

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives / \$2.00 a copy; \$75 a year

© Entire contents copyright 1990 by
Crain Communications Inc. All rights reserved

California high court rules cleanup costs are 'damages'

SAN FRANCISCO—In a decision policyholder attorneys hail as one of their most significant legal victories ever, the California Supreme Court says that the costs of responding to a government order to clean up pollution are covered "damages" under FMC Corp.'s comprehensive general liability policies.

In a sweeping decision reversing a state appellate court (*BI*, Sept. 18, 1989), a unanimous high court ruled that more than 60 of FMC's CGL policies would cover its costs to

Continued on next page

Brokers do not plan for rate increases during 1991

By COLLEEN JOHNSON

Commercial property/casualty insurance rates remained flat—and in some cases declined—in the third quarter, analysts and executives of publicly traded insurance brokerages say.

Brokers and securities analysts generally say the market will not begin to turn before the middle of 1991 at the earliest, noting that insurers will have to feel a financial pinch before the brokers' own results begin to improve.

However, despite the soft market, brokers still are reporting revenue growth for the first three quarters of 1990, attributing the gains to factors like acquisitions, management strategies and expense controls.

"Essentially we saw no change in the marketplace in the third quarter," said J. Michael Bischoff, vp of corporate development at Marsh & McLennan Cos. Inc. in New York. "Really, it's a continuation of the trends. What we saw was what we expected to see."

Rates were essentially flat in the third quarter, agreed Michael J. Clougherty, vp-finance at Arthur J. Gallagher & Co. in Rolling Meadows, Ill. "I don't see any major movement in the market, at least in the short-term, and then we'll have to wait and see," he said.

Rates in the third quarter were "essentially flattish to slightly down," said Frank R. Wiczynski, corporate secretary of Alexander & Alexander Services Inc. in New York. "We don't expect any significant change between now and year-end in terms of rates."

"We are not budgeting (next year) for any change in rates," Mr. Wiczynski continued. "I hope we're wrong, but we're being conservative."

Rates "continued to be soft" in the third quarter, said John P. Addeo, senior vp and treasurer of Frank B. Hall & Co. Inc. of New York.

And, "we don't see any increase in rates for the end of the year," he noted.

"We're not looking for rate increases until late 1991 or early 1992," Mr. Addeo said.

Arthur F. Quern, chairman, president and chief executive officer of Rol-

Continued on page 52

LMX market reeling

Huge losses, consolidation take toll

By CAROLYN ALDRED

LONDON—London's catastrophe reinsurance market is continuing to implode, including the withdrawal of three excess-of-loss reinsurance syndicates that have racked up more than \$250 million in losses in the past four years.

In addition, Lloyd's of London members are withdrawing from other syndicates that specialize in writing London market excess-of-loss—or LMX—reinsurance, which will further tighten the catastrophe reinsurance market and which could eventually lead to higher primary insurance rates.

"Members' agents are looking very carefully at catastrophe excess-of-loss syndicates and are spreading their names into other areas of business," said Angus Sladen, chairman of Wendover Underwriting Agency Ltd.

"The market has changed. There is no doubt that the major catastrophes of recent years have changed people's attitudes," he said.

In fact, the tightening reinsurance market is partly responsible for an overall restructuring of Lloyd's syndicates. An increasing number of smaller syndicates are merging because of the tightening LMX market and partly because of the efficiencies gained

through combining smaller syndicates into larger units.

"A lot of reason for the change is because the reinsurance market is tightening so dramatically," said Martin Gray, managing director of Lloyd's underwriting agencies Anton Managing Agency Ltd. and Pulbrook Underwriting Management Ltd., both subsidiaries of Merrett Holdings P.L.C.

The spate of syndicate mergers, which began as a strategic planning exercise by some agencies earlier this year, is now dramatically increasing as the retrocessional market in London dries up, he noted.

Larger syndicates are able to retain a greater proportion of their business and, therefore, are less dependent on reinsurance.

Late last week, the Committee of Lloyd's agreed to set up a runoff company—Additional Underwriting Agencies (No. 7) Ltd.—to manage the runoff of syndicates 540, 542 and 847.

Members of the three syndicates—all formerly managed by Feltrim Underwriting Agencies Ltd.—face losses of more than \$250 million from the 1987 through 1990 underwriting years.

The losses are the largest to hit the market since the losses in the 1982 underwriting year of syndicate 317/661 managed by

R.H.M. Outhwaite (Underwriting Agencies) Ltd.

Some members' agents fear the Feltrim syndicates' saga will turn into a crisis that rivals the Outhwaite chronicle, in which hundreds of members have filed suit against their members' agents and the Outhwaite agency.

The closure of the Feltrim syndicates will exacerbate the catastrophe reinsurance capacity crisis, which is striking the London market at one of its busiest times of the year (*BI*, Nov. 12).

The syndicates were major leaders in the LMX market and suffered huge losses from the windstorms and man-made disasters that have rocked the market since 1987.

The three syndicates have a combined capacity of 44.5 million pounds (\$71.8 million at appropriate exchange rate) in 1990, down from 66.2 million pounds (\$119.7 million at appropriate exchange rate) in 1989.

A members' agents committee, representing members of the syndicates, has been formed and members of the three syndicates are expected to be invited to join a new syndicate and an existing syndicate managed by Lloyd's underwriting agency Cotesworth Berry Ltd.

Continued on page 62

Defense bar, insurers see widening rift

By STACY ADLER

CHICAGO—Rising policyholder defense costs and increased friction over who should control litigation against policyholders are among the factors driving a wedge in the relationship between insurers and attorneys, a new study reports.

Thirty percent of defense attorneys and 17% of the insurance company executives believe the relationship between policyholder defense attorneys and insurers has deteriorated in the past five years, according to the study sponsored by the Chicago-based Defense Research Institute—which represents 17,000 defense trial lawyers—and conducted by Research & Forecasts Inc. of New York.

Indeed, 25% of the insurer executives and 21% of the defense attorneys believe that "defense attorneys and insurance companies are becoming adversaries in litigation," according to the survey, titled "Property & Casualty Litigation and the Relationship Between Insurance Carriers and Outside Defense Counsel."

Twenty-six percent of the defense attorneys believe "insurance companies are on the warpath against outside defense firms and attorneys."

However, only 12% of the insurer executives—both claims executives and non-claims executives—agreed, reported the first-of-its-kind study, which queried 191 insurer claims executives,

Continued on page 61

Insurers, defense attorneys square off

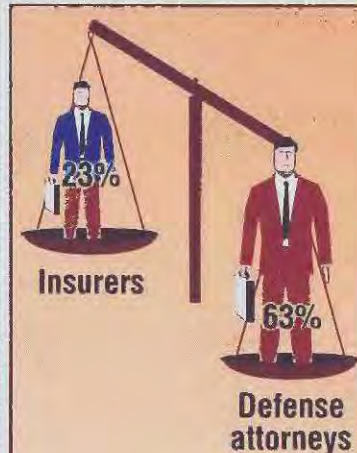
Insurance company executives and defense attorneys took opposite opinions in a recent survey on the civil justice system.

Defense attorneys basically overcharge for their services

Percent of respondents strongly or somewhat agreeing with statement



Source: Defense Research Institute



Once hired by an insurer, defense attorneys should control the litigation

Percent of respondents strongly or somewhat agreeing with statement

GRAPHIC BY JOHN SMITHER

Retirement plans . . . Page 3

Directory of 401(k) plan administrators . . . Page 30

Update

FMC wins pollution cover case

Continued from previous page
either clean the polluted property or repay the government after it does so. The court also said the policies would cover the manufacturer's costs to mitigate third-party damage.
Chicago-based FMC faces claims from state and federal government agencies and neighboring third-parties for pollution at 79 hazardous waste sites nationwide.
"The court rejected every insurance industry argument possible," said FMC attorney Kirk Pasich of Hill, Wynne, Troop & Meisinger. "This has to be regarded as a complete victory" for policyholders, he said.
However, insurer attorney Deborah Pitts of Buchalter, Nemer Fields & Younger pointed out that other provisions and exclusions in the FMC policies not considered in this ruling will be litigated later. "Any one of these could operate to preclude coverage," she said.

Alitalia insured for crash

LONDON—Hull and liability losses stemming from last week's crash of a DC-9 Alitalia jetliner en route to Zurich from Milan probably will total at least \$12 million, underwriters say.
All 40 passengers and seven crew members were killed.
One aviation insurance source in London suggested that underwriters are reserving between \$12 million and \$15 million for the hull and liability losses from the Alitalia crash.
However, Benito Pagnanelli, executive director of leading hull and liability insurer Assicurazioni Generali S.p.A., said it was too early to say at what level the loss reserve would be set, because there were several non-Italian passengers on board.
The airline, in accordance with Italian law, limits the liability of its ticketed passengers to 100,000 Special Drawing Rights (\$138,740 at current exchange rate) per passenger.
Alitalia's DC-9 jetliner is insured for \$6.5 million.
Other Italian insurers on the risk include the Italian aviation insurance pool, Consorzio di Assicurazioni Aeronautiche, of which Generali is a major member. Generali reinsures about 70% of Alitalia's coverage, of which about 40% is placed in the London market through London broker C.T. Bowring & Co. Ltd. The pool also reinsures about 35% of its total risk into the London market.

Builder covered for fire loss

THOUSAND OAKS, Calif.—Builders risk insurance will cover an estimated \$18 million in damages from a fire last week at an apartment complex in a northern Los Angeles suburb, the complex developer says.
A policy from New Hampshire Insurance Co., a unit of American International Group Inc., will cover Regis Contractors Inc., the major contractor for the 544-unit complex, said Lyle Lansdell, chief financial officer for parent company Regis Homes Corp.
Mr. Lansdell would not disclose limits on the policy, which he said has a \$5,000 deductible.
The blaze, ignited by a plumber using a torch to solder a pipe, destroyed about 330 units in various phases of construction. The units will have to be razed before they can be rebuilt, Mr. Lansdell said. The other 220 units, which were virtually completed, were not damaged, he said.
Rebuilding will take until the end of 1992, he said. The complex was to have been fully occupied by the end of 1991.

Britain to toughen oil rig rules

LONDON—Britain plans to hold oil companies more responsible for safety on offshore rigs and implement other sweeping safety changes following a report that criticized the operator of the Piper Alpha North Sea oil rig for its role in the July 1988 explosion that destroyed the rig.
The report by Lord Cullen, chairman of the Piper Alpha public inquiry, strongly criticizes Occidental Petroleum (Caledonia) Ltd., which operated the platform. It also chastises U.K. Department of Energy officials who inspected the rig a month before the explosion.
The report contains 106 recommendations for improving safety on the rigs and calls for establishing a new division of an established safety agency to regulate offshore oil installations.
Energy Secretary John Wakeham confirmed that the government will implement many of Lord Cullen's recommendations.
Losses from the Piper Alpha explosion are estimated at \$1.4 billion.

Award may total \$78 million

CHICAGO—Bristol-Myers U.S. Pharmaceutical & Nutritional Group, two Chicago hospitals and a physician will pay a jury award with an ultimate value of \$77.8 million to a child who as an infant suffered brain damage after he was administered overdoses of a breathing relaxant and its antidote.
The Cook County Circuit Court jury said Bristol-Myers, Children's Memorial Hospital, Ravenswood Hospital and Dr. Metta Wongsarnpigoon are jointly and severally liable for annual payments of nearly \$1.5 million for 53 years to Andrew Blake, now 5. The verdict is the largest compensatory damage award to one person in Illinois history.
The boy's injuries occurred in January 1986 after he was taken to Ravenswood Hospital Medical Center for treatment of a respiratory infection. The jury found that Dr. Wongsarnpigoon prescribed three times the normal baby dosage of Quibron, a breathing relaxant manufactured by Mead Johnson & Co., now Bristol-Myers.
Dr. Wongsarnpigoon claimed she followed dosage directions, but Bristol-Myers argued the doctor misinterpreted the directions.
The child suffered what appeared to be seizures and was taken to Chicago's Children's Memorial Hospital, where he was given 27½ times the appropriate dosage of an antidote.
A Bristol-Myers spokesman said an annuity costing a fraction of the damages could fund the award. He said the company is considering an appeal and would not disclose insurance details.
Dr. Wongsarnpigoon "doesn't have anywhere near the insurance to cover the entire verdict," said Don Hoppe, the doctor's attorney with the Chicago law firm Johnson & Bell. Dr. Wongsarnpigoon currently is not considering an appeal, Mr. Hoppe said.

Continued on page 62

Appellate court denies defense cost coverage

By JUDY GREENWALD

CHICAGO—Lawyers are sharply divided over whether a recent federal appellate decision denying indemnification for defense costs under an asbestos producer's excess liability policies will influence related cases.
Some insurer attorneys are praising the decision by a three-judge panel of the 7th U.S. Circuit Court of Appeals in Chicago for following the "plain and ordinary language" of a policy and predict other courts will follow the ruling.
However, policyholder attorneys, and some insurer lawyers, dismiss the ruling as "bizarre" and maintain that the court ignored state insurance law in favor of the author's own contract law theories.
The Oct. 24 opinion by Judge Richard A. Posner upholds a summary judgment ruling by a U.S. District Court that excess insurer Continental Casualty Co. does not owe defense coverage to Pittsburgh Corning Corp., which faces thousands of asbestos-related suits, and

PPG Industries Inc., which owns half of Pittsburgh Corning's stock.
Pittsburgh Corning and Pittsburgh-based PPG Industries are seeking a rehearing before the full 7th Circuit.
Continental Casualty, a unit of Chicago-based CNA Financial Corp., wrote three excess liability policies for Pittsburgh Corning during various periods from 1963 to 1970, according to court papers.
Litigation focused primarily on two third-layer umbrella liability policies, each providing annual aggregate liability coverage of \$5 million excess of \$21 million, said Marsha Kay Ross, an attorney representing Continental Casualty.
Travelers Indemnity Co. provided Pittsburgh Corning with primary comprehensive general liability coverage of \$1 million per year for the same periods, said Ms. Ross of Haskell & Perrin in Chicago. Commercial Union Insurance Co. provided \$10 million in coverage excess of \$1 million, while Travelers wrote the \$10 million layer excess of \$11 million.

Ms. Ross said she has been told that these underlying layers have been exhausted, and neither Commercial Union or Travelers is involved in the current litigation.
A Pittsburgh Corning attorney could not be reached for comment.
Pittsburgh Corning and PPG present several arguments in their appellate brief as to why Continental Casualty should cover defense costs:
• "At best" the Continental Casualty policies are ambiguous on the issue of defense costs, which means that according to Pennsylvania law, the insurer is obligated to pay them. Pennsylvania law provides that "a contract of insurance is to be construed liberally in favor of the insured and strictly against the insurer," says the brief.
• Continental Casualty excess policies incorporate the coverage of the underlying insurance policies, and these explicitly cover defense costs. Continental Casualty has agreed in its policies to indemnify Pittsburgh Corning "as fully

Continued on page 63

Bloodstock losses may top \$35 million

Alydar claims set record

By CAROLYN ALDRED

LEXINGTON, Ky.—Bloodstock insurers are facing their largest-ever claim following the death last week of Alydar, one of the most successful breeding stallions in thoroughbred history.
Alydar may have been insured for more than \$35 million, both by the horse farm that owned the stallion and by others that owned rights to breed their mares with the champion, underwriters and brokers say.
Up to \$25 million in claims will be paid by London underwriters.

Calumet Farm, which owned the 15-year-old stallion, purchased at least \$20 million of coverage for Alydar in London through seven different policies, confirmed Matthew Pragnall, director of bloodstock for London broker Hogg Insurance Brokers Ltd., which placed Calumet Farm's coverage in London.
Among the leaders of the policies were Lloyd's syndicate 1157, underwritten by Robin Blunt, and the London office of Assicurazioni Generali S.p.A. of Trieste, Italy.
However, because huge capacity was needed to insure Alydar, the

seven policies were underwritten by virtually the entire London bloodstock insurance market, said Mr. Pragnall.
Broker Equus Unlimited in Lexington also placed coverage on behalf of Calumet Farm with several U.S. insurers, including Golden Eagle Insurance Co. in San Diego and Great American Insurance Co. in Cincinnati, according to Equus President Cathy Jones. She wouldn't comment on limits.
In addition to the Calumet Farm coverage, claims will be filed on policies bought by others who had purchased breeding rights, noted Mr. Pragnall. As a result, the loss by far will be the largest ever for the bloodstock and equine insurance market, he said.
One of the largest previous bloodstock losses was the approximately \$14 million paid following the death of Swale shortly after the colt won the Kentucky Derby and the Belmont Stakes in 1984 (BI, June 25, 1984).
Alydar died last Thursday following an operation to mend a fractured cannon bone. While the operation was a success, he later broke another bone in the same leg and had to be destroyed.
Alydar was best remembered on

Continued on page 62

Info issue deadline nearing
Business Insurance will publish the 1991 edition of its special Information Resource issue on Jan. 14.
The issue will contain listings of educational and informational literature concerning programs, products and services related to risk management and employee benefits.
Companies that want to offer literature to readers must submit a special fact sheet that describes each item along with a copy of the item. The literature must be available to readers at no charge and must be less than one year old.
To request information on submitting items for publication in the special Information Resource issue, call Directory Editor Sarah E. Polster at 312-649-5279.
Business Insurance must receive a completed fact sheet and sample copy of all items to be listed no later than Dec. 12.

Inside

- ✓ Pension plan sponsors and their adviser are successfully developing creative new types of plans, says this week's editorial. PAGE 8
✓ Health insurers have done little to foster cost-effective health care, according to former Reagan administration officials Otis R. Bowen and Thomas R. Burke in Speaking Out. PAGE 35
✓ Germany has passed a tough new environmental liability law, which business and insurers fear will raise their liability costs. PAGE 55
✓ At the fourth International Reinsurance Congress, an attorney suggests that reinsurance disputes should be litigated, not arbitrated. Coverage begins on PAGE 55
✓ A judge has ordered Liberty Mutual Insurance Co. to allow a policyholder to retain the services of a law firm owned by long-time adversary Anderson, Kill, Olick & Oshinsky. PAGE 61

Departments

Advertiser index.....44
Bermuda briefs55
Classifieds.....58
Directory53
Directory of 401(k) administrators30
Insurance services guide.....59
International55
Legal briefs.....36
Letters.....8
Opinions8
Perspectives.....35
RMIS commentary36
Speaking out35

Vol. 24, No. 48—Business Insurance (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1990 by Crain Communications Inc.

Retirement savings plans

By JERRY GEISEL

Employers are embracing cash balance pension plans.

More than five years ago, BankAmerica Corp. blazed a new trail when it converted a conventional defined benefit pension plan into a cash balance plan.

Until recently, it has been a lonely trail.

Two years after BankAmerica established its pioneering plan, just a handful of employers—perhaps only a couple dozen—had set up cash balance plans.

Today, though, the cash balance plan movement is exploding with activity.

Cash balance plans include the same features—individual account statements and benefit portability—that have made 401(k) plans and other defined contribution plans popular with employees. They also give employers the funding flexibility inherent in defined benefit plans (see story, page 14).

Some of the biggest and best known names in corporate America—Chase Manhattan Corp., Equitable Life Assurance Society of the United States, Hershey Foods Corp., RJR Nabisco Inc., Sun Co. Inc. and Xerox Corp.—have established new cash balance plans.

It's not just Fortune 500 companies on the East Coast. Cash balance plans have also spread to the nation's heartland.

Employers like TCF Bank & Savings, a Minneapolis financial institution, and Catholic Health Corp., an Omaha, Neb.-based corporation providing benefit programs and other services to affiliated health care facilities, have set up plans this year.

Cash balance combines best of defined benefit, defined contribution plans

"We found cash balance to be a hybrid, taking the best features of defined benefit and defined contribution plans and rolling them into one plan," said Jill Akre, TCF's vp and director of benefits and payroll.

Precise figures are lacking, but about 150 cash balance plans are thought to have been set up since 1985, with the overwhelming majority in the last three years.

Indeed, three major benefit consultants—Kwasha Lipton, which developed the cash balance plan concept; TPF&C, the benefit consulting division of Towers, Perrin, Forster & Crosby Inc.; and The Wyatt Co.—say they have helped employers set up about 100 cash balance plans, mostly in the last three years.

Cash balance plan growth shows no sign of slowing down, benefit consultants say.

"There is a ton of implementation going on," said Michael Johnston, a Hewitt Associates consultant in Cleveland.

By the first of the year—the effective date of several new major cash balance plans—the number of employees covered by the plans could hit 1 million, according to R.T. Whitman, a partner with Kwasha Lipton in Fort

Lee, N.J.

That still is only a small percentage of the roughly 70 million people covered by employer-sponsored defined benefit and defined contribution plans. Yet the surge in cash balance plans comes at a time when defined benefit plan growth has stagnated.

Some experts believe that the biggest growth in cash balance plans is yet to come.

"We have really just scratched the surface," Mr. Whitman said. He believes that cash balance plan growth was held back until recently because employers had been swamped trying to comply with the various new pension and other benefit rules laid down by the 1986 tax law.

"Employers did what they had to do. Now they can do things—in terms of plan design—that they want to do," Mr. Whitman said.

"Cash balance will develop a lot of steam," said Paul Rivera, manager of benefits development at Stamford, Conn.-based Xerox Corp., which set up a cash balance plan on Jan. 1 for 55,000 participants.

"This is the plan for the 1990s for many employers," noted Brian McDermott, a principal with A. Foster Higgins & Co. Inc. in

New York.

Others, though, are more cautious. They believe that the traditional defined benefit plan—also known as a final average pay plan—hasn't lost its luster for many employers.

"Cash balance is not a plan for a company with traditional pension plan objectives—maximizing income for those long-term employees who stay until retirement. For that employer, the traditional final average pay defined benefit plan will work very well," said Jim Scarey, a principal with William M. Mercer Inc. in Minneapolis.

"The norm, for large employers, will continue to be a combination of a final average pay plan and a 401(k) plan," said Brian Kruse, a consulting actuary with Buck Consultants Inc. in Secaucus, N.J.

While there isn't a consensus on how fast cash balance plans will grow, it is clear that many employers establishing the programs and their employees are pleased with the plans.

"What our plan has done is bring rationality and simplicity to the pension process. No longer does the bulk of benefits go to a small percentage of employees. And, even the youngest, greenest employee can understand the plan," said Paul Nordine, vp and benefits consultant with BankAmerica in San Francisco.

