Reliastar Financial Corp.	NYS	62.38	7.08	8.01	65.38	40.00	570
RenaissanceRe Holdings Ltd.	NYS	36.38	-1.36	10.23	41.25	26.75	27
Risk Capital Holdings	NDQ	18.13	0.69	-6.45	20.75	15.88	62
RLI Corp.	NYS	33.63	3.07	0.75	36.63	22.50	117
St. Paul Companies	NYS	67.38	3.65	14.93	72.63	50.13	1309
SCOR	NYS	39.63	0.96	15.27	42.25	34.00	1
SAFECO Corp.	NDQ	40.56	2.04	2.85	44.00	30.88	2648
Seibels Bruce Group	NDQ	6.50	0.00	-21.21	12.25	5.88	15
Selective Ins. Group	NDQ	42.75	6.21	12.50	43.50	31.00	86
Sphere Drake Holdings	NYS	8.75	-2.78	-1.41	11.75	8.13	70
TIG Holdings	NYS	28.25	4.63	-16.61	38.00	26.75	1824
Titan Holdings, Inc.	NYS	17.13	-2.14	3.79	18.33	13.38	23
Tokio Marine & Fire	NDQ	50.75	5.73	8.85	69.00	42.00	76
Torchmark Corp.	NYS	63.88	3.19	26.49	63.88	40.25	1430
Transatlantic Holdings	NYS	85.38	4.75	6.06	83.25	62.38	133
Travelers Aetna Property	NYS	35.00	13.67	-1.06	39.63	23.13	624
Travelers Corp.	NYS	54.63	11.76	20.39	58.38	28.38	12703
Trenwick Group Inc.	NDQ	32.25	1.18	4.59	36.25	30.75	11
Unico American Corp.	NDQ	10.00	-2.44	-8.05	11.00	6.75	21
Unionamerica Holdings	NYS	17.00	0.00	-4.23	20.75	14.75	23
United Fire & Casualty	NDQ	37.00	2.07	4.96	40.00	29.25	10
Unitrin	NDQ	52.25	4.50	-6.28	56.38	44.25	681
UNUM Corp.	NYS	77.50	6.90	7.27	79.63	55.50	778
US Facilities Corp.	NYS	18.50	6.00	-5.73	20.50	14.88	62
USF&G Corp.	NYS	20.13	6.05	-3.59	23.13	15.00	1759
USLIFE Corp.	NYS	48.63	3.73	46.24	48.63	26.88	855
Vesta Insurance Co.	NYS	45.88	14.33	46.22	45.88	24.50	688
Washington National	NYS	28.88	4.52	5.00	30.75	25.13	198
Zenith National Ins.	NYS	26.75	7.00	-2.28	28.88	24.88	20
Zurich Reinsurance Centr.	NYS	38.50	0.00	23.20	38.88	28.38	46
INSURERS/REINSURERS	AVERAGE		4.02	6.36			
HEALTH MAINTENANCE ORGANIZATIONS							
Healthsource Inc.	NYS	21.25	1.80	61.90	35.75	9.75	683
Humana Inc.	NYS	21.88	7.36	15.13	25.13	15.00	2478
Oxford Health Plans	NDQ	68.38	15.16	16.76	68.38	27.69	10382
Pacificare Health Sys.	NDQ	73.75	0.58	-9.23	86.25	59.63	508
Safeguard Health Enter.	NDQ	12.50	9.39	-28.57	22.50	9.63	34
Sierra Health Services	NYS	26.88	11.40	9.14	35.88	22.38	246
United Healthcare Corp.	NYS	48.88	9.83	8.61	59.13	30.00	5592
Wellpoint Health Networks	NYS	43.88	10.03	27.64	45.88	23.38	1516
HMOs	AVERAGE		8.27	12.67			
ALL COMPANIES	AVERAGE		4.81	8.52			

Top advancing issues: Oxford Health Plans, Vesta Insurance Co., Ohio Casualty Corp. Leading decliners: American Indemnity/Fin'l, Capsure Holdings Corp., Sphere Drake Holdings. Most active issue: Travelers Corp. The BI Index rose 5.1%; the Dow Jones 30 Industrials increased 4.9%; the S&P 500 increased 6.2% and the NYSE Composite increased 5.6%. Average P/E: Brokers, 16.6; Insurers/reinsurers, 17.7; HMOs, 29.0.

System design: Nordby International Inc.

WITH OUR POLICYHOLDERS WE ARE ENGAGED IN A GREAT MUTUAL ENTERPRISE. IT IS GREAT BECAUSE IT SEEKS TO PREVENT CRIPPLING INJURIES AND DEATH BY REMOVING THE CAUSES OF HOME, HIGHWAY AND WORK ACCIDENTS. IT IS GREAT BECAUSE IT DEALS IN THE RELIEF OF PAIN AND SORROW AND FEAR AND LOSS. IT IS GREAT BECAUSE IT WORKS TO PRESERVE AND PROTECT THE THINGS PEOPLE EARN AND BUILD AND OWN AND CHERISH. ITS TRUE GREATNESS WILL BE MEASURED BY OUR POWER TO HELP PEOPLE LIVE SAFER, MORE SECURE LIVES.



Liberty Mutual's managed care is as fast as Hector's fast break. After his accident, Hector's employer called our 24-hour claims service hotline. We found the right doctor to treat him, at the right price. A rehabilitation nurse coordinated a return-to-work plan. And through our on-site rehabilitation program, a therapist worked to help Hector properly do his job and avoid reinjury, so today Hector is back on the job (and on the boards) leading a safer, more secure life.

➢ *There's more information we'd like to share. So please call John Ryan at (617) 574-5842 or visit our website at http://www.libertymutual.com*

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