"Our plan is working and it is working well. We've gotten a lot of calls from employees who are very pleased with the plan. An employee's basic message is: 'I finally understand what I have,'" said Richard Spitznass,

Continued on page 13

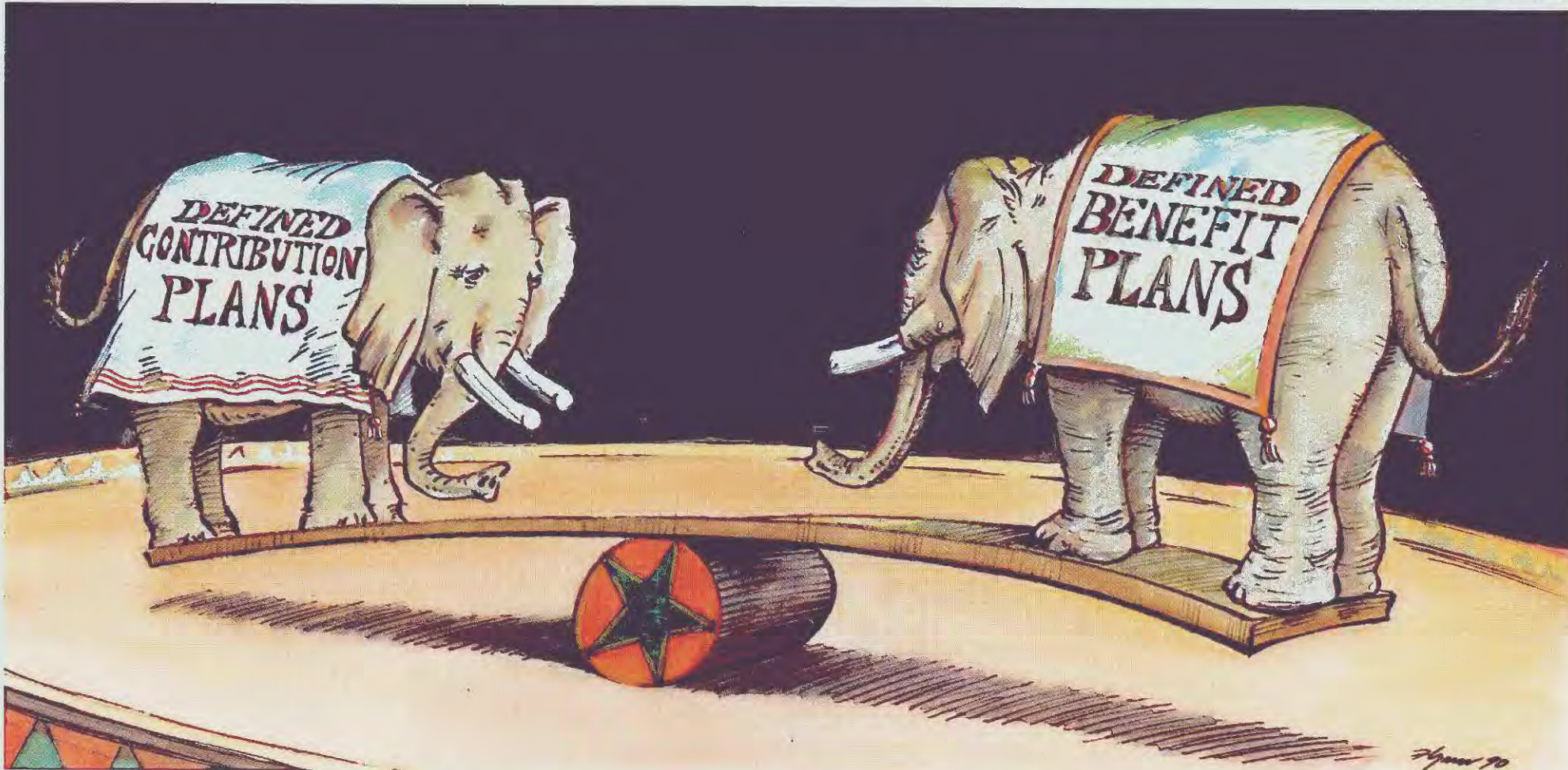


Illustration by Jim Flynn

401(k) non-discrimination tests still a burden

By DEBORAH SHALOWITZ

Four years after the monumental Tax Reform Act of 1986 was enacted, employers still are struggling to pass the law's 401(k) non-discrimination tests.

Employers are using a variety of strategies to boost participation by non-highly compensated employees, including instituting 401(k) loan programs, increasing the amount employers match of an employee's contributions and communicating the programs better.

Some companies also are considering "restructuring" their plans into several components under new

rules issued recently by the Internal Revenue Service (BI, July 9).

However, 401(k) plans remain an extremely popular benefit—especially among workers at large employers, consultants say.

A study of 944 large companies by Hewitt Associates of Lincolnshire, Ill., reported that 93% have 401(k) plans, noted Maryann Laketek, a consultant in the firm's Chicago office.

Ms. Laketek noted that for the first time unions and employers are negotiating the establishment of 401(k) plans during contract talks.

However, most employers that want to offer a 401(k) plan already

have done so, several experts said.

There is "not much activity in terms of new plans," Ms. Laketek concurred. "It's hard to have a lot of continued action when you've got those kinds of numbers."

"There aren't very many new plan formulations," agreed Tim Hankins, a consultant in The Wyatt Co.'s Sherman Oaks, Calif., office.

"People are just trying to live with what they've got or get out of what they've got," observed Howard Weizmann, executive director of the Assn. of Private Pension & Welfare Plans, a Washington, D.C., benefits lobbying or-

ganization.

"The market is what I would describe as maturing," said Byron Oliver, president of CIGNA Corp.'s group pension division in Philadelphia.

Mr. Byron related that only 40% of CIGNA's new 401(k) business today involves new plans, compared with 75% two years ago. CIGNA's remaining new 401(k) business involves taking over existing plans from other administrators.

"We expect this trend to continue into the 1990s," he added.

Although most large employers have 401(k) plans, the plans are not

static: Employers continue to alter the plans to pass the non-discrimination tests.

The 401(k) non-discrimination rules established under the Tax Reform Act of 1986 require that the average percentage of salary deferred by highly paid employees—generally considered those earning more than \$57,000 annually—cannot exceed the greater of two amounts:

- 125% of the average deferral percentage (ADP) elected by lower-paid employees.
- The lesser of either double the ADP among the lower-paid em-

Continued on next page

401(k) plans

Continued from previous page
ployees or the ADP of the lower-paid plus 2%.

"Companies are still having trouble passing the tests," Wyatt's Mr. Hankins said. The highly compensated still want to defer more than their employers can allow them to under the non-discrimination rules, he explained.

Litton Industries Inc. of Beverly Hills, Calif., spends "an inordinate amount of time and cost" to pass the non-discrimination tests, said Dean McCormick, a staff vp at Litton. "We are constantly seeking to place ourselves in a posture where we won't have this problem."

The 401(k) plan offered by Minneapolis-based Dayton Hudson Corp. continually has had difficulties passing the non-discrimination tests primarily because an overwhelming majority of the retailer's employees fall into the non-highly

compensated category and most do not participate in the plan, according to Fred Hammacher, vp of compensation and benefits.

However, there are several things employers can do to help 401(k) plans pass the tests, according to experts.

One of the most popular mechanisms employers are using to encourage participation of lower-paid employees in 401(k) plans is offering a 401(k) loan provision.

Among 389 large companies with 401(k) plans in the data base of benefit consultant TPF&C, a unit of Towers, Perrin, Forster & Crosby Inc. of New York, 65% had loan provisions in 1990, up from 63% of 373 companies in 1989, said Marvin Greene, a vp in TPF&C's Valhalla, N.Y., office. In 1988, 59% of 342 companies had loan provisions.

Wyatt's Mr. Hankins said "there has been a fairly significant increase" in the number of loan pro-

grams in 401(k) plans, which is in "direct response to the need to increase participation" among lower-paid employees.

"The loan feature provides an organization a mechanism to give participants access to their funds without compromising their nest egg," Mr. Hankins said.

"Employers feel (a loan program) will give them a real boost in terms of participation among the lower-paid," Hewitt's Ms. Laketek said.

There is a "very clear trend toward loan programs," Mr. Oliver agreed. And, "our experience has been that when a company puts in (a loan) program, the level of participation among the non-highly compensated will increase."

"In many respects, 401(k) plans have to be sold to people who are not highly compensated," said Stan Lewkowicz, a managing consultant in the Chicago office of A. Foster Higgins & Co. Inc.

"Overcoming objections is part

of the sales process," and loan programs are "a means of overcoming objections," he continued.

However, Mr. Lewkowicz said he is concerned that participants in 401(k) plans with loan provisions may keep taking out loans so that by retirement the employee's 401(k) account will not have accumulated a lot of money.

"The presence of a loan provision in and of itself is not going to increase participation" in the 401(k) by two or more percentage points, asserted Daniel Jackson, a principal in the Atlanta office of consultant William M. Mercer Inc. However, a loan provision may boost the average deferral rate by non-highly compensated employees by one-half to 1½ percentage points, he added.

Offering a 401(k) loan program has not really spurred lower-paid employees to increase their participation in Litton's 401(k) plan, according to Mr. McCormick.

"You almost have to let the employee get to the money or it's negative to participation," he said.

There has been no dramatic increase in participation among the non-highly compensated since the loan feature was added, he said.

And, several experts cautioned that 401(k) loan provisions can be both costly and difficult to administer.

By offering a loan provision, "the plan sponsor basically gets into the savings and loan business, which is not where they want to be," Mr. Jackson pointed out.

Any employer considering offering a loan feature should find out whether the administrator of its 401(k) plan can handle loan administration, and if so, how much it would cost, Hewitt's Ms. Laketek recommended.

The company should also figure out how much time its in-house benefits staffers will have to spend administering the loans, she said.

TPF&C's Mr. Greene estimated that employers that use an outside administrator to manage their 401(k) plans could expect their administrative costs to increase about 8% to 10% by adding a loan provision.

Employers that self-administer their 401(k) plans could expect administrative costs to increase by about 20% to 25% by adding a loan provision, Mr. Greene said.

The cost burden is much higher for a self-administered employer because the employers must hire additional staff and more complex computer systems.

Among the 255 companies with 401(k) loan provisions listed in TPF&C's data base, 65% use an outside administrator and 35% are self-administered, Mr. Greene said.

Although employers may reason that a few loans annually would not be difficult to handle, loan administration burdens can mushroom, Mr. Hankins cautioned.

For example, the typical term of a loan from a 401(k) plan is five years, Mr. Hankins said. So if an employer has 40 new loans per year, at the end of five years it is administering 200 loans.

"Loan administration can be a hassle—a huge hassle—if it's not done correctly," Wyatt's Mr. Hankins warned.

To help ease administration, employers should communicate their loan programs well to employees, design a simple loan application form and arrange for loan repayments through payroll deductions that are then directed into only one of the employee's investment options, Mr. Hankins recommended.

Employers with successful 401(k) loan provisions generally restrict participants to one loan at a time and require repayments through payroll deductions, Mr. Lewkowicz noted.

However, a few experts said that loan administration is becoming easier.

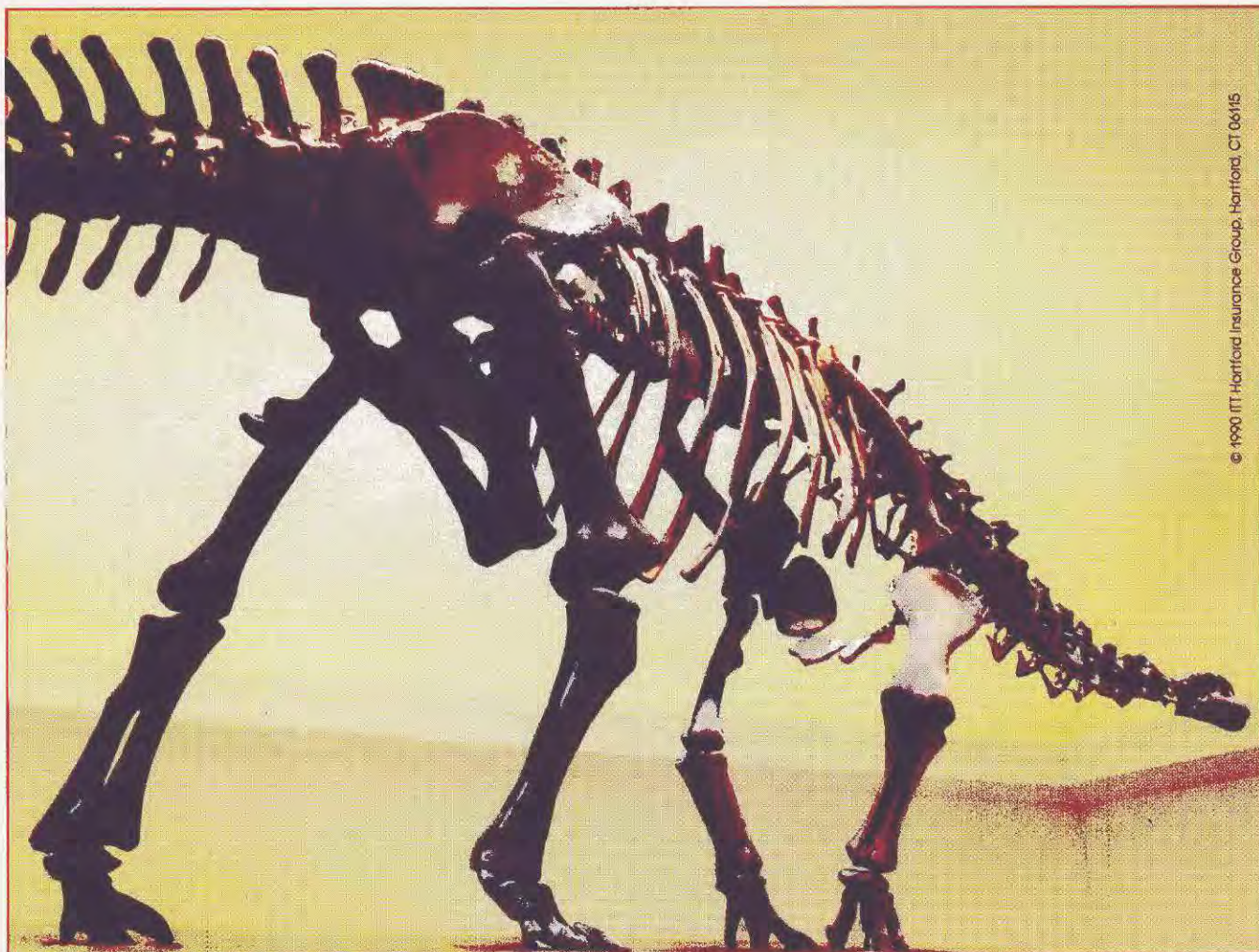
"Like anything else, the first time around is the hardest," observed Fred Rumack, a consultant in the New York office of Buck Consultants Inc. "Record keeping and administration of defined contribution plans is always a trying effort, but loan administration is easier than it's been in the past."

"There is a proliferation of (personal computer)-based loan administration systems," pointed out Mercer's Mr. Jackson.

Nonetheless, increasing participation of non-highly compensated employees in 401(k) plans "is accomplished more by a strong match than by a loan provision," Mr. Jackson said.

Several consultants said that sweetening employer matching contributions to employees' 401(k) plan deferrals is a good way to entice them to participate.

And, there are several ways to
Continued on page 10



© 1990 ITT Hartford Insurance Group, Hartford, CT 06115

CAN YOUR REINSURER BE TOO BIG?

Yes and no.

When it comes to meeting commitments, you want a reinsurer with strength and stability.

And with Hart Re Management Company, that's exactly what you get.

After all, we're the reinsurance people of The Hartford and backed by over \$27 billion in assets.

On the other hand, you don't want a reinsurer so big that it's unable to respond with speed and agility. Here again, the answer is Hart Re.

Our standard turn-around time on claims is five days or less.

What's more, our claims staff is available to answer questions and help solve problems on a daily basis.

To minimize and balance your

potential exposure, our team of underwriters will work with yours to analyze and evaluate your existing book of business, as well as any new or anticipated lines.

Through our Catastrophe Evaluation Program, we can determine probable and worst-case hurricane loss scenarios on a county-by-county basis.

Add to all this the experience, expertise, and flexibility that only Hart Re can provide.

And remember, we won't try to run your business—just give you help when you need it.

Don't let the wrong reinsurer threaten your survival.

Contact your reinsurance intermediary about Hart Re today.

HART RE
The Insurance People of **ITT**



Effective Claims Management is more than a fist full of dollars

It takes dollars to pay claims, but it also requires smart management to run an effective Claims Division.

RELIANCE NATIONAL'S professional Claims Division is built on integrity and prudent claims management. Our specialists have years of experience in claims assessments. We follow a special brand of quality in achieving our goals: minimizing allocated expenses and obtaining advantageous settlements.

A quick response to a claim with a fist full of dollars can be impressive, but it's the smart management team that wins the draw.

THE CHOICE

Reliance National

77 Water Street, New York, N.Y. 10005

For further information
write us or call (212) 858-3600



Reliance

Reliance National
A Reliance Group Holdings Company

Reliance National underwrites through: Reliance National Insurance Company, Reliance Insurance Company, Planet Insurance Company, United Pacific Insurance Company, Reliance Insurance Company of Illinois, Reliance Insurance Company of New York, and General Casualty Insurance.



An HMO should look after you

An upset stomach in Kansas. An earache in North Carolina. The flu in California.

There's nothing considerate about an illness. It'll hit anyone at any time. Fortunately, there now is a way to fight back. With the Away From Home Care program, from HMO-USA. Through a

landmark advance in coverage, your employees—and their families—can now become guest members of our HMOs from coast-to-coast.

This means, students away at college can be HMO-USA members the same as their parents. Families living apart can be covered. As well as



no matter what state you're in.

employees away on extended assignment. What's more, they'll all be entitled to the complete range of HMO-USA benefits. From regular check-ups, to emergency care, to classes in health education.

This, in addition to our usual coverage when they travel from state to state. All they have to do is

make arrangements in advance, and be away from home for 90 days. If your company has a thousand employees or more, call 1-800-4-HMO-USA.

From New York to California, there's no other program like it.



**Blue Cross.
Blue Shield.**

Opinions

Encourage retirement plans

ANYONE WHO BELIEVES pensions are stodgy and boring hasn't taken a recent look at what is going on in the field.

As we report in this issue's special report on retirement plans, pension plan sponsors and their advisers are bursting with creativity and ingenuity.

After some initial hesitation, employers—including some of the nation's best known companies—are setting up cash balance pension plans to improve employees' understanding and appreciation of their pension benefits. (see stories, beginning on page 3).

Given the benefit formulas common in traditional defined benefit plans—often expressed as a percentage of final average pay multiplied by number of years of service—it's no surprise that employees have no appreciation for their pension benefits.

By contrast, with a cash balance plan, retirement benefits are highly visible and understandable. Benefits are based on a percentage of current salary, something nearly every employee can understand.

At the same time, accumulated benefits are guaranteed to increase at a predetermined interest rate, while employers provide frequent individual benefit statements so employees know the exact amount of their benefit—expressed in cash amounts.

There are other reasons why cash balance plans have become such a hit: They deliver much richer benefits for employees' first years of service than traditional final average pay retirement plans. Candidly put, final average pay plans typically deliver negligible benefits for employees that work five or six years for one company and then move elsewhere.

Final average pay plans may work great for the 30-year career employee. But companies are recognizing, through converting their final average pay plans to cash balance plans, that their pension programs have to do more than provide meaningful benefits to a small percentage of long-term employees.

There is plenty of action in the defined contribution plan arena as well. Employers continue to improve their 401(k) salary reduction plans, the star benefit programs of the 1980s.

More companies are adding loan programs and are sweetening matching contributions to 401(k) plans to boost participation of rank-and-file employees.

Other companies are beefing up their communications programs, including installing telephone interactive systems, to increase employees' understanding and interest in their 401(k) programs.

At the same time, some employers are adding so-



called discretionary matches—based on company profits—over and above the standard formula in which they match employees' elective contributions. Through such a feature, employers are giving their workers a simple but powerful message: If productivity and profits rise, you will share in the gains.

All these actions are taking place despite the efforts of legislators and regulators to make it as complicated and costly as possible for employers to sponsor pension plans, even though everyone agrees that retirees must have some other form of income besides Social Security.

Employers, for example, currently have to spend an exorbitant amount of time to see that their 401(k) plans comply with cumbersome non-discrimination rules.

As we have said before, we wonder why such rules are needed, given the low amount of elective contributions that are permitted. How much discrimination can there be when the maximum annual contribution an employee can make to a 401(k) plan is less than \$8,000?

And, in the defined benefit area, employers also have had to contend with escalating termination insurance premiums paid to the Pension Benefit Guaranty Corp. as well as incredibly complex non-discrimination rules.

Despite the negative role of government, employers are standing by their commitment to provide retirement programs to their employees. Just think of how much more employers could do to help workers ensure they have adequate retirement income if the government played a positive rather a negative role in the maintenance of these programs.

Letters

Employees should be taxed on benefits' value

To the editor: Your Nov. 5 editorial, "Congress Does It Again," concludes with a paragraph that states that employers should be thankful that Congress did not resurrect proposals to tax employees

on the value of their employer-paid health care benefits.

Why should employers be thankful? The employees would pay the taxes.

It seems to me that all employee benefits should be taxed to the employee, just as any other income is taxed to the employee.

The employees of large companies, various government entities and those with generous union contracts have a tremendous advantage over employees and owners of small companies who do not receive generous benefits and who will have to pay for health care coverage out of aftertax income. This bad enough, but their tax rates are higher because the tax

base of the people with free benefits does not fully reflect their actual remuneration.

In my opinion, if all employer-paid benefits were taxed as income to the employees, there would then be a more level playing field for everybody. This would also increase the tax base so that tax rates for everybody could be lower while generating the same revenues. It would also bring to the attention of everybody just how much these benefits actually cost.

Edward F. Martz Jr.
Edward F. Martz Inc.
Martz-Altschuler & Associates Inc.
Madison, N.J.

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki (New York)

Associate Publisher/Editor: Kathryn J. McIntyre, A.R.M. (Chicago)

Managing Editor: James M. Burke (Chicago)

Senior Editor: Jerry Geisel (Washington)

Assistant Managing Editor: Dave Lenckus (Chicago)

CHICAGO: Jeanne M. Bartels (Graphics Editor)

Karen Brown (Assistant to the Editor)

Meg Fletcher, A.R.M. (Associate Editor)

Sara J. Harty (Staff Reporter)

Mark A. Hofmann (Associate Editor)

Colleen Johnson (Associate Editor)

Nancy Johnson (Copy Editor)

Kathryn M. Larrabee (Copy Editor)

Laura Mazzuca (Agent/Broker Topics Associate Editor)

Sarah E. Polster (Directory Editor)

Roger Schillerstrom (Editorial Cartoonist)

Deborah Shalowitz (Associate Editor)

Timothy Stanton (Copy Editor)

Paul Winston (Copy Desk Chief)

Christine Woolsey (Associate Editor)

DALLAS: Michael Bradford (Associate Editor)

LONDON: Stacy Shapiro (International Editor)

Carolyn Aldred (Associate Editor)

LOS ANGELES: Joanne Wojcik (Bureau Chief)

Louise Kertesz (Associate Editor)

NEW YORK: Douglas McLeod (Bureau Chief)

Stacy Adler (Associate Editor)

Judy Greenwald (Associate Editor)

Michael Schachner (Associate Editor)

WASHINGTON: Adrienne C. Locke (Associate Editor)

Advertising Director: Martin J. Ross (New York)

Midwest Sales Manager: Robert L. Niesse (Chicago)

CHICAGO: Deborah D. Neale (District Manager)

Margaret Hikido (District Manager/

Classified Sales)

Elmer Kerstowski (Production Manager)

NEW YORK: Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Kathryn Premetz (District Manager)

Cynthia Bykowski (District Manager)

LOS ANGELES: Michael J. Sharpe (Western Advertising Manager)

Director of Communications: Ronnie I. Drachman (New York)

Promotion Manager: Michele Pierson (New York)

EDITORIAL: Chicago: 312-649-5398

Dallas: 214-363-1066

London: 71-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0140

Washington: 202-662-7200

ADVERTISING: New York: 212-210-0228

Chicago: 312-649-5276

Los Angeles: 213-651-3710

COMMUNICATIONS: New York: 212-210-0132

CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.

Founder (1885-1973)

MRS. G.D. CRAIN

Chairman

S.R. BERNSTEIN

Chairman-executive committee

RANCE CRAIN

President

KEITH E. CRAIN

Vice chairman

MARY KAY CRAIN

Treasurer

MERRILEE P. CRAIN

Secretary

WILLIAM A. MORROW

Executive Vp-operations

WILLIAM STRONG

Vice president-circulation

ROBERT C. ADAMS

Vice president-production

H.L. STEVENSON

Corporate editor

PENELOPE A. GEISMAR

Corporate communications mgr.

Published weekly at 740 Rush St., Chicago, Ill. 60611. Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 71/430-2176. \$2.00 a copy. \$75 a year in U.S. Canada and all other foreign add \$32 for surface mail. Europe and Middle East only add \$88 for air delivery. First-class mail to U. S., add \$77; to Canada add \$87. Bermuda only, \$157 per year expedited delivery. SHEILA GORMLEY, circulation manager. LISA RIVERS, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0704.

Member of Business Publications Audit of Circulation

BPA

ABP

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

CITY HOSPITAL

Financial Peace of Mind.

It comes from a comprehensive managed care program that controls your costs while delivering quality health care to your employees.

The Travelers Managed Care System[™] was specifically designed to provide quality health care for your employees while controlling your costs.

This innovative plan includes Taking Care, our unique health education program that has demonstrated a savings of 3 times the investment and helped reduce total medical visits by 17%. Also, our Utilization Management which could help your employees avoid a hospital stay entirely. And our Vocational and Rehabilitation Program which helps avoid recurrence and assists employees in returning to work quickly. All supported by a nationwide managed care network of physicians and hospitals.

This concern for both the financial success of your business, as well as the health and welfare of your employees, is just another example of what The Travelers ultimately offers in all our products and services. Your financial peace of mind.

The Travelers Insurance Company and its Affiliates, Hartford, Connecticut 06183

TheTravelers
You're better off under the Umbrella[®]

401(k) plans

Continued from page 4
sweeten the pot.

For example, employers can increase the amount of their match.

An average employer match is about 50 cents for every dollar deferred by an employee until an employee's deferral equals 6% of pretax earnings, according to several consultants.

Kemper National Insurance Cos. plans to improve its matching contribution beginning Jan. 1.

Kemper will match 50% of an employee's pretax contributions—up to a maximum of 5% of pay—up from a 10% match now, according to Frederic McCullough, tax and compensation accounting manager for Long Grove, Ill.-based Kemper.

Non-highly compensated employees may contribute up to 6% of their pretax salary to the 401(k) plan and up to 10% of their after-tax pay to a 401(m) plan.

Highly compensated employees can contribute only up to 5% of their pretax pay to the plan.

Kemper also makes a separate profit-sharing contribution to the 401(k) plan that varies from year to year, Mr. McCullough said.

Another way for employers to sweeten their 401(k) match and entice more non-highly compensated employees to participate is to "front-load" the match: Employers provide a higher match for the first few percentage points of salary that employees contribute to a plan and a lower match for the next few percentage points of salary contributed.

For example, an employer could match 100% of the first 2% or 3% of salary and then 50% of the rest.

This approach can "get people hooked a little bit on the program," said Hewitt's Ms. Laketek.

However, by "back-loading" the match—providing a higher match on the last few percentage points

of salary that plan participants contribute—employees have an incentive to put more money in the plan, Mr. Rumack pointed out.

Employers also are increasingly tying their matches to the profitability of the company, Mercer's Mr. Jackson noted (see story, page 26). Employers "are frightened of the idea of fixed matches and fixed contributions," he said.

And, more employers are using company stock as the employer match, Mr. Rumack pointed out.

"Employers like to have employees identify with the company," and this approach "conserves cash for the company," he explained.

Dayton Hudson began using company stock as the employer match this year, Mr. Hammacher said.

Beginning in April, Dayton Hudson began matching 100% of an employee's savings plan contribution up to 5% of either pretax or after-tax salary with Dayton Hud-

son preferred stock under a new employee stock ownership plan, Mr. Hammacher said. Previously, the company provided a 50% cash matching contribution on the first 5% of an employee's 401(k) deferral, he said.

"As a result of the 100% ESOP match, the participation level improved significantly" among non-highly compensated employees, Mr. Hammacher said. Overall, there was a 23% to 24% increase in the number of participants in the savings plan, he said.

However, 65% of new participants chose to contribute to the plan on an after-tax basis, he noted. "Many, many people are not motivated by tax savings," he said.

Lower-paid workers can contribute up to 15% of their annual salary, either pretax or aftertax, to the savings plan, Mr. Hammacher said. Dayton Hudson does not match contributions above 5%.

Highly compensated workers

this year could contribute only 3% of their salary to the 401(k) plan, except for the last three months of the year when they could contribute 4% of pay.

In 1991, Dayton Hudson expects to be able to allow highly paid workers to contribute 4% of pay for the first half of the year and 3% of pay for the second half of the year, according to Mr. Hammacher. And, this arrangement should continue into the future, he said.

However, improving the employer match is not always the answer to improving participation by non-highly paid workers, according to another employer.

"The (non-discrimination) test is salary-driven," but "participation is age-sensitive, not salary-sensitive," said Mr. McCormick of Litton Industries.

Another way to help employers pass the non-discrimination tests is to limit contribution levels—both pretax or aftertax—to savings plans, consultants said.

When necessary, companies are refunding employee contributions to the 401(k) plan, they noted.

Employers also should try to better communicate their 401(k) plans to workers in order to increase participation by non-highly compensated workers, several consultants recommended.

"One of the most critical things that we're finding has the most bang for the buck is communication" in the form of newsletters and newly designed brochures, said Mr. Lewkowicz of Foster Higgins.

Hewitt's Ms. Laketek suggested that employers provide their workers with "more and more individualized information" about the 401(k) plan, such as how much they can expect to have at retirement based on their current contribution level, compared with how much they would have if they increased their contribution level.

Some employers are installing interactive communication systems in their employee cafeterias that allow workers to play out various financial scenarios relating to their retirement, she noted.

Such a system might allow a worker to enter his or her age, anticipated pay raises, anticipated retirement date and a range of contribution levels to see the differences in retirement security, she explained.

Mr. Rumack suggested that companies even provide non-participants with information on what their 401(k) account might have looked like if they had joined.

The "other thing that's been the rage" among employers to help them pass the non-discrimination tests is "restructuring," Mr. Rumack pointed out.

Under a recent IRS rule, employers can "restructure"—just for testing purposes—their 401(k) plan into separate components or groups. Under this approach, a 401(k) plan could be broken down into separate plans for employees at different locations or for employees in separate job categories. This would be allowed as long as the percentage of a company's non-highly compensated employees covered by a component plan is 70% of the percentage of highly compensated employees covered by the plan.

The regulation was "kind of a ray of hope for employers," Ms. Laketek said.

However, "probably the potential for using it isn't as great as had been hoped," she added.

This rule can be "a very worthwhile and useful thing for 401(k) plans," Mr. Rumack agreed.

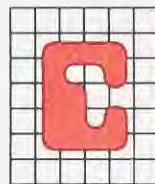
But the IRS has said it may rescind it (BI, Sept. 17).

Mr. Lewkowicz said he expects the IRS will allow employers to restructure their 401(k) plans under the new rule at least for the 1991 plan year. ■

AH, THE SIMPLICITY OF MANAGED HEALTH CARE.

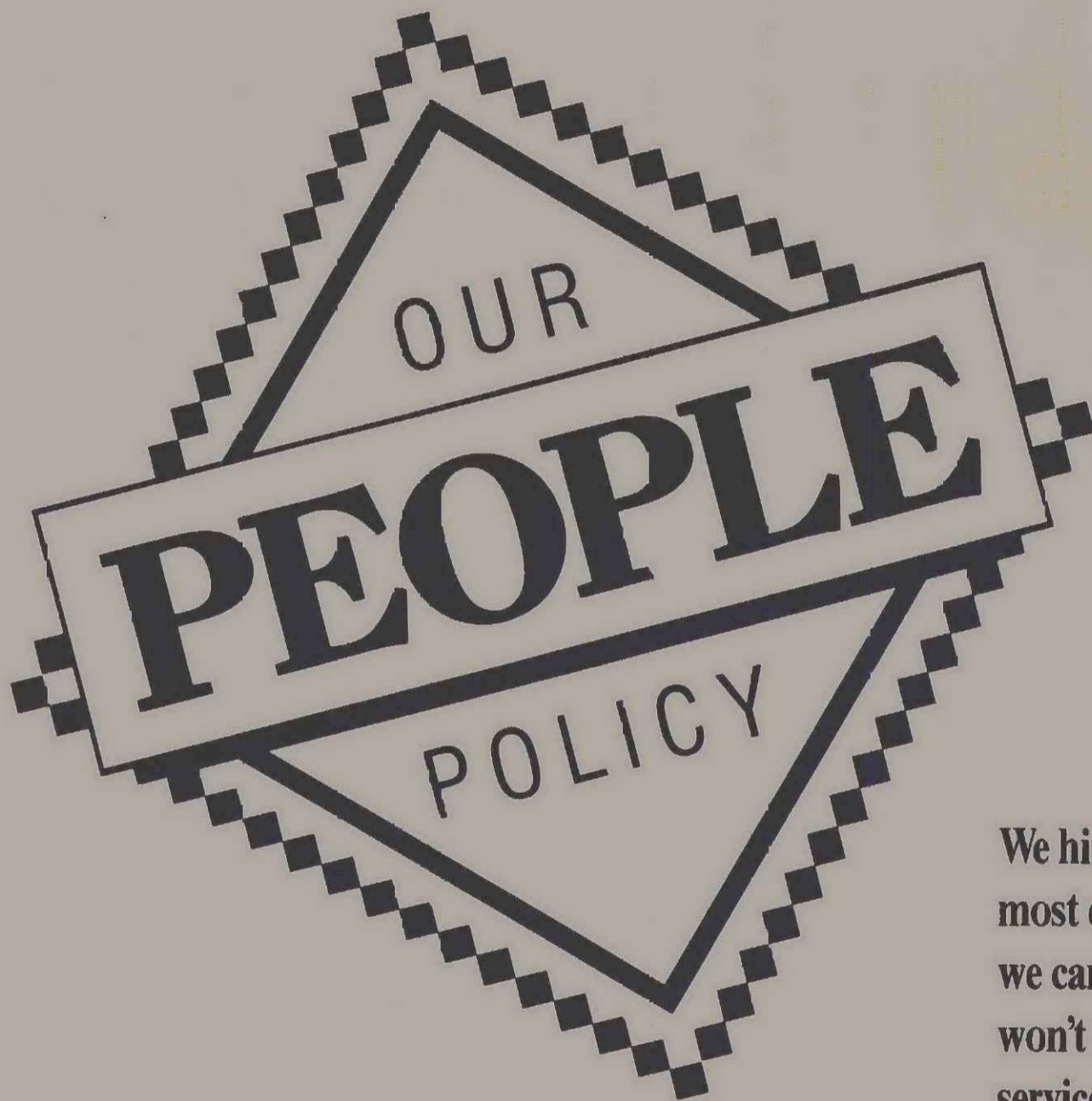


Introducing MaxCare™ - The Future-Ready AS/400 System That Keeps It All Running Smoothly. It's not easy balancing day-to-day plan administration while you're moving as fast as you can towards true managed care. Quite the opposite. That's why we created MaxCare, the most advanced AS/400™ managed care claims and administration system ever developed. ■ This powerful new system combines administration, claims, flexible benefits, word processing, report writing and even imaging modules, built around an SAA-compliant relational database. And its managed care functionality and technical platform are so far ahead of other systems that you'll be able to rely on MaxCare for years to come. ■ For more information call Tracy Cobb at 404-952-7854, or write to Computations Inc., 2500 WindyRidge Parkway, Marietta, GA 30067.



COMPUTATIONS

POWERFUL IDEAS AT WORK.



We hire the brightest,
most energetic people
we can find. So you
won't find better
service anywhere else.



National Re
Our Policy Is Service.

National Reinsurance Corporation provides quality facultative and treaty reinsurance for property and casualty.
Rated "A" by A.M. BEST Company

Headquarters

777 Long Ridge Road, P.O. Box 10167
Stamford CT 06904-2167
Tel. 203-329-7700, Fax 203-329-9027

Facultative Branches

Atlanta: Tel. 404-399-7800, Fax 404-399-0899
Chicago: Tel. 312-372-3040, Fax 312-372-3234
Dallas: Tel. 214-231-9771, 800-345-7935
Fax 214-231-5449

Hartford: Tel. 203-724-1640, Fax 203-560-1814
Los Angeles: Tel. 213-385-0466, 800-447-4453
Fax 213-385-0711
New York: Tel. 212-385-9230, Fax 212-385-9239

Adequacy of 401(k) plans questioned

By DEBORAH SHALOWITZ

Although defined contribution plans now are all the rage among employers, some experts predict the pendulum will swing back to defined benefit plans in the future.

Employees will pressure companies to provide defined benefit plans when workers realize their savings will not meet their retirement needs, some benefits experts say.

And enthusiasm for 401(k) plans will decline along with investment returns, they predict.

"One of the implications that is present when a defined contribution plan is the only retirement vehicle you have is that people won't have enough money to retire," said Stan Lewkowicz, a managing consultant with A. Foster Higgins & Co. Inc. in Chicago. "Many plan sponsors don't realize that this is a problem."

Some employees, though, are beginning to realize that their 401(k) savings will not be sufficient to fund their retirement, some experts said.

Many employees aged 25 to 45 "are cranking out their calculators and saying this ain't going to make it," said Gary Blank, vp and consultant of The Wyatt Co. in San Francisco.

As baby boomers age, they will see the attraction of defined benefit plans, said Fred Rumack, a consultant with Buck Consultants Inc. in New York.

There will come a point—"sooner rather than later for older baby boomers"—when the individual "is going to feel like he's been sold a bill of goods" to depend on his 401(k) plan as his primary retirement vehicle, predicted Dallas Salisbury, president of the Employee Benefit Research Institute, an employer-sponsored think tank in Washington, D.C.

"Most individuals in the old days settled down (with one company) by their early 40s and stayed there until retirement," Mr. Salisbury said. When those workers retire in the coming decades, they will have accumulated at least 20 years of credit toward a defined benefit plan and 20 years of capital accumulation in a defined contribution plan, he explained. "All the numbers will look really good."

Employers today are making benefit plan decisions "based on the world they know and see and the last 10 years," Mr. Salisbury said. But they are "not yet going out that step—that positive step—and looking ahead."

For example, young people in an increasingly mobile workforce will not accumulate meaningful defined benefit pensions, even if their final employers offer such plans, he explained. And most will not have retiree medical benefits, either, he pointed out.

When the "front end" baby boomers retire in 2015, they will be asking, "What the hell happened here?" Mr. Salisbury said. They may have to "scrape by on Social Security" and work until they are 82, he warned.

Some employers are beginning to face these issues.

Wyatt's Mr. Blank said that during the past two years, he has done more work installing defined benefit plans than defined contribution plans. Employers implementing their first defined benefit plans range from a poultry-producing company to high-tech firms, he said.

There are "more requests for something that will give employees some kind of retirement benefit that is adequate to provide a nice lifestyle 20 years from now," he said. The "No. 1 type of plan that

best meets these needs is a defined benefit pension plan."

"I don't think companies are going to dump 401(k) plans," Mr. Blank said. Instead, they will "just supplement them with defined benefit plans."

But, the number of employers offering 401(k) plans may be peaking, he observed. "That's the wave that is crashing. I think the next wave is defined benefit pension plans."

"The pendulum could start swinging back" toward defined benefit plans or a combination of defined benefit and defined contribution plans, agreed Tim Hawkins, a Wyatt consultant in Sherman Oaks, Calif.

The trend toward new defined benefit pension plans "will accel-

erate during the '90s," Mr. Salisbury predicted.

And, employers may have to alter their 401(k) plans to restrict employee access to the money be-

Retiring 'baby boomers' may have to work until they are 82, EBRI's Mr. Salisbury warns.

fore retirement.

For example, Congress may tighten the rules on employee access to money in their plans, several benefits experts noted. They

suggested that Congress may eliminate hardship withdrawals and 401(k) loan provisions.

In addition, employers that do not allow employees to roll over 401(k) accumulations from former employers may be pressured by employees into doing so, they noted.

Employers may advocate a law requiring all 401(k) lump sum distributions to be rolled over into another employer-sponsored retirement plan or an individual retirement account, Mr. Salisbury said.

And the plans could be marketed as an effective way to save for retiree medical costs. Employees then would consider it desirable to have the funds "locked up," Mr. Salisbury suggested.

The experts also cautioned that employee enthusiasm for 401(k) plans will diminish as the value of their accounts declines due to the stock market slump and dwindling investment returns.

Soaring account balances in the 1980s, driven by "boom markets and amazing returns," generated great enthusiasm for the plans, said Howard Weizman, executive director of the Assn. of Private Pension & Welfare Plans, a Washington, D.C., a benefits lobbying group. But a bear market and other volatile investments can "melt away" account balances, he said.

For example, equity funds could lose one-fourth of their value in a bear market, and that would be a "chilling kind of a situation" for 401(k) plans, Mr. Fumack said. ■



Cash balance

Continued from page 3
 director of benefits at Georgia-Pacific Corp. in Atlanta, whose 2-year-old cash balance plan covers about 20,000 employees.

"Employers and employees have come to love the plans," summed up Vicky Slomiany, a Wyatt Co. consultant in Minneapolis.

While the cash balance pension movement only has caught fire in the last couple of years, companies adopt them today for the same reasons others did five years ago.

Those reasons include:

- Improve benefit visibility and employee understanding.

Traditional defined benefit plans often based benefits on an arcane formula—such as a percentage of final average pay multiplied by years of service, with a Social Security integration factor.

Cash balance plans are a relative paragon of simplicity. "Employees

understand account balances, not pension formulas," said Lawrence Brennan, a partner at Kwasha Lipton.

In a cash balance plan, an account balance is established for an employee. The account balance grows as the employer provides benefit credits equal to a fixed percentage of salary. For example, Sun Co. Inc.—a Radnor, Pa.-based petroleum company—provides credits equal to 7% of salary, up to the Social Security wage base, and 12% of salary over the wage base.

Companies also guarantee that employee account balances will increase at a certain rate, such as the interest rate on one-year Treasury bills.

As a result, an employee can always find out exactly what his balance is and how much he could take when leaving the company.

"Our goal was to make the benefit visible," said Ms. Akre of TCF.

"A final average pay plan is too

difficult for employees to understand. There are too many variables. With a cash balance plan, employees understand their benefits," said Rick Schulz, director of employee benefits at Chemical Banking Corp., whose new cash balance plan—set to start Jan. 1—will cover 28,000 employees.

"We didn't feel we were getting value out of our old plan. To explain the plan was difficult. With a cash balance plan, employees have a much better understanding of what their benefits are worth today," Rick Dreyfuss, director of executive compensation and employee benefits at Hershey Foods Corp. in Hershey, Pa. Hershey's two cash balance plans—one for salaried employees and the other for union employees—have about 8,000 participants.

- Changing demographics and benefit equity.

Employers and benefit experts say the traditional final average

pay plan may have made sense in an era when employees spent most—if not all—of their careers with one company.

Using age and service formulas, such plans provided lush benefits to employees staying until retirement, while providing relatively skimpy benefits to employees who leave after five or 10 years.

But employers, resigned to a more mobile workforce, no longer expect employees to stick around until retirement to reap the full benefits of a final average pay plan.

"Most employees are only going to be around for a few years. There no longer is the concept of cradle-to-grave employment," said Lewis Nerish, vp-compensation and benefits at Nabisco Brands Inc. in East Hanover, N.J.

"There was a realization by employers that a traditional defined benefit plan doesn't do that much for a mobile workforce, which is

80% to 90% of the population. Companies realize that a pension plan has to do more than help those who stay until retirement," said Steve Vernon, a Wyatt consultant in Sherman Oaks, Calif.

"Companies spend a fortune on pension plans, but large percentages of employees were not really benefiting," said BankAmerica's Mr. Nordine.

"The traditional corporate thinking had been to design a plan to reward lengthy service. Corporate thinking, though, was not recognizing changes that were taking place in the workforce," said Georgia-Pacific's Mr. Spitznass.

By contrast, cash balance plans, as career average plans, are designed to provide much richer benefits to shorter-service employees than final average pay plans.

Some cash balance plans can provide benefits two to four times as large for short-service employees than final average pay plans, benefit consultants say. Many employers that scrapped final average pay plans in favor of cash balance plans did so to beef up benefits to shorter service employees.

"Employees were not getting a fair shake for their earlier years of employment with a final average pay plan. Our chairman thought it was unconscionable that an employee could get such a small benefit after 10 years of service," said Howard Weizmann, Sun's former benefit manager and now executive director of the Assn. of Private Pension & Welfare Plans in Washington, D.C.

"A person who works 10 years for a company can make a significant contribution and should receive a significant benefit," said Mr. Spitznass.

"We have a relatively young workforce and we wanted to provide an opportunity for younger employees to see more money go into the plan," said David Skovran, chief operating partner at Kwasha Lipton, which set up a cash balance plan for its employees last year.

- Portability.

Portability provisions in a cash balance plan allow employees terminating employment to take their account balances as a lump sum, which can put a significant amount of cash into an employee's hands.

Employees who leave can roll over the lump sum into an Individual Retirement Account, keep the balance with the plan, where it earns tax-deferred interest until the employee withdraws the funds or take the funds as cash.

By contrast, except for small accumulated benefits, defined benefit plans typically do not offer pre-retirement lump-sum distributions. Instead, the vested benefit for a terminating employee typically is provided as an annuity when the employee reaches the plan's retirement age.

"It is hard to motivate an employee with a benefit that may not be payable for 40 years," said Merle Flaata, vp-employee benefits at Minneapolis-based First Bank System Inc., which set up a cash balance plan in 1986.

Employers cite improved employee appreciation and understanding as well as greater benefit visibility as reasons for adopting cash balance plans. Costs are rarely mentioned.

Indeed, employers with cash balance plans say their plans are designed to cost roughly what their traditional plans did.

"The new plan should about equal the cost of the old plan, about 6% of pay," said Chemical Bank's Mr. Schulz.

Rather than cutting costs, employers adopting cash balance plans are distributing costs and benefits more equitably, with shorter service employees receiving more benefits compared with a

Continued on next page

THE MOST EXPENSIVE GOWNS AREN'T FROM CALVIN KLEIN, BILL BLASS, OR YVES SAINT LAURENT.

Do you believe this?

Last year, the average cost of a designer gown was about \$3,000. But the average cost of a hospital gown and stay was about \$4,800*.

And you thought high fashion was expensive.

Hospitals and doctors aren't solely responsible for driving health care costs up. Utilization, new technology and catastrophic claims all contribute to the rising cost of employee health benefits. Which, incidentally, are expected to increase this year an average of 16.5%.**

Is there any way to control these ever-rising costs?

At NWNL Group, our experience shows us the answer is yes. But the solution is not to give you a low rate just to get your business, and a big increase a year later to

make up for it. Instead, we ask you to make some tough but fair choices about your benefits program.

We'll help you identify what those choices are and we'll show you how they could affect your plan. For example, our catastrophic case management program could save you thousands of dollars.

Our special booklet—*Case Management: What Works, What Doesn't*—will tell you more about this approach to cost control. For a copy, call or write Rick Naymark, NWNL Group, Box 20, Minneapolis, MN 55440, (612) 342-7137.

Considering what your costs are, you can't afford any gaps in your coverage.



**NORTHWESTERN NATIONAL
LIFE INSURANCE COMPANY**

* Based on NWNL national study in 1989. ** A. Foster Higgins & Co.
 NWNL Group is a division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the state of New York).
 The North Atlantic Life Insurance Company of America, Jericho, NY (a member of The NWNL Companies, Inc.).

Cash balance

Continued from previous page
traditional plan and longer service employees receiving less.

"Employers with cash balance plans are looking to provide a meaningful benefit to all employees. They are not looking to save money," said Dale Allen, a principal with Mercer in New York.

Still, some of the very features that have made cash balance plans such a hit could cause problems down the road, some benefit managers say.

"If an engineer, for example, receives an offer down the street, it may be difficult to retain that employee if he can take a \$300,000 lump-sum distribution from his cash balance plan," said Mitchell Anderman, manager of benefits planning and design with Sun Co. Inc.

In addition, a continuing criticism of cash balance plans has been that they hurt so-called "fast-track" employees hired late in their careers.

Such employees won't have high salaries long enough for cash balance contributions to accumulate in value commensurate to their final salaries. These employees generally fare better under a defined benefit plan, whose benefits are based on final pay.

But cash balance supporters say the problem of fast-track employees is overstated. They note, for example, that a company could set up a special supplemental pension plan to provide additional income to these employees.

In addition, such employees already may have racked up significant pension benefits from their previous employers, said Georgia-Pacific's Mr. Spitznass.

One continuing cloud of uncertainty hanging over cash balance plans is the attitude of the Internal Revenue Service toward the programs.

Sweeping pension plan non-discrimination rules that the IRS proposed in May provide no specific safe

harbor for cash balance plans. As a result, cash balance plans are subject to a general, rather complex set of non-discrimination rules in which the rate at which participants accrue benefits must be tested.

However, in a forthcoming newsletter, Kwasha Lipton says its preliminary tests show cash balance plans are more likely to pass the general non-discrimination test than traditional defined benefit plans.

Other consultants say the lack of a safe harbor for cash balance plans doesn't mean the IRS has any inherent problems with the plans.

"The IRS hasn't had time to fully address cash balance plans because it has had so many other projects to address," said Paul Strella, an attorney with Mercer in Washington, D.C.

Meanwhile, as the cash balance pension movement grows, employers are finding new ways to design their plans to meet their corporate needs.

Some, for instance, simply provide

a cash balance credit or contribution equal to a flat percentage of pay.

"We wanted to keep the plan as simple as possible," said Mr. Rivera of Xerox, where credits are equal to 5% of pay.

Other cash balance plan sponsors, such as Catholic Health Corp., increase benefit credits for employers with longer service.

For example, CHC's benefit credits range from 3% of pay for employees with less than five years of service to 8% for employees with at least 26 years of service.

At the same time, employers with cash balance plans are using a variety of formulas to guarantee annual increases on employees' account balances.

For example, Catholic Health Corp. guarantees a flat 6% increase, while at Sun Co. Inc. the rate is the annual increase in the Consumer Price Index plus 2%. At Xerox, the increase is tied to the yield on one-year Treasury bills plus 1%.

Meanwhile, just as cash balance plans were put in place to meet the benefit needs of a changing workforce, employers with the programs are using the latest technologies to keep employees more up-to-date on their benefits as well as reduce administrative burdens.

For example, Nabisco next year will install a new interactive telephone system for its cash balance plan, which covers about 10,000 employees.

Initially, the system will allow employees to dial in and receive up-to-date information on their account balances.

Enhancements will allow employees to project future benefits and change benefit options, such as survivor benefits, said Nabisco's Mr. Nerish.

Plans benefit employers and workers

A cash balance plan is a true pension hybrid, including the best features of defined contribution and defined benefit plans.

Cash balance plans include the same features—individual account balances and benefit portability—that have made 401(k) plans and other defined contribution plans such a hit with employees.

But the plans also give employers the funding flexibility inherent in defined benefit plans.

Cash balance plans typically are set up to replace defined benefit plans.

When establishing cash balance plans, an employer will calculate the actuarial present value of employees' vested benefits in the old plan.

That amount is converted into an opening account—or cash balance—in the new plan.

Individual statements detail employer contributions—based on a percentage of compensation—and interest earned. Employees can tell at a glance how much money they can take when they leave the company.

Some employers furnish only one statement per year. Others provide them as often as every three months.

By contrast, a defined benefit plan annual statement will project an employee's monthly benefit at retirement age.

While employees in cash balance plans receive individual account statements, employer contributions are, in fact, made to the entire plan.

Cash balance plan benefits are funded, as is the case with defined benefit plans, on an aggregate basis with contributions determined by various factors like assumptions about salary increases, turnover and investment return on contributions.

Like defined contribution plans, cash balance pension plan benefits are portable. Employees can take their account balances as a lump sum when leaving the company. Defined benefit plans, by contrast, typically provide a monthly annuity when an employee reaches retirement age.

Terminating employees can roll over—on a tax-free basis—lump sums from cash balance plans into an Individual Retirement Account.

But, if taken in cash, pre-retirement distributions from pension plans, including cash balance plans, are subject to regular federal and state taxes, plus generally a 10% federal excise tax.

Despite having individual account balances and benefit portability—features they share with defined contribution plans—cash balance plans legally are defined benefit programs. That is because:

- Cash balance plans promise a specific benefit based on a formula. Benefit credits—expressed as a percentage of pay—are earned for each

Continued on page 16

When it comes to
Property and Safety Services,

Crawford is
RESOURCE-FULL



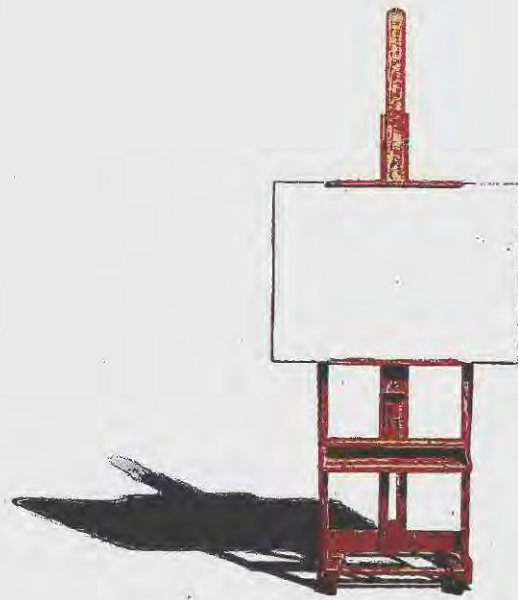
Crawford Risk Control Services/The FPE Group offers these property and safety resources from 23 locations across the country ...

- 21 Certified Safety Professionals
- 20 Fire Protection Engineers
- 17 Industrial Hygienists (10 CIHs)
- 15 Professional Engineers

A total of 96 professionals, 70 having more than 10 years of experience, deliver these quality safety services ...

- Fire Protection Consulting
- Fire Protection System Design
- Safety and Health Consulting
- Industrial Hygiene
- Boiler and Machinery Consulting

For additional information, please contact Jim Syeant, Vice President, Risk Control, Crawford & Company, 5520 Glenridge Drive, N.E., Atlanta, GA 30342, (404) 256-9330, FAX (404) 247-4025



V I S I O N

You have asked yourself a single question: what is your vision, the ideology that is the soul of your work? And you find that determining the answer is as enlightening as the answer itself.

Put to the same question, an artist may say that he conveys the truth of a given subject, as he sees it. The image in his mind's eye is shaped and colored by experience, by hope, by the knowledge of what can be.

So too, you must approach the creation of a 401(k) program. You help a client distill truths about their goals, and then you

interpret those goals in a custom program. In many ways, your client entrusts you with their hope, their vision of the future.

This responsibility, you realize, is what drives all your creative energy, your resources and values. It's what makes you a leader in 401(k) services. You've developed an entire ethos around it, a foresight that materializes the goals of others.

And you come to realize that a little of each relationship rubs off and stays with you. Over time, that collection of dreams is what forms a substantial vision of your own.



**Fidelity Institutional
Retirement Services CompanySM**

Consultant invents, adopts hybrid plan

FORT LEE, N.J.—When it comes to cash balance pension plans, benefit consultant Kwasha Lipton practices what it preaches.

In 1985, Kwasha Lipton designed the nation's first cash balance plan for BankAmerica Corp. And, last year, Kwasha Lipton became the first major benefit consultant to adopt a cash balance plan for its 365 employees.

The same factors that convinced many of its clients to adopt cash balance pension plans also applied when Kwasha Lipton was replacing its traditional defined benefit pension plan.

"A young, mobile and numerically oriented workforce, improving benefit visibility—the same list of reasons to adopt a cash balance plan applied to us," said Manuel Castells, a partner and chairman of

the firm's retirement committee.

Kwasha Lipton had known for some time it would have to change its final average pay plan. Among other things, the plan's method of Social Security integration no longer met all the rules laid down by the 1986 tax law.

"We realized that considerable surgery would have been required," Mr. Castells said. Instead of surgery, Kwasha Lipton switched to a cash balance plan.

"We have a young, numerically oriented workforce. Quantifying the benefit promise was very desirable. We wanted to simplify the program to a significant degree so employees could understand their benefits," Mr. Castells said.

Kwasha Lipton employees who now receive benefit credits expressed in dollar amounts equal

to 5% of pay, instantly know exactly what their benefits are.

Switching to a cash balance plan also provides greater benefits to younger employees. Employees leaving at a young age used to receive benefits "that were low almost to the point of being negligible," while employees staying for many years received excessive benefits, Mr. Castells said.

Under the new plan, shorter service employees would receive greater benefits and longer-service employees somewhat smaller benefits.

Kwasha Lipton took a series of steps to help employees understand the new cash balance plan.

A letter from Chief Partner Richard Sears explained why the cash balance plan was started.

Partner Pamela Cook directed

the preparation of a seven-minute videotape featuring interviews with various partners who helped develop the cash balance concept.

"It is something very personal to Kwasha Lipton. The tape gives the thinking behind cash balance. It gives you a feel on why cash balance makes sense," Ms. Cook said.

For example, in the tape, partner and actuary Norman Clausen explained that even he could not figure out what his benefit would be under the old plan. But in the cash balance plan, Mr. Clausen said, he knew exactly where he stood.

Employees have reacted favorably to the plan, executives say.

"Employees have said, 'The benefit is real. Younger employees now have an appreciation for something they feel they never had,'" Ms. Cook said. "For employees, the

pension benefit is real. They say cash balance is dollars and cents with their names on it," she added.

Aside from providing benefit credits equal to 5% of pay, Kwasha Lipton guarantees employees that their account balances will increase by a predetermined amount.

Balances will increase at the rate carried by the guaranteed investment contracts in the company's 401(k) savings plan.

Under the plan's vesting schedule, participants' benefits are 25% after two years and then vest at the rate of 25% a year until employees are 100% vested after five years.

The company provides quarterly account statements to employees. Employees can also dial a telephone service seven days a week for up-to-date information about their account balances. ■

Plan benefits

Continued from page 14
year of service.

For example, Chemical Banking Corp.'s new cash balance plan will offer benefit credits equal to 5% to 7% of pay; the exact percentage will depend on an employee's length of service with the New York-based financial giant.

By contrast, in a defined contribution plan, a company only promises to contribute to a savings plan. For example, under a profit-sharing plan, company contributions will vary based on annual profits.

- Cash balance plans shield employees from investment risk. Account balances increase at a guaranteed interest rate, such as the one-year Treasury bill rate, plus 1%.

If a company earns a higher rate of return on plan assets, it can cut back on future contributions to the cash balance plan. On the other hand, if a cash balance plan suffers an investment loss or returns are below expectations, a company will have to kick in additional contributions.

By contrast, defined contribution plans do not protect employees from investment risk.

For example, assume an employee directs his pretax 401(k) contributions and company matching contributions to an equity fund. If that fund later declines in value, the company does not have to compensate the employee for the loss.

Like defined benefit plans, cash balance plans enjoy another advantage over defined contribution plans: plan participants' vested benefits are insured by the federal Pension Benefit Guaranty Corp.

In addition, employers replacing an existing overfunded defined benefit plan with a cash balance plan are exempt from federal excise taxes on reversions from plan terminations.

That is because the employer setting up a cash balance plan is essentially amending—rather than terminating—its defined benefit program.

By contrast, if an employer terminates an overfunded defined benefit plan and establishes a new defined contribution plan, the company automatically is hit with a 20% federal excise tax on the reversion.

By taking the cash balance route, employers can use the surplus from an overfunded plan—not to pay taxes to the federal government, but to fund the cash balance plan, reducing the need to make future contributions.

Lawrence Brennan, the Kwasha Lipton partner who designed the BankAmerica Corp. cash balance plan—the first such plan—said his work with defined benefit plans led to the development of the pioneering concept. Several of his clients offered defined benefit plans with lump-sum options, an unusual feature then and today.

Mr. Brennan noted that 80% to 90% of participants in such plans opted for lump sums. ■



The **RESOURCE** Group
PHILADELPHIA LONDON BERMUDA

INTERMEDIARIES

Mergers/Acquisitions/Divestitures

Surplus Management

Acquisition Financing

Portfolio Transfers

The ReSOURCE Intermediary Group, Ltd.
200 Berwyn Park, Suite 110
Berwyn, PA 19312
(215) 647-9500 (215) 647-4FAX

Workers applaud cash balance plans: Study

By JERRY GEISEL

Improving employees' appreciation of their pension plan is the primary reason behind the cash balance pension plan movement, a new survey finds.

Fifty-eight percent of employers considering switching to cash balance plans say they want to increase employee understanding and appreciation of their corporate retirement program.

By contrast, just 18% said they were considering cash balance plans as a way of reducing expenses.

"Companies are tired of spending hundreds of millions of dollars on pension plans that no one understands or appreciates. When setting up a cash balance plan, employers are not looking to save costs, but to put in a benefit plan that employees

understand," said R.T. Whitman, a partner at Kwasha Lipton in Fort Lee, N.J.

In addition, 32% of employers said they were considering a cash balance plan because they expect future federal regulations to require pension plans to offer portable benefits, a key feature in cash balance plans.

At the same time, 31% of employers cited compliance with recent legislation as a reason for considering a cash balance plan, while 11% said a cash balance plan was under consideration as a way of merging multiple pension plans into one plan.

These findings are reported in the first major survey on cash balance plans. The survey, conducted for Kwasha Lipton by Mathew Greenwald & Associates Inc., a Washington, D.C.-based research organization, is based on the responses of 262

benefit managers and other financial executives at Fortune 1,000 companies. Kwasha Lipton, which pioneered cash balance plans, was not identified to respondents as the survey sponsor.

Cash balance plans are qualified retirement plans that are funded on an aggregate basis like any defined benefit plan, but are communicated to employees like a defined contribution plan, with individual employees' benefits expressed in cash that grows with annual employer credits and earnings and is usually portable (see stories, page 3 and 14).

Half of the respondents agreed strongly and 33% agreed somewhat that it is easy for employees in a cash balance plan to understand the value of their pension benefits.

Just 11% disagreed somewhat or disagreed strongly that the plans

make it easy for employees to understand the value of their pensions. The answers do not add up to 100% because some respondents did not know or did not answer.

In addition, 42% of respondents agreed strongly and 48% agreed somewhat that employees covered by a cash balance plan like the fact that benefits are portable. Only 3% disagreed somewhat and none disagreed strongly.

Cash balance plans also give early and mid-career employees a greater appreciation of their pension benefits, employers say.

Twenty-eight percent agreed strongly that the plans give these employees a greater appreciation of benefits, while 49% agreed somewhat. Just 10% disagreed somewhat and 7% disagreed strongly.

Employers also believe—but not as

adamantly—that cash balance plans can help attract younger employees.

Seventeen percent agreed strongly and 52% agreed somewhat that cash balance plans can be used as a recruiting tool to attract younger employees. Twenty-two percent of employers disagreed somewhat and 4% disagreed strongly with the statement.

The survey found that employers overwhelmingly reject the idea that cash balance plans only are appropriate for companies in financial difficulty. Eighty-five percent disagreed somewhat or disagreed strongly with the statement. Just 9% of respondents either agreed strongly or agreed somewhat that the plans are only appropriate for companies with financial problems.

And, most companies don't believe that cash balance plans are a gimmick. For example, 42% of respondents disagreed somewhat and 20% disagreed strongly that cash balance plans are a marketing gimmick.

That compares to 6% of employers who agreed strongly and 26% who agreed somewhat that the plans are a marketing gimmick.

A minority of employers are concerned that future government regulations could pose problems for cash balance plans.

For example, 5% agreed strongly and 30% agreed somewhat that the plans may not be acceptable under future government regulations. On the other hand, 43% disagreed somewhat and 9% disagreed strongly with that assessment.

Surveyed employers have a variety of other concerns about cash balance plans.

Some, for example, are concerned that the plans provide too great a benefit for employees terminating employment before they reach retirement age.

Among companies considering cash balance plans, 52% said that it appeared that too much would go to those employees.

In addition, 47% of respondents said employees hired during mid-career might not accrue enough benefits under a cash balance plan, while 27% said management was opposed to lump-sum pension payments, a key feature of cash balance plans and 18% said the concept was too new and untried.

Big employers were much more likely to be familiar with cash balance plans than smaller firms. Sixty-eight percent of respondents with at least 15,000 employees said they were familiar with cash balance plans compared with 54% of employers with 5,000 to 14,999 employees. Some 47% of companies with fewer than 5,000 employees were familiar with cash balance plans.

Familiarity with cash balance plans also varied by industry, the survey found. Sixty-one percent of employers in the financial/insurance sector were familiar with the plans, compared with 57% of manufacturers and 50% of employers in other industries.

Sixty-three percent of employers offering both defined benefit and defined contribution plans were familiar with cash balance plans. By contrast, only about 40% of employers offering only one of the two types were familiar with cash balance plans.

Among respondents familiar with cash balance plans, more than one third—38%—said their managements were neutral about cash balance plans, while 30% said management never considered the concept, 26% were opposed and 4% favored the plans.

Single copies of "Survey on Cash Balance Pension Plans" are available to employers from R.T. Whitman, Kwasha Lipton, 2100 N. Central Road, Fort Lee, N.J. 07024; 201-592-1300. The cost is \$25.

BUYERS

PROPERTY/CASUALTY

- B062** Life company with P/C subsidiary seeks stop-loss to protect against adverse development on assumed business.
- B076** Southeastern U.S. Bonding Co. seeking Texas-only P/C shell.
- E092** **BOUGHT.** 50 state multi-line shell acquired by major east coast P/C Group.

THE EXCHANGE

A service of The ReSOURCE Group

- E092** **BOUGHT.** 25 state multi-line shell acquired by major east coast P/C Group.
- E306** East coast intermediary and holding company seeks mid-western U.S. multi-line shell.
- E316** West Coast investor group looking to buy 25 state P/C shell.
- E501** West Coast warranty administrator seeking national underwriter.
- E502** English-Irish investors' group seeking widely-licensed U.S. multi-line shell.
- E504** Japanese financial services conglomerate seeking widely-licensed U.S. multi-line shell to write workers comp and package coverages.
- E704** CA Savings and Thrift institution seeks financial guaranty program to support underwriting of home improvement loans.
- E762** Major national P/C Group seeks "timing" coverage for reinsurance recoverables.
- E762** **QUOTED.** Major international underwriter seeking non-spiral LMX on worldwide property writings.
- E823** **QUOTED.** Large Southeastern US industrial captive looking for a quota share surplus relief program.

LIFE

- B063** Operating Life Company sought, prefer minimal health lines; purchase price to \$60M.
- B107** DI, cancer and HIP blocks wanted; \$1-20M premium volume preferred.
- B244** OL, term and UL blocks sought; all sizes considered.
- B463** Credit life/A&H blocks wanted; larger blocks preferred.
- B512** Group or individual LTC business sought; purchase price to \$10M.
- B722** "A+" Rated carrier looking to fully reinsure ongoing annuity portfolio; up to \$500M annual premium.

SELLERS

PROPERTY/CASUALTY

- S022** 22 state E&S P/C company for sale with management; \$5-6M.
- S030** A-rated Midwestern multi-line carrier seeking to identify large, successful credit-rated MGA Ins. programs.
- S134** 3 state Southeast P/C shell for sale.
- S135** 4 state ongoing Southeast P/C company for sale.
- S140** Major U.S. brokerage/underwriting group selling widely-licensed P/C Company. Run-off book with stop-loss in place.

- S142** **SOLD.** Clean Midwestern shell; licensed in 49 states and DC.
- S143** **SOLD.** Clean Midwestern shell; licensed in 25 states.
- S145** Major U.S. P/C Group selling Texas-only Lloyds Association; clean.
- S151** 44 state Midwestern reciprocal for sale; existing \$9M in force book 100% reinsured by A-rated parent; \$5.5M.
- S501** Major A-rated U.S. source for surplus relief reinsurance; life or P/C.
- S502** Very competitively priced A-rated U.S. reinsurance cover for catastrophe excess reinstatements, including LMX.
- S503** Major Bermuda-based market offering financial reinsurance programs -- fully secured.
- S688** Major East Coast writer completing 2 acquisitions will spin-off 2 multi-lines shells.
- S891** Reinsurance market for start-up and specialty MGA long-tail programs; A-VIII; part of major international group.
- S903** P&C group selling single-state southern subsidiary.

LIFE

- S194** \$400K premium UL block available; open to price and terms.
- S227** 28 state life shell available; asking \$28K per state.
- S319** Special risk and accident reinsurance covers provided.
- S341** Surplus relief capacity available to qualified companies; single or multiple year lines; competitive rates.
- S462** Quota share and excess reinsurance available for Major Medical and Medicare Supplement business.
- S510** Offshore reinsurance facilities available.

THE EXCHANGE is an advertising service of The ReSOURCE Intermediary Group. The listings shown here are selected from the current interests of registered life, property and casualty insurers. Company/interest information is confidentially maintained on our computer database. Compatible buyers and sellers are then matched and introduced.

There is no cost to register with The Exchange and all reports and advertising are provided free of charge. The only cost is a discount-brokerage fee payable when and if an agreement results through the services of The Exchange.

For information about these listings or to advertise your company's interests, contact The ReSOURCE Group.

Health group opts for cash balance plan

By JERRY GEISEL

OMAHA, Neb.—When Catholic Health Corp. first began to consider replacing its conventional defined benefit pension plan, it did not immediately hit on the idea of a cash balance plan.

"We talked about defined contribution plans and liked how easy they were for employees to understand," recalled Nancy Vogel, retirement plan administrator for the Omaha, Neb.-based group.

CHC, a non-profit organization sponsored by eight orders of nuns, provides services including benefit programs to several dozen affiliated health care institutions in the Midwest and West.

The 10-year-old group had two primary goals: to improve employee understanding of the pension benefits and to update a plan that no longer met all the rules laid down by the 1986 tax law.

"Although our plan was very competitive, it was not well-understood or appreciated by employees," Ms. Vogel said.

Defined contribution plans, though easy to understand, carry a downside that bothered CHC officials: Employees bear the investment risk.

"From an employee communications standpoint, we liked the idea of individual accounts created through a defined contribution approach, but we were philosophically opposed to shifting the investment risk to employees," Ms. Vogel said.

But a cash balance plan, according to Ms. Vogel, combined the best elements of defined contribution and defined benefit plans.

"We thought it would be great to have a plan that would be easy to understand, while employees would be protected from investment risk," Ms. Vogel said.

Cash balance plans, as career-average type plans, also would give greater benefits to employees for their earlier years of employment. In the old final average pay plan, the benefit formula—which few employees understood—was skewed in favor of long-service employees.

An employee could only get the full benefit after 30 years, three times the average length of service for CHC employees, Ms. Vogel said.

Planning began in August 1989 when the cash balance concept was presented at an annual meeting of human resource executives of CHC's affiliated health care institutions.

"It was very much of a collaborative effort," Ms. Vogel said, referring to suggestions CHC's benefit department received in designing the plan.

For example, the human resource executives suggested a new vesting schedule in which employees participating in the cash balance plan would be first and fully vested after two years of service. Employees in the old plan were vested after three years.

Chief financial officers of the affiliates—which include acute care hospitals, nursing care facilities, outpatient mental centers and apartment complexes for the physically disabled—later suggested increasing benefits for employees with long service.

"The CFOs wanted to be sure that long service was rewarded," Ms. Vogel said.

Print and video materials, produced with Hewitt Associates, explained the cash balance plan to employees.

On Jan. 1, CHC converted benefits earned under the old plan to lump-sum amounts. These lump-sum amounts were recorded as

opening balances in the newly created individual employee accounts.

These account balances are credited with an annual "contribution" by CHC. As a defined benefit plan, amounts credited to individual "accounts" do not have to match CHC's actual contributions. Benefits are funded on an aggregate basis with the employer contribution to the plan determined by a variety of factors.

"Contributions" or credits to individual account balances are based on years of service. Employees with less than five years of service receive 3% of annual pay. Contributions rise one percentage point for each succeeding five years of service, up to the maximum 8% received by employees

with at least 26 years of service.

CHC also guarantees an annual return of 6% on the accounts.

In addition, certain transition benefits are provided to ensure

One older employee had tears of joy when she saw the size of her account balance, says Ms. Vogel.

that employees with longer service records will receive at least the same benefits they would have accrued under the old plan.

Employees have responded very

positively to the new plan, officials say.

Ms. Vogel recalls how one older employee had tears of joy in her eyes when she saw the size of her account balance.

CHC uses Hewitt's Pension Administrator, a software program that can run on CHC's personal computers, for in-house administration of the cash balance plan.

CHC also uses the software to produce annual participant statements that detail the account balance at the start of the year, annual account growth and the year-end balance.

"With a cash balance plan, everything is so straightforward that administration can be performed in-house," Ms. Vogel said.

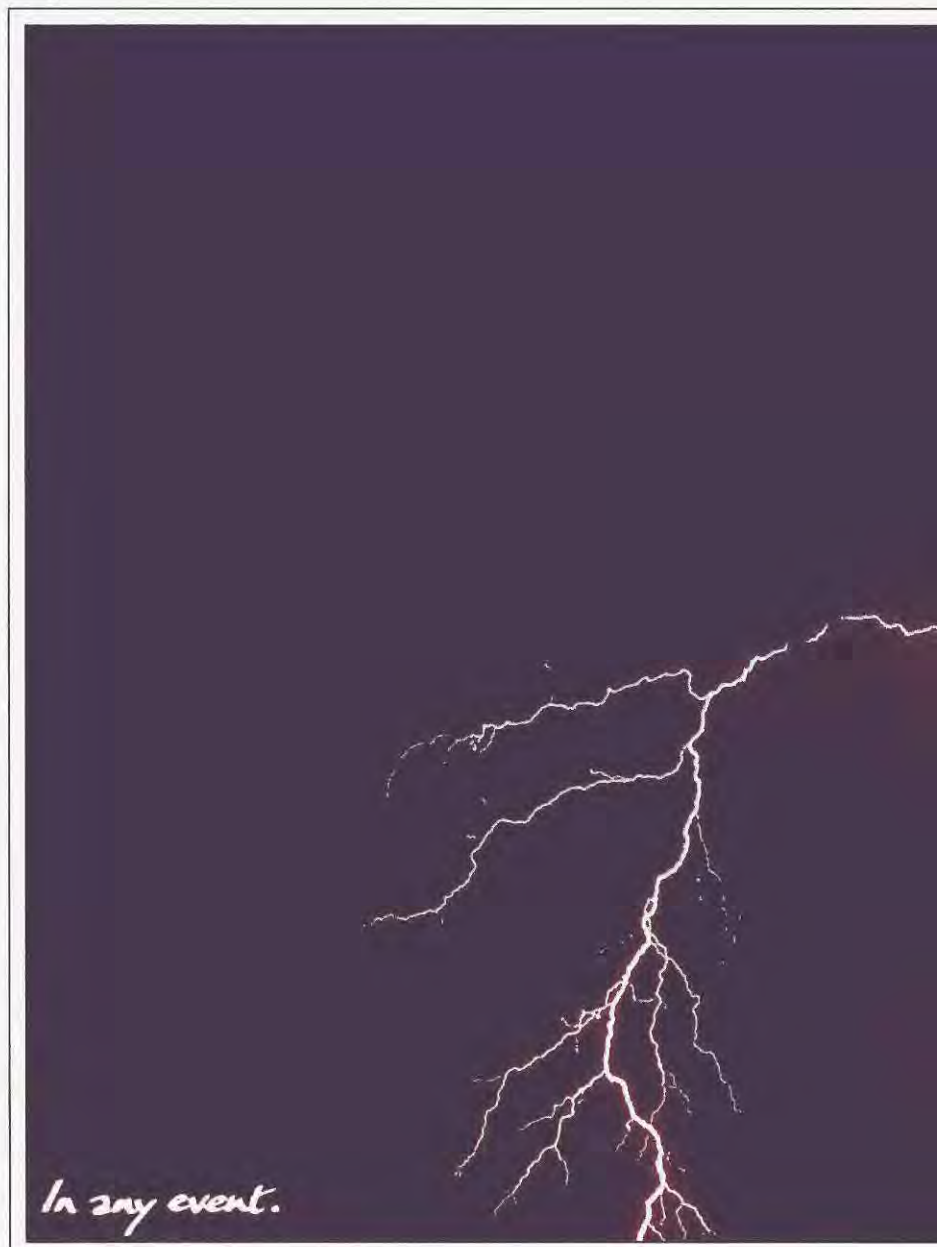
Employees also can project the

size of future account balances with Retirement Planner, another Hewitt program.

This program, which also runs on a personal computer, lets employees project their cash balance accounts to retirement based on facts such as date of hire and various assumptions, including salary increases and age at retirement.

Computer projections are "an easy way for employees to estimate what their benefits might be at a given point in time," said David Clements, CHC's director of compensation and benefits.

Employees didn't understand the defined benefit plan, but with the cash balance plan—which now covers about 10,000 people—"there is a new appreciation of benefits," Ms. Vogel said. ■



401(k) sponsors widen investment options

By MICHAEL SCHACHNER

Participants in 401(k) savings plans are sticking with their strategy of investing primarily in fixed-income investments, though employers and investment experts would prefer to see greater investments in equities.

But because of employee skittishness about the stock market and employers' concerns over the financial strength of many life insurers that issue guaranteed investment contracts, employers are providing 401(k) plan participants with additional investment options.

Employers believe those options pose less risk for employees, say consultants and money managers.

Employers also expect Labor Department rules on 401(k) participant-directed investments to require employers to offer at least three invest-

ment alternatives.

Yet, the additional 401(k) plan investment options—such as Treasury bonds, money market funds, company stock and balanced mutual funds—have not prompted plan participants to abandon investment vehicles like GICs.

At the onset of the Persian Gulf crisis, investors moved some plan funds from equity investments to fixed-income funds, consultants and investment managers say.

A pair of recent surveys report, and consultants concur, that GICs remain far and away the most popular investment vehicle with 401(k) plan participants.

For example, in a survey of 343 employers that offer employee savings plans, A. Foster Higgins & Co. Inc. found that 57% of all employee salary deferrals and contributions

and employer matching contributions currently are invested in GICs or similar bank investment contracts (see story, page 23).

The survey also found that plan participants direct 31% of their deferrals and employer contributions into equity funds.

And, in a forthcoming survey of 740 companies, The Wyatt Co. found that 401(k) plan participants on average invest 60% of their plan savings in GICs. The survey also found that participants directed 21% of their savings into diversified stock funds (see story, page 22).

Benefits experts attribute the popularity of fixed-income investments to two factors: GICs have been consistent and trustworthy, and investors prefer to limit the amount of savings directed toward equity investments because of the perceived

risks of stock funds.

"Guaranteed accounts protect principal and provide a steady rate of return," said C. Jason Psome, a principal with Brentwood Asset Advisers Inc., a Santa Monica, Calif.-based money manager responsible for about \$1 billion in 401(k) plan assets.

Guaranteed investment contracts averaged a 9.39% rate of return in 1989, according to the Foster Higgins survey.

Consultants say several factors are pushing employers toward offering more investment options. One reason is that equity markets are in a rut.

Randolph Root, an investment consultant with Kwasha Lipton in New York, cites two indicators: The Standard & Poor's 500 index was down about 11% through the first nine months of the year, and Fidelity Investment's high-profile Magellan

Fund lost about 13% over the same period.

Indeed, recent stock market volatility resulting from the Middle East crisis and weak showings by several well-known equity funds prompted some 401(k) plan participants to move even more of their savings into GICs, observers noted.

Mark Scott, an investment consultant in Wyatt's San Francisco office, said the firm is still "seeing a lot of new money being placed in the GIC area. This is occurring because plan participants in equity funds are realizing real loss, not just paper loss."

"But for those already invested in equities, there hasn't been widespread switching. I'd say only 5% to 10% of assets are moving from equities to GICs," he said.

Consultants also expect employers to offer additional investment options because S&P and Moody's Investors Service have lowered the financial ratings of numerous insurers that write GICs.

"GICs are experiencing some rough times. Insurers that issue GICs have some asset quality problems to wade through," said Brian Ternoey, a Foster Higgins principal in Princeton, N.J.

"If the problems continue, it could result in insurers lowering the rate of return they offer on GICs," said Wyatt's Mr. Scott, adding that the rate of return on GICs could drop to 8% or less in a worst-case scenario.

"There hasn't been enough attention paid to the quality of GIC issuers," said Peter Bowles, president of Fiduciary Capital Management, a Woodbury, Conn.-based investment manager that handles \$1.2 billion in 401(k) assets. "The amount of attention that has been paid would be considered very imprudent if GIC issuers were issuing bonds."

However, Brentwood's Mr. Psome said, "GICs are an excellent short-term investment vehicle if issued by an insurer rated AA1 or AA2 by Moody's." Most of the talk about the GIC market falling apart is "hype," he said.

"People may be overreacting" to the status of the GIC market, Mr. Bowles conceded. "What investors must do is diversify and build liquidity so if one insurer loses its rating or fails, money can be moved to a more secure place."

Meanwhile, the Labor Department's 404(c) rules due out by year-end are expected to require employers to offer several investment strategies that would provide:

- Capital appreciation. This could be met by offering an equity fund.
- Generation of a high level of income consistent with long-term preservation of capital. A GIC or bond fund could meet this requirement.
- Generation of a high level of current income consistent with the preservation of capital and a high degree of liquidity. A money market fund and perhaps a GIC could meet this requirement (see story, page 24).

However, the Labor Department probably would not allow employers to offer a GIC to meet both the second and third goal.

So employers are offering investment options like bond funds, balanced mutual funds or money market funds to 401(k) plan participants.

"Employers are definitely looking at options other than equities and GICs," Mr. Root said. "They're usually introducing a money market fund backed by the U.S. government. But the drawback there is that it provides only about a 7% yield on investment."

Some employers also are exploring Socially Responsible Equity Funds. Most stocks in these funds, which were developed about two years ago, are from corporations that are considered socially and environmentally conscious. For example,

Continued on next page



MERCANTILE & GENERAL

REINSURANCE



Temporary Heroes™

Trust. Experience. And people who care. Those three qualities have made us one of the largest providers of home care specialists in America. And because Medical Personnel Pool® is nationwide, we make your job easier by making all the necessary arrangements for your patients anywhere in the country, with nursing services available twenty-four hours a day. All with one phone call. Please call our national accounts department toll-free: 1-800-234-1818.



© 1990, Personnel Pool of America, Inc. An H&R BLOCK, Company. An Equal Opportunity Employer, M/F

Investments

Continued from previous page
 most of the companies do not have ties to South Africa or to the tobacco or alcohol industries, said Mr. Scott.

International funds, consisting mainly of German, Japanese and British stocks, also have gained popularity in the last four years, he said.

Plumbing manufacturer Kohler Co. of Kohler, Wis., recently began offering the 4,600 participants in its 401(k) plan—who have \$42 million in plan funds—the Overseas Fund managed by Fidelity Investments of Boston.

And Monsanto Co. says it is considering adding a balanced mutual fund and a Monsanto stock fund as investment options in its 401(k) plan.

St. Louis-based Monsanto now offers 17,000 participants a diversified GIC fund and a long-term growth equity fund, said J.R. Walters, consultant manager-compensation and benefits for the chemical giant.

"This is all designed to spread the risk," he said.

"We're also a bit concerned about insurers' strength," he said, referring to GICs. "Also, our fund is getting so large that we're running out of qualified insurers to invest with."

However, employers with four alternatives now are unlikely to offer any other investment options now being developed, said Fiduciary Capital Management's Mr. Bowles.

"The trend over the past five years has been to offer more options. But it will never get to the point where employers are offering 12 options. Employers pretty much cover all the bases with an equity fund based on some index, a fixed income fund, employer stock and a high-growth, assertive equity fund," he said.

Employers, though, are increasing

employees' chances to shift assets between investment funds.

Since 401(k) plans were created in the early 1980s, employers have typically offered employees "open seasons" for investment transfers twice annually, according to consultants.

But now, considering the volatility of the stock market, employers commonly allow quarterly transfers, and some permit total freedom to transfer.

Monsanto is considering liberalizing its once-a-year policy on shifting 401(k) funds among investments, according to Mr. Walters, adding that the reason for this was not only to respond to employees' concerns about the market, but also to allow those closer to retirement to diversify accounts more easily.

Kohler earlier this year began allowing its 401(k) plan participants to change their investments at will by calling Fidelity Investments the plan's main investment manager, Mr. Wuethrick said. Previously, plan participants could change their investment options only twice annually.

However, most people have not used the system much, he said, and Fidelity Investments has only had about 50 changes so far among 4,600 participants.

But the increased opportunity to transfer funds may not help employees with GIC investments, said Bill Overgard, director of investment consulting services with Euck Consultants Inc. of New York.

"As transfer opportunities are made more available, insurers see their risk factor rising. What will occur will be lower rates of return. If insurers know you can take your money back sooner, they'll lower the payback rate. There's no such thing as a free lunch," he said.

Most investment experts say that fixed-income vehicles like GICs may not be the best choice for 401(k) plan

participants anyway.

"The approach that makes the most sense is a consistent, strategic approach," said Mr. Bowles.

Young employees planning to stay with one employer for their entire careers "should invest in more common stocks, because history shows that they perform the best over the long haul," Mr. Bowles said.

"If the employee is nearing retirement or plans on changing jobs often, the best investment is something not subject to market volatility," he said.

"GICs are the best for the near-term. But for 10 or more years, the best allocation vehicle is an equity fund," agreed Mr. Psome.

Teleflex Inc., a diversified manufacturer in Limerick, Pa., tells its employees "to assess their appetite for risk," noted Terry R. Moulder, pension and risk manager.

Teleflex began offering its 4,300 workers a 401(k) plan in 1985, and 1,500 currently participate.

However, "what we tell them is that over an extended period of time, equities perform better than GICs. But when they're close to retirement, we think they should probably be more conservative."

Teleflex employees who participate in the company's 401(k) plan, which offers four investment choices, put more than half of their 401(k) assets in a GIC selected by Mr. Moulder.

Investors split the other half equally between an equity fund and Teleflex stock. Almost no one chooses a money market fund because the yield is too low, he said.

"This foursome gives us diversity, and the employees are satisfied," he said, adding that Teleflex does not plan to add investment options.

"The only requests we get are for bonds. But those requests come from the more financially astute people. Bonds are too complicated for the average employee to understand." ■

ALL THE RIGHT MOVES

We help keep uncertainty in check.



Capital

People

Technology

SKANDIA AMERICA RE  STRETCHING THE LEAD.

AT THIS TABLE YOU NEED AN APPETITE FOR SUCCESS.

On your way to the top, there's no such thing as a free lunch.

To succeed in business today, it takes skill, hard work, and a firm financial foundation. If you have the right ingredients, Xerox Financial Services is geared to help you get where you're going.

For investment banking with a fine creative touch, middle market companies look to Furman Selz. Van Kampen Merritt helps structure solid debt funding for your commercial, health care or municipal projects. For protection you can really count on, you want business insurance from Crum and Forster. Xerox Life offers annuities and life

insurance that can make your dreams for retirement a reality. And with Xerox Credit you can lease or finance a broad range of equipment. From enough machinery to modernize a plant to a single Xerox copier.

It's all part of Xerox Financial Services; a diversified group of financial companies with over \$19 billion in assets. So you can handle many financial needs with a singular approach to excellence.

It's a smart way to satisfy your appetite.

To find out how we can help your business needs, write Xerox Financial Services, P.O. Box 5000, Norwalk, CT 06856.



Employees have more plan options: Study

By DEBORAH SHALOWITZ

Employers are making their defined contribution plans more flexible to meet workers' needs, according to a national survey of employers.

Employers are increasing the number of investment choices and the frequency with which employees can change their investment selections, a Wyatt Co. survey found. Employees, however, still overwhelmingly choose to invest their defined contribution plan balances in guaranteed investment contracts, according to Wyatt's "1990 Survey of Retirement and Capital Accumulation Plans."

A recent A. Foster Higgins & Co. Inc. survey reached very similar conclusions (see story, page 23).

Wyatt also found that fewer employers are offering defined benefit pension plans to their salaried employees than a few years ago.

Larger employers, the survey found, are more likely to offer both defined contribution plans and defined benefit plans than smaller employers, but smaller employers are more frequently offering both types of plans.

Of the 740 surveyed employers, 88% sponsor defined contribution—or capital accumulation—plans for salaried workers. The responding companies employ almost 6 million salaried workers in 43 states. A similar survey in 1987 found 85% of responding employers sponsored capital accumulation plans for salaried workers.

Employees now "have a lot more flexibility than they did before" in investing their funds, said Gene Sullivan, a Wyatt consultant in Philadelphia. For example, in Wyatt's most recent survey, 43% of employers gave salaried employees four or more investment options. Thirty percent offered three investment choices, 20% offered two, and 7% offered only one.

In the 1987 survey, only 24% of employers let workers invest employee contributions in four or more investment funds. Some 40% of employers in the 1987 survey offered three choices, 25% offered two choices and 11% offered one choice.

Mr. Sullivan attributed the higher number of investment choices to several factors, including employees' "growing awareness" of capital accumulation plans and advances in computerized record keeping that make it easier to offer more investment options.

Also, Mr. Sullivan said employers may have increased the flexibility of their capital accumulation plans in anticipation of new rules from the Department of Labor. Those regulations would release employers from fiduciary responsibility if defined contribution plans fulfill certain parameters, like offering at least four investment choices (see story, page 24).

Despite the greater number of investment options, workers still overwhelmingly opt for guaranteed investment contracts. About 60% of the defined contribution plan assets that can be directed by employees are invested in GICs, according to the survey.

"Most employees simply want safe investments," Mr. Sullivan explained.

By contrast, employers responding to the Foster Higgins survey said 57% of defined contribution assets that could be directed by employees were invested in GICs or similar instruments.

The next most popular investment choices for employee contributions are a money market fund, an equity fund, a fixed income fund and company stock. For employer contributions, the most fre-

quent investment choices are GICs, followed by company stock, money market funds and equity funds.

Employees dissatisfied with their choice can change their selections more frequently now than previously, the survey found.

For example, in the current survey, 53% of employers—up from 39% in 1987—said they allow employees to change investment options for their accumulated balances four or more times per year.

The most popular primary type of defined contribution plan offered by employers is a thrift savings plan with a 401(k) option, offered by 41% of employers, followed by a profit-sharing plan with a 401(k) option, offered by 19%.

Other primary defined contribution plans offered by employers in-

clude: a stand-alone 401(k) plan, offered by 8%; a profit-sharing plan with no 401(k) option, offered by 7%; a Section 403(b) plan, offered by 5%; a thrift savings plan with no 401(k) option, offered by 2%; an employee stock ownership plan with a 401(k) option, offered by 2%; and an employee stock ownership plan with no 401(k) option, offered by 2%.

In the 1990 survey, 72% of employers reported offering defined benefit pension plans to salaried employees, down from 83% in 1987.

There is "a continuing shift toward capital accumulation plans" over defined benefit plans, noted Mr. Sullivan. He explained that companies believe offering capital accumulation plans helps them attract and retain employees.

Larger employers are more likely to offer both capital accumulation and pension plans than smaller employers, but more smaller employers are offering both types of plans than previously, according to a comparison of Wyatt's 1990 and 1987 surveys.

For example, 45% of employers with fewer than 500 workers responding to the 1990 survey said they offer both capital accumulation and pension plans, compared with 38% of the small employers responding to the 1987 survey. And, 52% of employers with 500 to 999 workers offered both types of plans in 1990, compared with 48% three years ago.

Of employers with 1,000 to 4,999 workers, 62% said they offered both types of plans in 1990, compared with 65% in 1987. Among

larger employers with between 5,000 and 9,999 workers, 82% of employers responding to both the 1990 survey and the 1987 survey said they offer both plans. Similarly, 87% of current survey respondents and 88% of 1987 respondents with 10,000 or more workers said they offer both plans.

The survey also found that:

- Fifty-three percent of the defined contribution plans include loan provisions, up from 48% in 1987. However, loan provisions among employers responding to both surveys were much more prevalent among those that have defined contribution plans that have a 401(k) option than those that do not.

Of the defined contribution plans that have loan provisions, *Continued on next page*

HOW ARKWRIGHT MINIMIZE YOUR COST OF RISK.

Continued from previous page
some 86% allow loans up to the maximum amount permitted under the law, down from 89% in 1987. And, 99% of the companies responding to both the 1990 and the 1987 surveys require no collateral for loans other than the account balance.

- The majority of defined benefit plans—84% in the 1990 survey—have 401(k) options, up from 78% three years ago. In both surveys, larger plans were more likely to have 401(k) options than smaller plans.

And, 83% of the employers in both surveys with 401(k) options provided some type of employer match of employees' contributions.

- The average percentage of salary deferred by highly paid employees—generally considered those making about \$57,000 annually—into 401(k) plans among employers responding to the 1990 survey is less than 3% for only 6%

of the plans, while the average deferral percentage for non-highly compensated employees is less than 3% for 33% of the plans.

In 1987, the ADP for highly paid employees was less than 3% for 10% of the plans and the ADP for non-highly paid employees was less than 3% for 43% of plans.

- Plan sponsors try to comply with non-discrimination rules for 401(k) plans in a variety of ways, with some 46% of plans requiring reduced deferrals for everyone above a certain salary level if it appears that there would be excess contributions by highly paid employees.

The next most popular compliance method is enforcing a reduction in deferrals for highly compensated employees with the highest deferral percentage first, used by 26% of plans, and then a reduction in deferrals for everyone in the highly compensated group above a certain deferral percent-

age, used by 11% of plans.

- Almost half of the defined benefit plans surveyed in 1990—49%—require up to a year of service and an eligibility age of between 18 and 21 before a worker can participate in the plan. Forty-four percent of plans had such requirements in 1987.

- Some 90% of pension plans require cliff vesting, up from 76% three years ago. Eight percent of the plans in the 1990 survey employed a graded vesting schedule, while employee are immediately vested in 2% of the plans.

•
The "1990 Survey of Retirement and Capital Accumulation Plans" is available for \$500 from The Wyatt Co. Communications Department, Research and Information Center, 601 13th St. N.W., Washington, D.C., 20005; 202-508-4600. Employers that participated in the survey can obtain a copy free of charge.

Employers downplay GIC security worries

Few employers think negative publicity about the security of insurers and banks issuing guaranteed investment contracts or similar instruments will decrease employees' interest in GICs as an investment for their defined contribution plan assets.

Only 18% of the employers responding to a recent survey by benefit consultant A. Foster Higgins & Co. Inc. said negative publicity regarding insurers writing GICs will decrease interest in the investments among employees, while 71% said they did not expect warnings about GIC safety to decrease their popularity and 11% said they did not know.

In fact, some employers believe

that jitters about stock market performance will increase interest in GICs and bank investment contracts or bank deposit agreements, which are instruments similar to GICs that are marketed by banks.

Forty percent of the employers surveyed by Foster Higgins said they believed that stock market worries would make GICs and similar bank-related instruments more popular with employees, while 46% disagreed and 14% said they did not know.

GICs, BDAs and BICs are the most common investment options offered to workers participating in defined contribution plans, and workers—when given a choice—invest the bulk of their savings plan assets into GICs, the survey points out.

In plans that allow employees to invest their plan assets in GICs, BDAs or BICs, 57% of the assets are invested in GICs or bank-related instruments, according to the Foster Higgins survey.

By comparison, a similar survey by The Wyatt Co. reported that 60% of the assets eligible to be invested in GICs are indeed invested in the contracts (see story, page 22).

According to the Foster Higgins survey, the next most popular investment option is equity funds: Employees put 31% of their defined contribution plan assets in equity funds when given that option, while 24% invested their assets in company stock when given that option.

The Foster Higgins survey, conducted in May, is based on responses from 343 employers that offer 622 defined contribution plans with 3.6 million participants.

Sixty-one percent of the defined contribution plans surveyed by Foster Higgins allowed employees to choose how all of their plan assets are invested; 30% allowed employees to determine how some of their funds—usually employee contributions—are invested, while 9% did not allow employees any investment decisions.

Of the plans that allow employees a choice of investment options, 56% allow employees to transfer funds among investment options four or more times per year, according to Foster Higgins. By contrast, the Wyatt survey said 53% of plans allowed employees to change investment options four or more times per year.

Other findings in the Foster Higgins survey include:

- Employers reported a 9.39% average rate of return on their GIC/BDA/BIC investments in 1989. Eight percent of employers said they received less than an 8.5% rate of return, while 11% of those surveyed said they earned 10.5% or more on their GIC/BDA investments.

- Eighty-two percent of the employers surveyed said they followed certain quality standards when selecting a GIC/BDA/BIC issuer.

Those quality standards were established by an in-house committee at 78% of the employers with such standards. Twenty-nine percent said an outside consultant determined quality standards, while 9% said an in-house manager determined standards.

- Eleven percent said they would accept lower-quality security from a GIC issuer in exchange for a higher rate of return.

•
Copies of the "1990 Survey on Employee Savings Plans and Guaranteed Investment Contracts are available only to companies that participated in the survey.

HELPS LONG-TERM

Loss prevention is essential to every enterprise and Arkwright offers its customers formidable resources.

In addition to our own engineers, Arkwright draws on the expertise of its Factory Mutual Engineering Organization and Factory Mutual International affiliates.

Factory Mutual engineers conduct regular facilities inspections to help customers identify, evaluate and control risk. By developing knowledge of each customer's operations, we are able to tailor our services to meet individual needs.

Customers also benefit from Arkwright's

extensive training capabilities. Each year we train thousands of employees in modern loss prevention techniques.

Arkwright's Factory Mutual research affiliate operates the largest full-scale fire test facility in North America. The knowledge gained here makes our engineers uniquely qualified to advise you on the installation of sprinklers and other safety devices.

Finally, through Factory Mutual International, Arkwright is able to offer customers consistently high-quality engineering services on a worldwide basis.

ARKWRIGHT

Arkwright Mutual Insurance Company
Hobbs Group, Inc.

GIC fears delay savings plan rules: Experts

By ADRIENNE C. LOCKE

WASHINGTON—Long-awaited federal rules that would reduce employers' fiduciary liability for investment decisions made by employees in defined contribution plans are not expected until early next year.

Labor Department officials had expected to complete the rules by September. But unresolved issues such as whether guaranteed investment contracts will be considered acceptable investment vehicles have delayed the rules, some benefit consultants speculate.

Benefits consultants say that officials may be having second thoughts about the security behind GICs. Among other things, officials are concerned about the junk bond investments of insurance companies, one of the largest issuers of GICs.

"It is not quite the solid-as-a-rock investment that it is perceived to be, and I think the Labor Department is struggling with that," said Frederick Rumack, director of tax and legal services at Buck Consultants Inc. in New York.

Others say higher-priority issues and changes in personnel at the Labor Department have also delayed release of new rules.

The Employee Retirement Income Security Act of 1974 requires employers, as plan fiduciaries, to use the same skill, prudence and diligence a "prudent" person would use in investing plan assets, such as diversifying holdings to reduce the effects of bad investments.

However, under Section 404(c) of ERISA, many employers that let participants make investment decisions could not be held liable for losses

from those decisions.

To qualify for the exemption, employers would have to offer participants a variety of investment options that meet specific investment goals.

Originally proposed in 1987, Section 404(c) regulations were withdrawn in July and set for release by Labor Day (*BI*, July 23; Nov. 9, 1987). Officials later backed away from this date, saying that the new rules would be ready by the end of the year.

Some benefit consultants have their doubts.

"There is no way that they will have them finished by year's end," said Daniel J. Esch, a consultant with The Wyatt Co. in Minneapolis.

"I don't think that the end of the year date will happen. January 1991 or later is the date we've been hearing consistently from various sources," said Karen L. Frost, a

Hewitt Associates consultant in Lincolnshire, Ill.

The Labor Department would not indicate any reasons for the earlier delays or provide details about what changes could be expected.

"The agency has nothing to comment on before the regulation is complete. The department is very hesitant about saying things that could change in an hour or a week," a department spokesman said.

Observers say one of the major issues holding up the revised 404(c) regulations is whether guaranteed investment contracts would be acceptable investments. GICs guarantee investors a pre-determined rate of return on the money they invest over the life of the contract.

The industry is putting "a lot of pressure" on officials to include GICs as a secure fund under the

revised regulations, said Mr. Rumack, though he added he isn't sure that the Labor Department will do so.

Concerns over insurance company solvency and the security of capital underlying the GICs may be forcing the Labor Department to reconsider including the contracts, he said.

"I think that they are backing away from that position because of what has happened in the insurance industry with junk bonds," he said.

Wyatt's Mr. Esch concurs: "They weren't concerned before, but that has changed in recent months. The Department of Labor is a little hesitant about coming out and saying that these are a viable, safe alternative."

And even if the Labor Department does decide in favor of including GICs as an acceptable investment, the question of how to treat transactions to and from GICs arises, said Henry Saveth, a principal at A. Foster Higgins & Co. Inc. in New York.

The 404(c) regulations are expected to allow participants to transfer between funds once each quarter. However, GICs, which have a fixed rate of return, generally discourage such frequent transfers between GICs or another competing fund that might be offering a better return.

With fixed rates of return, GICs cannot reflect changing interest rates like other, shorter-term investments such as money market funds, Mr. Saveth explained.

Allowing participants to move into the more profitable investments would leave the GIC issuer with less money to invest to meet the guaranteed rate of return.

One possible compromise, according to Mr. Saveth, would be to require participants who want to move out of a GIC to transfer the money to an equity fund for a set period.

That proposal could satisfy contract issuers by discouraging transfers, but Labor Department officials may want to give participants greater access to their money, he said.

Such a requirement also could create losses by putting participant funds into declining equity markets, said Ms. Frost of Hewitt.

Allowing increased movement in and out of GICs would affect the interest rates offered to employers, said Buck's Mr. Rumack.

Other pension issues, such as ERISA enforcement, may have diverted the department's attention from the 404(c) regulations, said Nancy Rowell, vp and consultant in the defined contribution area at Booke & Co. in Winston-Salem, N.C.

And personnel changes like the recent resignation of Labor Secretary Elizabeth H. Dole could also be factors in the delay, Ms. Rowell said.

Most observers, though, agree that the basic changes to Section 404(c) acknowledged by the Labor Department in July will still be in the revised regulations. Those changes include the reduction—to three from four—of the number of investment options an employer must make to plan participants.

The primary financial objectives of these investment options would have to include:

- Capital appreciation. This requirement could be met by an equity fund.

- Generation of a high level of income consistent with the preservation of capital over a long period of time. This requirement could be met with a GIC or a bond fund.

- Generation of current income consistent with the preservation of capital and a high degree of liquidity. A money market fund could meet these requirements, and perhaps a GIC fund.

The fourth investment option that is not expected to be included would have been a fund with the objective of a balance between both capital preservation and generation of income.

EMPLOYEE BENEFITS BULLETIN: MAKE CNA YOUR PARTNER IN GROUP HEALTH CARE

CNA helps you hold down the cost of quality health care.

You can be confident of high-quality, cost-efficient health care for your employees with our Preferred Provider Organization, one component of the Managed Care Program from the CNA Insurance Companies.

With some PPOs, bigger is better. We concentrate on quality. Our providers are stringently screened before they're selected: facilities are assessed for their reputation, location and ability to attract medical specialists and research personnel; medical staff credentials, hospital accreditation, affiliations and cost effectiveness are reviewed and evaluated to ensure

that our providers warrant the "preferred" name.

And, our integrated, patient-specific Utilization Review Program assures that all medical services are appropriate.

Finally, our Quality Assurance Program continuously evaluates and monitors our providers' performance and efficiency, to make sure that your employees continue to get the best care.

For the convenience of multi-site companies, our network locations include 40 major metropolitan areas.

For more information, call your CNA representative.



CNA

For All the Commitments You Make®

Group Benefits from CNA: Life & Health • AD & D • Vision • Dental • LTD • Flexible Benefits Programs • Pensions • Long Term Care • Managed Care
Coverage is underwritten by Continental Assurance Company, one of the CNA Insurance Companies, CNA Plaza/Chicago, IL 60635



Do Alternate Delivery Systems Deliver What They Promise?

You decide to add a PPO network option to your medical plan. Then you add incentives to encourage employees to use the network.

You expect these moves to lessen medical plan costs as your employees begin using the PPO.

But many employers are quickly learning that PPO networks actually *increase* medical plan costs.

For one thing, the network providers may charge higher rates than the community. Their per diem charges may exceed actual billed charges. Or their fee schedule may cause an inadvertent price escalation.

Corroon & Black's experts analyze community

data to identify provider competitiveness; evaluate networks for the services they provide employees; and design incentives to maximize the appropriate use of alternative delivery systems.

We service our clients from over 100 offices nationwide, together with the specialized research and consulting efforts of the C&B Consulting Group.

C&B CORROON & BLACK
For a free brochure or more information
please call Tom Ucko (800) 242-2495

Employers add profit-sharing to 401(k)s

By LOUISE KERTESZ

A growing number of employers are adding a profit-sharing component to their matching contribution to 401(k) salary reduction plans, and many employers introducing 401(k) plans are tying their contributions to company profits, benefit consultants say.

However, the growth of 401(k) plans—with or without a profit-sharing component—has far outpaced the growth of traditional stand-alone profit-sharing plans in the past four years, consultants agree.

"There is an increasing trend" of employers making contributions to 401(k) plans based on their profits, said Louis Valentino, manager of defined contribution plans for The Wyatt Co.'s New York region.

"We're seeing a little bit more action where employers are adding a profit-sharing contribution on top" of a regular matching contribution to a 401(k) plan, said Jeff Croyle, a principal with Kwasha Lipton in Fort Lee, N.J.

The profit-sharing contribution "motivates employees to do a better job," he added.

And, because the participation of low-wage-earners in 401(k) plans is important for employers to meet non-discrimination tests, the profit-sharing component "serves as a further inducement" for the employees to make pretax contributions, Mr. Croyle noted.

The popularity of the profit-sharing component added to a basic employer matching 401(k) contribution has increased, and about 25% of 401(k) plans now have that feature, said Donald Pfaff, a principal with William M. Mercer Inc. in Los Angeles.

In a 1990 survey of 944 employers, Lincolnshire, Ill.-based Hewitt Associates found that 783 employers, or 82.9%, offer their workers matched savings plans.

Among those employers, 11% base their contributions solely on company profits and another 9% make a contribution based on company profits in addition to contributions that match plan participants' contributions up to a specified level, according to the Hewitt survey, "Salaried Employee Benefits Provided by Major U.S. Employers in 1990."

The remaining 80% of the survey participants make contributions that match plan participants' pretax contributions.

In addition, "The Hay/Huggins Benefit Report 1990," a recent survey by the Hay Group, found that 24% of 694 respondents interviewed earlier this year make "a discretionary profit-sharing contribution" to their 401(k) plans, in addition to or instead of a fixed contribution.

Two years ago, only 11% of employers said they had a profit-sharing component in their 401(k) plans (*BI*, Sept. 5, 1988).

The total number of profit-sharing plans—including 401(k) plans that are legally profit-sharing plans—and of the number of workers in those plans has levelled off, said David Wray, president of the Profit Sharing Council of America in Washington, D.C., explaining that companies that do not already offer a profit-sharing plan are not adding plans.

Most employers maintain a fixed matching formula that is "unchanged unless times really get bad," because employees feel they have "almost a God-given right" that employers match each \$1 of employee pretax contribution with at least a 50-cent matching contribution, Kwasha Lipton's Mr. Croyle said.

"A totally discretionary (profit-

sharing) contribution on the part of an employer is a hard sell," Mercer's Mr. Pfaff said. That is why "85% or better of the employers with 401(k) plans have some form of stated match."

However, one employer—with only a discretionary profit-sharing contribution to a 401(k) plan—in three recent successive years contributed 50 cents for every dollar a plan participant contributed the first year, \$3.75 the next year and nothing the third year, Mr. Pfaff said.

After the employer showed its workers what the contribution averaged over three years, employees generally were pleased, he pointed out.

However, the biggest flurry of change involves employers adding

401(k) plans, Mr. Wray said.

But, 401(k) plans with a profit-sharing component have been "the growth area in recent years," agreed Donald Hasbargen, a consultant and partner at Hewitt Associates in Minneapolis.

"And for good reason," Mr. Hasbargen asserted. "The whole idea of a savings plan—typically a 401(k) plan—is to reward savings. Over 95% of the savings plans are qualified under the tax code as profit-sharing plans, so the facility is there to communicate to employees about the results of their efforts."

However, though profit-sharing plans are a good opportunity to communicate business goals to employees, the opportunity is often missed, Mr. Hasbargen said.

"There's an inherent dilution of communication because the payoff isn't immediate, due to the deferred nature of profit sharing," he explained.

"But the employers who do it best sort of wrap (their profit-sharing contribution) into the way they manage the business," he added. Those employers view the profit-sharing plan "as a way they run the business, not just the benefit program," Mr. Hasbargen said.

In those companies, the profit-sharing contribution "is a performance measure that's well understood" by employees, he said.

One company that opted for this feature is Minnesota Mining & Manufacturing Co. in St. Paul.

Three years ago, "we were looking for ways to expand our 401(k)

plan, but at the same time we didn't want to commit the company when the resources weren't there," explained Director of Benefits Donald Kissack.

3M added a quarterly profit-sharing contribution to its base match to workers' 401(k) salary deferrals.

"We divide the base match from the profit-sharing addition because we want the message to be there": When 3M does well, it can share more wealth with its employees, Mr. Kissack explained.

When the profit-sharing component of the plan was established in 1987, "we were having a very good quarter, which has been hard to beat," Mr. Kissack noted.

3M made a profit-sharing contribution

Continued on next page

Half of our treated
been with us for m
more
a lifetime for m

If you survived the last hard market, you know that long term commitment means even more today than it did 20 years ago. Growing insolvencies, the accelerated cost of liability, and increased regulatory intervention have shaken the foundation of our business.

Since 1917, American Re has provided a stable and consistent market for reinsurance products and services.

And now, we have developed a flexible new system that gives all of our clients access to all of our services. The Whole Account Concept.

It begins with a Needs Analysis, in which your business is evaluated from the inside out to identify problems and opportunities. Next a Multidisciplinary Team is formed using specialists from across divisional lines: Facultative,

Continued from previous page
 bution of 25½ cents in addition to the 35-cent fixed match for every dollar a plan participant deferred for several quarters.

However, the profit-sharing contribution has recently dropped to between 2 and 10 cents in addition to the fixed match, Mr. Kissack said. For example, for the final quarter of this year, 3M will make a 4.7-cent profit-sharing contribution in addition to the fixed match, he said.

It has been "a very positive program," Mr. Kissack said. "Our employees tend to have a real interest in how our company is doing, so the profit-sharing match is a logical sequence of that."

About 80% of 3M's 43,000 eligible employees in the United States participate in the plan, he said.

In figuring their profit-sharing contribution to 401(k) plans, some companies instead use a "market-basket" approach to gauge their

performance and communicate it to employees, said Wyatt's Mr. Valentino.

Those employers compare themselves with competitors in their markets, based on some measure they develop. If they do better than their competitors, then plan participants receive a profit-sharing contribution, he explained.

Employers also are making other plan changes to focus their plans and communicate their purpose, "making them supportive of their business interests," said Mr. Wray of the PSCA.

For example, since 1951, Chevron Corp. has had a profit-sharing plan requiring participants to make contributions to receive a Chevron contribution based on company profits. The money was used to buy Chevron stock.

Currently, to participate in the profit-sharing part of the plan, a participant contributes 2% of salary before or after taxes. Chevron

makes a quarterly contribution based on profits and the money is still used to buy Chevron stock.

In 1986, Chevron added a 401(k) salary reduction savings plan component and an aftertax savings plan component to the profit-sharing plan and renamed it the Profit Sharing/Savings plan.

A separate savings plan allows employees to defer up to 10% of pretax or aftertax income and direct the deferrals into a Chevron stock fund or into three other investment funds. Chevron makes no contribution to this plan.

In December 1989, Chevron set up a leveraged employee stock ownership plan, through which the company makes a portion of its profit-sharing contribution.

In the most recent embellishment of its profit-sharing plan, Chevron last July established a "Savings Plus" plan, a feature available to profit-sharing plan participants. The new plan is designed to en-

courage employees to participate in the profit-sharing plan, said Cindy O'Malley, Chevron benefits administrator.

Each pay period, Chevron contributes an amount equal to about 2% of an employee's pay.

Employees may direct the company's contribution into the same funds that are available for the Chevron savings plan.

About 95% of eligible Chevron employees participate in the profit-sharing plan and in the Savings Plus plan, Ms. O'Malley said. About 92% participate in the savings plan.

The growth area for the establishment of profit-sharing plans and 401(k) plans will be smaller companies that are either establishing plans for the first time or are terminating defined benefit plans, according to the PSCA's Mr. Wray.

Currently, many small companies are put off by the expense of

administering a 401(k) plan.

That is why insurers and mutual funds interested in investing capital from capital accumulation plans have developed profit-sharing plans and 401(k) plans that are easy and inexpensive to administer, Mr. Wray said.

For example, the Met Life Savings Plan Program, which Metropolitan Life Insurance Co. has offered for two years, offers small companies "prototype" administration arrangements for 401(k) or traditional profit-sharing plans, and those arrangements are already on file with the government, said Joseph Szathmary, national marketing manager.

The Met Life Program saves a small company the expense and work of plan design and administration, including reporting to the government, he said.

Met Life has set up 41 plans covering about 300 lives per plan, Mr. Szathmary said. Most of those plans are matched-savings plans like a 401(k) plan, rather than profit-sharing plans, he said.

"Over the next five years, there will be tremendous growth in 500- to 5,000-life plans," including 401(k) plans and profit-sharing plans, as defined-benefit plans' popularity decline and as employees are educated about the need for retirement income, he said.

Meanwhile, the prevalence of traditional profit-sharing plans "has held pretty steady," according to Hewitt's Mr. Hasbargen. Of the 944 employers in Hewitt's 1990 survey, only 17% had "pure" profit-sharing plans that required no contribution from employees.

Most large employers combine profit sharing with a supplemental savings plan, which has "been the practice for the past 10 years," Mr. Hasbargen said. Employers offering only traditional profit-sharing plans have been in the minority, he said.

Of that minority, in 1990, 76% have made contributions based on a pre-determined formula.

Seventeen percent of employers with profit-sharing plans make a discretionary contribution and 7% have other bases for their contributions, according to the Hewitt survey.

A 1989 Wyatt survey of 740 defined contribution plans showed that 27% were profit-sharing plans, Mr. Valentino said.

Employers continue to establish traditional profit-sharing plans, as revealed by the latest Hay/Huggins surveys of capital accumulation plans. The 1990 survey shows that 20% of employers have profit-sharing plans, a one-third increase from 15% in 1986.

"Straight discretionary profit-sharing plans" are "still around and may be coming back a little bit," said Kwasha's Mr. Croyle.

For example, when a small to medium-sized employer terminates a defined benefit plan because it is too costly, that company will "typically" replace the plan with a new defined contribution plan, like a profit-sharing plan, Wyatt's Mr. Valentino said.

That is because employers recognize that "some employees can't afford to save to build a nest egg," he said.

And, profit-sharing plans can prove beneficial to both employers and employees in an economic downturn, Mr. Valentino asserted.

"With defined benefits, a company can actually get hurt" meeting its obligations. Even with matched savings plans, "the company has to contribute," Mr. Valentino said.

But in a profit-sharing plan, "a company has a greater degree of latitude. It has no forced obligations," Mr. Valentino explained. And an employee who receives no profit-sharing would rather have a job than no job because his company fails, he said. ■

ty clients have ore than 20 years; than ost reinsurers.

Treaty, Claims, Underwriting, Actuarial, Financial and Data Processing. The result: a Customized Solution designed to meet your unique needs.

The Whole Account Concept from American Re. Because we believe that tradition and innovation go hand in hand.



**AMERICAN
 RE-INSURANCE COMPANY**

American Re Plaza, 555 College Road East Princeton, NJ 08543-5241, (609) 243-4200

Atlanta, Bermuda, Bogota, Boston, Brussels, Cairo, Chicago, Columbus, Dallas, Hartford, Kansas City, London, Los Angeles, Melbourne, Mexico City, Minneapolis, Montreal, New York, Philadelphia, San Francisco, Santiago, Singapore, Sydney, Tokyo, Toronto

Streamlining 401(k) administration

Companies shifting more duties to administrators: Experts

By SARA J. HARTY

Corporate sponsors of 401(k) plans are seeking to shift more responsibilities onto plan administrators, both sides agree.

"Companies are wanting to streamline the administration and reduce the burden on their own administrative staff," suggests Gail Kellogg, a Hewitt Associates partner in Lincolnshire, Ill.

These companies are looking for "seamless" administration, Ms. Kellogg said, explaining that they want the 401(k) plan record keeper to take more control of interactions between participants and spon-

sors.

For example, Barnett Banks Inc. in Jacksonville, Fla., tries to "wherever possible streamline administration, eliminate paper and provide more information to participants," said Cathy Corse, assistant vp-employee benefits.

Toll-free hot lines with interactive voice systems are one way to provide more information. Employees enrolled in 401(k) plans can call and "look into the computer" to request certain basic plan information or to switch funds among investment options, Ms. Kellogg explained.

Typically hot lines work by al-

**401(k) plan
'administration and
communication have
merged,' says
Hewitt's Ms. Kellogg.**

lowing eligible employees to call a toll-free number and enter their Social Security or some other personal identification number via the touch-tone pad on their telephone (BI, April 2). They can then punch numbers on the keypad to choose

from menus of options or to enter personal information.

For example, the 18,000 employees in the Barnett Bank 401(k) plan can obtain eligibility and enrollment information through the hot line.

Plan participants also can request information on their level of contributions and their investment balances, among other things.

Barnett Banks' hot line is designed by Hazlehurst & Associates Inc., an Atlanta-based 401(k) plan administrator and benefits consultant.

Ms. Corse explained that in ad-

dition to efficiently providing accurate information to participants, the hot line frees the bank's nine corporate benefit staff members to answer more technical questions.

"Handbook information is now available through this technology. . . some people would rather pick up the phone than consult or find written materials," Ms. Corse said.

In addition, Ms. Corse said that the hot line is designed to allow future enhancements.

She said that by 1992, Barnett Banks plans to augment the hot line so that plan participants can actually move money between different investment options. This should allow funds to be transferred more efficiently and reduce the paperwork involved.

Participants will also be able to request illustrations of the impact various investment changes would have on their retirement plan.

As a result of new technology, 401(k) plan "administration and communication have merged," said Hewitt's Ms. Kellogg. The telephone has become a communicator as well as a taker of orders, she said.

Several administrators have expanded the hot line concept.

An example is Hewitt's telephone service, which can handle 401(k) administration chores formerly handled by the employer, like enrolling new participants and distributing benefits in the event of a participant's death. Computer response handles simple phone inquiries, but the system will transfer the participant to an operator on request.

Programs such as these are attractive to large decentralized companies that find it difficult to train local administrators to provide quality service to plan participants, Ms. Kellogg said.

Other employers, however, do not want their employees' questions answered through a hot line run by an outside administrator.

"They don't feel it's appropriate for employees to go directly to the provider," said John L. Wentzell, second vp in the group pension marketing division of State Mutual Life Assurance Co. of America in Worcester, Mass. A 401(k) plan is an employee benefit and some employers feel the employees should go to the benefits department for information, he explained.

In such a case, interactive computer access systems—in which the benefits department can obtain information through a computer directly from the administrators' system—can installed and benefit personnel can then answer employees' inquiries, said Mr. Wentzell, who added that the larger the company, the more likely there is a need for either a hot line, an interactive computer or perhaps both in tandem.

To a great extent, whether a company creates a hot line or sets up an interactive computer hookup depends on how "paternal" an attitude it takes toward benefits, pointed out John Mulligan, senior vp of State Street Bank & Trust in Boston.

Many consultants and administrators report that mutual fund companies' growing involvement in 401(k) plan record keeping is creating greater competition among administrators.

Mutual fund companies are making plan administration more competitive "principally because of

Continued on next page

GET WELL SOONER!



THE WHOLE IDEA BEHIND METLIFE'S LTD.

MetLife, one of the largest group Long Term Disability carriers in the industry, is also the one with the best idea about LTD.

Our good idea is a comprehensive rehabilitation program. One that gets people back to work sooner, back to normal and feeling better about themselves.

And, of course, when a worker is back on the job, employers benefit too. So our good idea helps both ways.

We also help get Social Security claims

through the system faster, and we service claims promptly and expertly.

MetLife's got the people: over 400 salespeople in fifty offices across the country. We've got the expertise: over two million individuals insured. And we've got the technology to make any LTD plan work the way you want it to.

Well worth looking into. For more information, contact Metropolitan Life Insurance Co., Group Insurance Marketing, Area 24-VW, One Madison Avenue, New York, N.Y. 10010.

GET MET. IT PAYS.
MetLife

Continued from previous page
some of the services they offer that are atypical of the way things were in the past," such as providing daily updates of individual participants' account balances, said Louis Valentino, manager of defined contribution services for the New York region of The Wyatt Co.

"Mutual fund companies have been using their brokerage systems, which are geared toward daily processing, as a centerpiece of their 401(k) business. . . We see a trend among other administrators to process savings plan valuations on a faster timetable," said Rob Pollak, a partner at Kwasha Lipton in Fort Lee, N.J.

On the other hand, some plan sponsors and administrators are trying to stress the fact that 401(k) plans are retirement plans rather than short-term savings plans. They say that weekly or monthly valuations should be sufficient.

More frequent valuations may be important to employees, but are not a necessity, said Denis Farrell,

'We see the entire 401(k) market becoming more sophisticated,' says Mr. Wentzell.

director of defined contribution plans services of New York-based Citibank.

Buck Consultants Inc. most commonly does monthly valuations for larger firms, said Richard Koski, a Buck benefit consultant in Se-caucus, N.J.

"More companies are comfortable with idea that 401(k) is more of a retirement vehicle. . . From a benefit point of view, that is how we like to see it—a long-term savings vehicle," said Mr. Koski.

State Street Bank's Mr. Mulligan stressed an "evolutionary rather than revolutionary" approach when increasing the frequency of valuations.

Once something has been added to a plan, taking it out is almost impossible, he warned. He suggested moving from quarterly valuations to monthly, and from monthly to weekly.

"Companies should look at 401(k) plans as something to make people feel good about working" at the company, said Mr. Mulligan. If people are satisfied, valuations do not need to be more frequent, he suggested.

Wyatt's Mr. Valentino pointed out one common constraint to working with a mutual fund company: Investors are limited to that company's fund offerings.

However, T. Rowe Price Associates Inc., a Baltimore-based sponsor of mutual funds, will perform 401(k) record-keeping functions for non-T. Rowe Price funds for an additional fee, said Vp Keith Lewis.

He suggested that the advantages of using a mutual fund company include telephone services that enable participants to execute trades on a daily basis, receive information about account balances as of the closing price the previous day and obtain basic plan information with ease.

Operators answer 401(k) plan questions from 8 a.m. to 10 p.m. A voice response system is available when operators are not on duty, he said.

"The average participant requests less than one exchange per year," Mr. Lewis noted. However, "there's a comfort factor in knowing that they can pick up the phone if they want" and immediately change investment options.

Plan administrators and benefit consultants agree that employees

in 401(k) plans are becoming much more sophisticated investors.

For instance, Ms. Corse of Barnett Banks suggested that the state of the economy and increased concerns about retirement savings have caused employees to become more interested in their 401(k) plans.

And with employee interest growing, companies are asking 401(k) plan administrators for more information and for more services.

Those requests are forcing administrators to beef up the computer capabilities.

"We see the entire 401(k) market becoming more sophisticated,"

said Mr. Wentzell of State Mutual Life.

Administrators with superior computers will reap rewards as participants demand more investment information and plan sponsors look for ways to receive that information more quickly, said Mr. Farrell of Citibank.

As tools become more complex, administrators are entering into a "Star Wars era of administration," said Mr. Valentino of Wyatt.

The real challenge for administrators is "how do we use advanced technology intelligently. . . to improve the level and quality of services that participants are de-

Continued on next page

TPA GUIDE

to the
Administration of Self-Funded Health Care Plans

Written by: Carlton Harker, FSA, EA

- | | |
|---|--|
| > Claims Manual - 3 Notebooks | > 5 Support Books |
| > Monthly Update of Major Changes | Self-Funding of Health Care Benefits |
| > Monthly Newsletter | Cost Containment of Health Care Benefits |
| > VHS Tape Catalogue (in-process) | Medical R&C Charges (1990) |
| > Membership to National Self-Funding Educational Coalition | Dental R&C Charges (1990) |
| | Late Applicant Underwriting Guide |

Published by:
ACS Publications
8025 North Point Blvd.
Winston-Salem, NC 27106

Tel: (919) 759-2013
Fax: (919) 759-0404
Not sold NC or VA

Prospective Buyers:
TPA's
Insurers (ASO)
Large Employers

Consultants
Risk Managers

Call or Write for a Sales Brochure, Table of Contents, etc.



"Did I hear you right? I get my service fee back if you don't perform as promised?"

"That's right. It's the one way we can prove just how good we are."

"Could be an expensive promise."

"Not for us..."

Dateline 1990

A lot of financial service companies talk a good line about the quality, service, and dependability of their retirement plans. But when it comes right down to it, they deliver less than satisfactory results.

At State Mutual we figured there was just one way to demonstrate how good our services for group retirement and savings plans really are - with the industry's first Service Warranty. And it applies to *both* defined contribution and defined benefit plans.

For some companies a money-back guarantee could be an expensive proposition. We just think it's the right thing to do.

Put State Mutual to your test. Call
Rich McGirr, V.P. of Group Pension and
Investment Product Sales, at (508) 852-1000.

Ask about our money-back guarantee.

**State Mutual
COMPANIES**

State Mutual Life Assurance Company of America
Headquarters: 440 Lincoln Street, Worcester, MA 01605

Clear Answers for Complex Times.

Offices located in: Atlanta (404) 998-4532 • Boston (617) 227-1105 • Buffalo (716) 856-7551 • Chicago (708) 884-4444 • Dallas (214) 960-6268 • Greensboro (919) 294-1813
Los Angeles (818) 898-9429 • Paramus (201) 587-1440 • Philadelphia (215) 953-8623 • Pittsburgh (412) 562-9600 • Puerto Rico (809) 751-3200 • Richmond (804) 288-0000
San Francisco (415) 358-0558 • Seattle (206) 728-1844 • Tampa Bay (813) 286-8111 • Washington (301) 258-9700 • Worcester (508) 754-3500

401(k) trends

Continued from previous page manding," he added.

Plan administrators are also looking for ways to offer participants more investment choices.

"Clearly, I think it is fair to say there is more and more interest in a broad range of investment options being made available," said Lyle Brizendine, senior vp of pension trust administration at Boatmen's Trust Co. in St. Louis.

"The days of the plain vanilla 401(k) plan are for the most part gone," said State Mutual's Mr. Wentzell.

Mr. Koski of Buck Consultants noted a movement toward index funds as an equity vehicle as opposed to other equity plans.

Index funds are stock portfolios that closely mirror the performance of the Standard & Poor's 500 index or some other market indicator.

Since many money managers have failed to outperform the stock market, plan sponsors are offering index funds as one of their equity options, or sometimes as the only equity option, Mr. Brizendine said.

"It is easier for participants to follow" since the results closely follow the market, he explained.

Insurers' recent problems with junk bonds have prompted increased sensitivity about the creditworthiness of guaranteed investment contracts, administrators note (see story, page 19).

Mr. Brizendine reported that most plan sponsors hesitate to even characterize them as "guaranteed," though he noted that GICs are still the "most popular investment alternative in 401(k)s. I have not seen a noticeable shift away" from GICs, although perhaps there has been an imperceptible shift, he said. ■

Second annual directory of 401(k) administrators

A

ACTI

7557 Rambler Road, Suite 1050, Dallas, Texas 75231; 214-891-0900; fax: 214-891-0849

Year founded: 1968; began offering 401(k) plan administration services in 1980.

Parent company: DNA Inc.

Software: Software is written and maintained by the company; can accommodate 30 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full

share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer.

Service area: Nationwide.

Locations: Administrative offices in Gaithersburg, Md.

Staff: 65 total staff members; 50 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include five CEBs, four CPAs, three ASAs/FSAs.

Charges: Determined by number

of participants, complexity of plan, time and expense, frequency valuations.

1989 gross revenues: Not reported.

Principal officers: Leo J. Mott, chief executive officer; Gerald Forrester, chief financial officer; Cynthia Farr, vp-product design/support.

Contact: Cynthia Farr.

Continued on next page

Guide to 401(k) listings

The second 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 on an unbundled basis; it may or may not be responsible for clients' investment management.

The directory is published as an editorial service. There is no charge to be included; however, companies wishing to be listed were required to fill out and return a *Business Insurance* questionnaire.

Listings begin with the company name, address, year founded, year the company began offering 401(k) plan administration services and parent company (if any).

Next, details on software used, administration services provided, and client support services offered are described.

Following, the service area and locations of branch offices are given. Details on staff and 401(k) clients follow. How the company charges for its services and 1989 gross revenues (when provided by the company) are given.

Names and titles of principal officers complete the listings.

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

If your company offers 401(k) plan administration service and you would like to be included in next year's directory, please write Sarah E. Polster, Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.

Following are the complete professional designations for those abbreviated under the staff heading:

ASA is Associate, Society of Actuaries; CEBs is Certified Employee Benefit Specialist; CFA is Chartered Financial Analyst; CFP is Chartered Financial Planner; ChFC is Chartered Financial Consultant; CLU is Chartered Life Underwriter; CPA is Certified Public Accountant; CPC is Certified Pension Consultant; EA is Enrolled Actuary; FCAS is Fellow, Casualty Actuarial Society; FLMI is Fellow, Life Management Institute; FSA is Fellow, Society of Actuaries; MAAA is Member, American Academy of Actuaries; MBA is Master of Business Administration; QPA is Qualified Pension Administrator; Ph.D. is Doctor of Philosophy.

Sunwise



We're out to change the way you look at group insurance.

If you're tired of living in the shadow of unresponsive group insurers, you're going to like Sun Life of Canada.

As one of the world's strongest providers of Group Life, Disa-

bility, Dental and Excess Risk Insurance, we're wise in the ways of keeping you satisfied. And we're committed to doing just that.

For a bright new perspective, call group marketing officer Irene Graham at 1-800-882-4786.

And discover how refreshing it is to do business under the Sun.



**Sun
Financial
Group®**

Sun Life of Canada and affiliates
Wellesley Hills, MA 02181

Continued from previous page

ARS Benefits Inc.

4501 Circle 75 Parkway, Suite B-2190, Atlanta, Ga. 30339; 404-980-1908; fax: 404-984-0320

Year founded: 1985; began offering 401(k) plan administration services in 1985.

Software: Software is purchased from an outside vendor; can accommodate 99 investment funds and eight kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

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

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta.

Staff: Eight total staff members; three staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBS, one APA, one CPC.

Clients: 50 total clients; 100% with 1-100 employees. Average plan size, 50 participants; largest plan, 150 participants; minimum size plan, one participant; no maximum size plan.

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

1989 gross revenues: \$125,000 total; \$125,000 from 401(k) plan services.

Principal officers: Gloria Aa-berg-Sneath, president.

Administrative Management Group Inc.

3800 N. Wilke Road, Arlington Heights, Ill. 60004; 708-577-6000; fax: 708-577-6038

Year founded: 1982; began offering 401(k) plan administration services in 1982.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides PC software for data management, enrollment, account projections and loans.

Service area: Nationwide.

Staff: 70 total staff members; 38 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two CEBSs, four MBAs, two CPAs, two ASAs/FSAs, one attorney.

Clients: 140 total clients; 85% with 101-1,000 employees, 10% with 1,001-5,000 employees, 5% with more than 5,000 employees. Average plan size, 700 participants; largest plan, 12,000 participants; minimum size plan, 200 participants; maximum size plan, 25,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: John Salajka, president/chief executive officer; David Goldenberg, vp/chief operating officer.

Contact: John Salajka.

Alexander & Alexander Consulting Group Inc.

125 Chubb Ave., Lyndhurst, N.J. 07071; 201-460-6600; fax: 201-460-6688

Year founded: 1934; began offering 401(k) plan administration services in 1976.

Parent company: Alexander & Alexander Services Inc.

Software: Software is written and maintained by the company; can accommodate 20 investment funds and 10 kinds of contributions; company

offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line (voice response) access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides investment consulting, plan audits, vendor selection and systems consulting.

Service area: Nationwide.

Locations: Administrative offices in Atlanta; Baltimore; Chicago; Dallas; Los Angeles; Lyndhurst, N.J.; Philadelphia; St. Louis. Consulting offices in all of the above plus Boston; Buffalo, N.Y.; Detroit; Greenwich, Conn.; Minneapolis; New York; Pittsburgh; Richmond, Va.; San Francisco; Tampa, Fla.

Continued on next page

Brownyard is poised for the 90's:

Secure Markets for the Security Guard Industry



Strong Markets for Private Country Clubs



Stable Markets for the Pest Control Industry



Another hard market? Renewal problems? No new submissions? That's what experts see on the horizon. However, for three decades, in soft and hard cycles, Brownyard has offered stability. And we are poised to continue in the 90's. Check us out on three of the toughest risks you'll be asked to cover. We'll respond with quotes from A+ (Class XV) companies.

THE BROWN YARD GROUP

21 Maple Ave., CN9175
Bay Shore, New York 11706-9175
In NY: (516) 666-5050, Outside: (800) 645-5820
FAX: (516) 666-5723



LITTLE ANNOYANCES CAN ADD UP.

Your 401(k) provider made a great proposal. But it's been a far-from-happy marriage.

Reports are late. When they do show up, they're wrong.

Investment options are limited.

Record keeping is primitive.

And employee communications are practically nonexistent.

The fact is, your partner can be replaced.

All you have to do is talk to The Hartford's Asset Management Services professionals.

Taking on existing plans is our specialty.

First we carefully analyze what went wrong.

Then we offer the flexibility to make it right. A multi-

tude of investment choices ranges from guaranteed income to equity funds.

Enrollment assistance can include announcement letters, seminars, audio visual presentations - even individual counseling.

And from quarterly statements to benefit payments, everything is timely and accurate.

Add to all this a loan administration package, annual anti-discrimination testing, and investment managers who put an emphasis on performance.

Interested? Just give us a ring. Call Chuck Clinton, Vice President, Asset Management Services, at (203) 843-8032. Or write him at The Hartford Life Insurance Companies, P.O. Box 2999, Hartford, CT 06104-2999.

When you need us most, we're at our best.



ITT HARTFORD

INSURANCE FOR BANK AUTOMOBILE LEASING

Allied with major carriers, we have extensive experience with this difficult-to-place insurance. We make it easier for you with a quality bank auto leasing insurance program that provides broader coverages at substantial savings.

- Lessors Excess Liability
- Lessors Contingent Liability
- Lessors Contingent Physical Damage
- Interim Car Coverages • Residual Value Insurance

We invite your inquiry and your business.
Write or call Ron Ruane.



Physical Damage by
Motors Insurance
 
The Insurance People from
General Motors

FRI

PAIGE-RUANE, INC.

Suite 616 - The Woods
P.O. Box 6745 • Wayne, PA 19087
(215) 254-9890 • FAX # (215) 254-9893

Continued from previous page

Staff: 1,200 total staff members; 60 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: 235 total clients; 3% with 1-100 employees; 30% with 101-1,000 employees, 60% with 1,001-5,000 employees, 7% with more than 5,000 employees. Average plan size, 1,000 participants; largest plan, 100,000 participants minimum size plan, 100 participants no maximum size plan.

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

1989 gross revenues: \$194 million total; \$6 million from 401(k) plan services.

Principal officers: A.M. D'Alessandro, chief executive officer; Donald Cleveland, chief operating officer.

Contact: Mark Kimble, managing director-corporate information, 201-460-6641.

Ameritas Life Insurance Corp.

5900 O St., Lincoln, Neb. 68510;
402-467-1122/1-800-745-9995;
fax: 402-467-7885

Year founded: 1887; began offering 401(k) plan administration services in 1984.

Software: Software is written and maintained by the company and purchased from an outside vendor; can accommodate 64 investment funds and nine kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the

401(k) plan funds; provides prototype document, plan design and proposals, government reporting.

Service area: Nationwide.

Staff: 25 total staff members; 20 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one CEBS, one MBA, two CPAs, two ASAs/FSAs, one attorney.

Clients: 30 total clients; 75% with 1-100 employees; 25% with 101-1,000 employees. Average plan size, 48 participants; largest plan, 390 participants; minimum size plan, one participant; no maximum size plan.

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

1989 gross revenues: \$267,469 total; \$34,458 from 401(k) plan services.

Principal officers: Lawrence J. Arth, president/chief operating officer; James R. Haire, senior vp-financial operations; Roxann Brennoer, vp-pensions.

Contact: Ben Mattern, director-pension administration, 402-467-7345 or Jessie Waller.

Arnold & Co.

1301 W. Long Lake Road, Suite
225, Troy, Mich. 48098;
313-641-8686; fax: 313-641-7885

Year founded: 1971; began offering 401(k) plan administration services in 1984.

Software: Software is purchased or leased from an outside vendor; can accommodate 32 investment funds and 15 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

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

Service area: Detroit metropolitan area.

Staff: 18 total staff members; 14 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one MBA, one ASA/FSA.

Clients: 60 total clients; 15% with 1-100 employees; 75% with 101-1,000 employees, 10% with 1,001-5,000 employees. Average plan size, 225 participants; largest plan, 1,800 participants; no minimum size plan; maximum size plan, 5,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: Craig C. Arnold, president; Marilyn S. Auiler, vp.

B

The Barclay Group Inc.

Springhouse Corporate Center II,
323 Norristown Road, Ambler, Pa.
19002; 800-345-6363; fax:
215-542-1907

Year founded: 1973; began offering 401(k) plan administration services in 1982.

Parent company: Ethyl Corp.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and contributions; company offers software for use by clients.

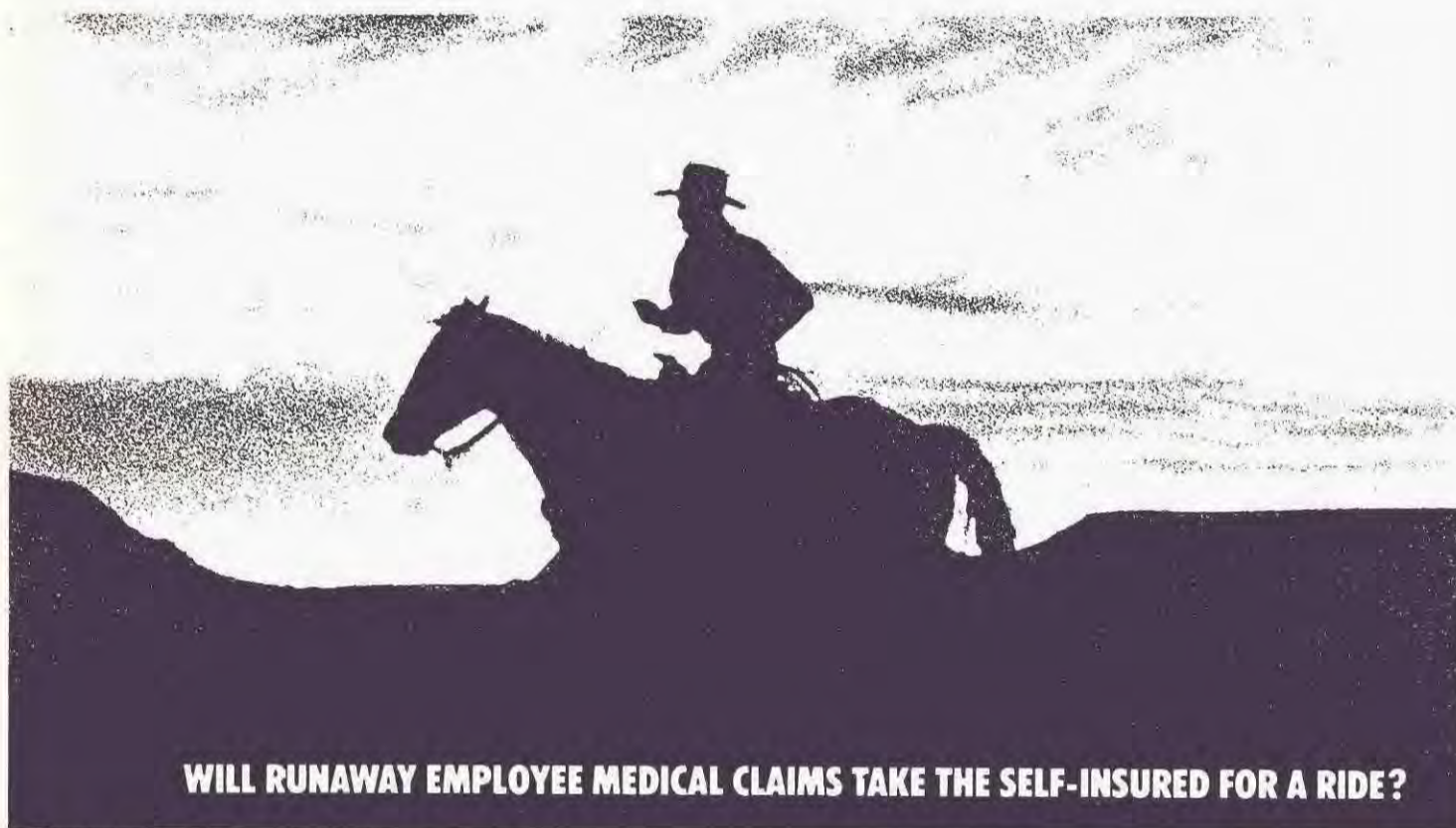
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Clients' on-line access to company's computer, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; provides 5500s, custom communications and all D.C. recordkeeping.

Service area: Nationwide.

Staff: 120 total staff members; 120 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include five MBAs, one CPA, one attorney.

Continued on next page



WILL RUNAWAY EMPLOYEE MEDICAL CLAIMS TAKE THE SELF-INSURED FOR A RIDE?



NOT WITH A STOP LOSS CARRIER WHO KNOWS THE TERRAIN.

Employers Reinsurance Corporation is one of the largest writers of self-insured A&H. We know the territory. The pitfalls. And we can carve out a custom plan no matter how intricate the client's needs.

We've been over this ground before. With a Best's A+ rating and financial strength that won't shrink from tough losses. ERC's sure-footed underwriting, claims support, and flexibility of coverage continue to lead the field. Call 1-800-255-6931 for information.

ERC. Taming runaway costs for over 75 years.

 **Employers Reinsurance**

5200 Metcalf, Overland Park, Kansas 66201
A General Electric Financial Services Company.

Insurer Topics

A special editorial section
sent exclusively
to insurers and reinsurers



Renaissance in education

Formal programs stimulate reinsurance careers

By MARK A. HOFMANN

It's back to school for people involved in all aspects of reinsurance as the industry undergoes what one of its leaders likened to an educational "renaissance."

During the past few weeks, the first courses leading to a formal educational designation in reinsurance have begun; students are showing new interest in reinsurance courses. The College of Insurance in New York, reports the school's provost; and a professor at a Kentucky university is putting together a semester-long reinsurance course that he hopes will draw non-insurance majors into the field.

Meanwhile, a group of reinsurers has established a scholarship fund in the memory of one of their colleagues to encourage college students to pursue careers in reinsurance, while another reinsurance group is recruiting students for eight-week internships that can lead to scholarships.

"It's more than a new emphasis—it's almost a renaissance," said Ward Gordon, the retiring chairman of Intere Intermediaries Inc. in New York. In January, Mr. Gordon will assume the presidency of

the Brokers & Reinsurance Markets Assn., a 4-year-old group that promotes professional education among reinsurance professionals. BRMA, currently located in Olympia Fields, Ill., will move its operations to New York early next year (BI, Nov. 12).

"It's become apparent that reinsurance is a complex business and it's not getting any simpler," Mr. Gordon said.

"I think there's a broad-based market desire to broaden the knowledge available" to people involved in all aspects of reinsurance, said James Talley, vp and manager of reinsurance for Warren, N.J.-based Chubb Corp.'s property/casualty units.

Insurance educators and executives alike point to numerous reasons for the enhanced emphasis on formal reinsurance education.

Dennis Busti, president of Reliance National Insurance Co. in New York, said the growing interest is partly a reaction to the market contraction of the mid-1980s.

"Up until the mid-1980s, reinsurance capacity was all over the place. There was a lot of ignorance about how the reinsurance mechanism works," he said.

In the wake of insolvencies in-

volving unrecoverable reinsurance, ceding companies realized that they couldn't afford to entrust reinsurance placement to people who knew little about the business, Mr. Busti said.

Reliance uses informal in-house reinsurance instruction provided by veteran employees of its treaty reinsurance unit and encourages employees to take courses at The College of Insurance, he said.

Like Mr. Busti, Mike Elliott thinks recent insolvencies have put reinsurance "into the spotlight" and thus raised the demand for formal professional education. Mr. Elliott, assistant director of curriculum at the Insurance Institute of America in Malvern, Pa., said that regulators are requiring ceding companies to provide more reinsurance information on their annual statements (BI, Nov. 12).

As a result, both reinsurers and insurers are looking for ways to increase their employees' professional knowledge.

For the first time, professionals have access to a formal reinsurance designation program. A new IIA program, which culminates in the awarding of the new Associate in Reinsurance (ARE) designation, requires that candidates pass four

examinations.

Two exams draw upon knowledge gathered from courses unique to the program: "Principles of Reinsurance" (ARE 141) and "Reinsurance Practices" (ARE 142). The other two exams come from the curriculum that leads to the Chartered Property & Casualty Underwriter designation: "Insurance Company Operations" (CPCU 5) and "Accounting and Finance" (CPCU 8). The first examination for the principles course will take place Jan. 22, with the first exam for the practices slated for June, Mr. Elliott said.

Mr. Elliott said 400 to 500 people are currently attending the principles classes. He predicted, however, that more than 1,000 people might take the January exams. These would include reinsurance professionals who had read the texts and felt comfortable enough with their knowledge to forego classes, he said. He added that he expected that many students would take the same approach to the practices course.

"We will have people completing the courses this June," he said. Because some of the students will be CPCUs, the first designations will be awarded after the second set of

ARE exams are graded, he said.

Interest in the ARE program is particularly keen among reinsurance companies. For example, employees of San Francisco Reinsurance Co., a unit of Novato, Calif.-based Fireman's Fund Insurance Co., will receive \$500 bonuses upon achieving the ARE designation, said James Williams, president of San Francisco Re. He said several people have already begun the coursework.

On the other side of the country, Skandia America Reinsurance Corp. is "trying to steer our employees toward the ARE," said Mark W. Hinkley, senior vp and director of treaty operations for the New York-based reinsurer.

Mr. Hinkley said Skandia Re is encouraging its support personnel as well as its underwriters to take the courses.

"We think it's vital not just at the underwriter level, but for the people in support positions as well," he said. Support personnel who might pursue the ARE would include people in the legal, accounting and even electronic data processing departments, he said.

From a service viewpoint, "one of our main products is sharing

Continued on next page

Education

Continued from previous page knowledge," he said. For support people, the ARE courses increase the body of knowledge available to them.

Peter R. Kensicki, an insurance professor at Eastern Kentucky University in Richmond, said that the IIA's new Associate in Reinsurance program is a major reason interest in reinsurance education has perked up. "Now there's a unified program," said Mr. Kensicki, who edited the program's texts while serving a vp at the IIA.

Even colleges that offer insurance courses tend to give reinsurance short shrift, said Mr. Kensicki. Often it is relegated to two pages in an insurance text, he said.

Mr. Kensicki plans to offer the IIA course at Eastern Kentucky University next spring, making it—to his knowledge—the only college other than The College of Insurance to offer a formal reinsurance course (see related story).

According to Jack Hampton, provost of The College of Insurance, three "impossibilities" have made the new interest in reinsurance education possible:

- "It is impossible to be a solvent insurance company without knowing a great deal about the reinsurers you deal with.

- "It is impossible to know whether you have full coverage on an exposure unless you have a congruence of the underlying insurance and reinsurance.

- "It is impossible to do risk management that has many non-insurance elements unless you understand the relationship between primary insurance and reinsurance."

Mr. Hampton said that the college is currently offering two reinsurance courses—principles of reinsurance and advanced reinsurance—but is reassessing its approach.

The courses are "very similar" to the IIA offerings, Mr. Hampton said. In addition, the college is offering four non-credit sections of the IIA's course that prepare students for the examination for the first part of the ARE program. About 100 people have enrolled, he said.

Instead of following a parallel track of study with the IIA, the college is considering replacing its undergraduate reinsurance courses with the ARE courses and adding a graduate-level reinsurance elective course for students in the master's degree programs in actuarial science, finance, risk management and insurance, Mr. Hampton pointed out.

Providing financial assistance for students interested in reinsurance careers is the purpose of the recently founded Angus Robinson Jr. Memorial Foundation. The non-profit organization honors the memory of Angus Robinson, president and chief executive officer of Stamford, Conn.-based Chartwell Reinsurance Co., a unit of Northwestern National Life Insurance

Co. (BI, July 30). Mr. Robinson died of cancer at the age of 43 in April.

Skandia's Mr. Hinkley, a trustee of the Westport, Conn., foundation, said the foundation had raised about \$50,000 by the beginning of November. He said the trustees hope to raise \$100,000 and use the interest for scholarships for students interested in reinsurance careers. It also plans an annual fund drive or fund-raising event, he said.

The IIA's new ARE program has perked up interest in education, says Peter R. Kensicki.

"We're trying to raise the number of people who would choose to enter the business as opposed to entering merely by accident," Mr. Hinkley said.

In a complementary effort, the Canton, Ga.-based Independent Reinsurance Underwriters Assn. has been offering internships as a means of acquainting college students with the reinsurance business, said Robert Lippincott III, chairman of IRUA and president and chief executive officer of New York-based AXA Reinsurance Co.

Like BRMA's Mr. Gordon, Mr. Lippincott said that "renaissance"

aply described the state of reinsurance education.

"We are seeing a renaissance in the ability not only to educate our people who are in the industry but to get people in from Day One," he said.

Mr. Lippincott said that the group, which represents about 90 treaty reinsurance underwriting companies, launched the internship program in 1988. The program is aimed primarily at college juniors and seniors enrolled at schools with insurance courses. Students must have a minimum grade point average of 3.0 out of 4.0 and must apply for the program to be considered. Mr. Lippincott said five to seven students are selected each year.

The students work four weeks at the underwriting company that sponsors them and four weeks with a reinsurance brokerage. They receive a weekly stipend and are provided with "reasonably priced" room and board, he said.

In the past, for example, arrangements have been made for scholarship students in New York to live at The College of Insurance, Mr. Lippincott said, adding that the IRUA attempts to match students with underwriters and brokers in the same general region where the students live.

At the end of the program, students write papers on any aspect of reinsurance they choose, Mr. Lippincott said.

The papers are judged by IRUA examiners, and the author of the

best paper receives a scholarship worth \$1,500, said J. Dale Bohm, IRUA's executive director. The authors of the second- and third-place papers receive scholarships worth \$1,000 and \$500, respectively, Mr. Bohm said.

In addition, the author of the best paper presents his or her work at the IRUA's annual meeting in April, Mr. Lippincott said.

Both Messrs. Lippincott and Bohm noted that the program is designed to help draw talented young people into reinsurance. Although the program has been in existence for only three years, Mr. Bohm says it has proved to be a success in that many of the interns have accepted full-time employment in reinsurance.

Skandia's Mr. Hinkley said that the surge in educational efforts reflects a realization that reinsurance should not be a "commodity business," where price alone determines whether people will buy from one source or another. "Those who resist the commodity approach" will have to offer value-added services that have to be bolstered by education, he said. These include historical loss-cost information, an understanding of underlying economic trends and effective communications with clients, he said.

The new emphasis on education will help assure that "people who can bring original thinking" to a tradition-laden business will deliberately choose reinsurance as a career, Mr. Hinkley said. ■

University promotes reinsurance studies

By MARK A. HOFMANN

RICHMOND, Ky.—As Peter R. Kensicki sees it, one reason college students don't seek out reinsurance careers is they don't know that the field exists.

To make the subject more accessible and attractive, Mr. Kensicki, an insurance professor at Eastern Kentucky University in Richmond, Ky., has created a scholarship.

Beginning next spring, upper division mathematics, accounting, finance and statistics students will be eligible for scholarships of \$200 plus cost of books if they enroll in "Principles of Reinsurance," a new three-credit course. Limited to 40 students, the course may be the first of its kind.

No undergraduate reinsurance courses other than those at The College of Insurance in New York were listed in the survey of "Collegiate Risk and Insurance Education Programs" by Ellen Thrower and Lisa Gardner published last year. Mr. Kensicki said that to the best of his knowledge, The College of Insurance is the only school now offering such a course.

His course at Eastern Kentucky will use an Insurance Institute of America text—"Principles of Reinsurance"—that Mr. Kensicki helped put together while at the institute. The text was designed to accompany the institute's program leading to a new Associate in Reinsurance designation.

One objective of the new course is to fill a perceived gap in the general business curriculum. Typical business school courses involve a lot of case studies, but none in an insurance environment, he said. "In a production course, you'll never have a problem with an insurance company or agency," he noted.

Given that primary insurance is seldom mentioned, it is hardly surprising that reinsurance simply does not exist in business courses, he said.

Mr. Kensicki and his colleagues in the insurance studies program compiled a list of skills needed in reinsurance. They pinpointed four broad areas: mathematics, statistics, finance and accounting. Although the course is open to students in other disciplines, only students with one of those four majors will be eligible for the scholarships, he said.

Fund-raising efforts have been aimed at reinsurers and reinsurance brokers, Mr. Kensicki said. At the end of October, he had raised about half of his goal of \$7,500 for scholarships and books, he said.

In return for the scholarships, students agree to be interviewed for jobs with reinsurers and intermediaries, Mr. Kensicki said.

In a letter seeking applicants, the professor wrote: "If you find this course interesting and challenging, as I'm sure you will, we will circulate your resume to those reinsurance organizations participating and you could begin a fascinating and rewarding career. One warning, however: Because of the nature of the reinsurance business, you may be expected to travel extensively in the United States and the world."

Mr. Kensicki admits his undertaking is ambitious, since it tests interest in a subject unknown on most campuses. But he thinks the interest can be kindled at Eastern Kentucky and spread elsewhere.

"If this program works and if a broker or reinsurer decides it's a good idea but maybe not a good idea here, we'll be willing to help other schools set up similar programs," he said.

Ceding companies seek reliable intermediaries

By MARK A. HOFMANN

Just as ceding companies seek long-term relationships with reinsurers, they're sticking with the matchmakers who place their reinsurance: the reinsurance intermediaries.

Ceding companies want to feel secure about intermediaries' staying power just as they want to feel secure that reinsurers won't close their doors tomorrow. When problems arise long after reinsurance has been placed, reinsurance officials for the ceding company need to be able to rely on the broker to help solve them.

Some ceding companies also want the intermediary's help in assessing reinsurers' financial strength, even though ceding companies generally review reinsurer solvency internally (see story, page 32D).

Intermediary services are not limited to financial detective work. Brokers say ceding companies are requesting help in determining catastrophic exposures, designing computer systems and conducting sophisticated actuarial analyses.

While ceding companies occasionally do change intermediaries, most ceding companies and reinsurance brokers agree that it is not widespread and that personalities can be the determining factor when there is a move.

"Ceding companies and reinsurers instinctively value long-term relationships, and all parties have been examining the strengths and weaknesses inherent in their current relationships in an effort to secure greater stability," said Roger Espe, president and chief executive officer in Philadelphia of Sullivan Payne Co., a Seattle-based intermediary unit of Sedgwick James P.L.C.

"They tend to value long-term relationships, which is not to say business isn't moving," said Thomas A. Greene, president of Thomas A. Greene & Co. Inc., a New York-based intermediary unit of Alexander & Alexander Services Inc.

Mr. Greene added, however, "there's no wholesale movement."

"I don't see a great deal of switching going on," agreed Michael W. Cashman, president and general partner of E.W. Blanch Co. in Minneapolis. Having seen past market swings, many companies are looking for long-term, stable relationships. They want to be with brokers they know and can stay with through ups and downs, Mr. Cashman said.

"If we as a ceding company are looking to place a casualty program, we know there will be servicing requirements stretching out 20, 25 years into the future," said James A. Williams, president of San Francisco Reinsurance Co., a unit of Fireman's Fund Insurance Co. Mr. Williams also buys reinsurance for Fireman's Fund.

Chubb Corp. has used the same intermediaries for 10 years or so, said James Talley, vp and manager of reinsurance for the Warren, N.J.-based insurer.

"We definitely want a long-term relationship," said Dennis Busti, president of Reliance National Insurance Co. in New York.

Reliance evaluates intermediaries on three criteria, he noted:

- Stability. Reliance must feel comfortable that the broker is going to be in business for the foreseeable future.

- Knowledge. "Some of our covers are somewhat complex," Mr. Busti said.

- Drive. "They must have the energy and ability to place the program," he said.

"We wouldn't deal with an intermediary who didn't have these three things," he said.

"What we look for is professionalism," said Christian Milton, vp-reinsurance for American International Group Inc. of New York. An intermediary must demonstrate outstanding claims servicing and general account servicing ability, he said.

Chubb's Mr. Talley also cited claims servicing ability as one of the key qualities of a good intermediary.

He added that another important function is "screening" security.

"All of this is interrelated," Mr. Talley said. An intermediary should "place business with a good company to start with." But the broker also needs to keep monitoring the quality of reinsurers and to inform clients of changes.

Briefing clients, said Mr. Talley, is part of the intermediary's job. When, for instance, a reinsurer has a good record for security but tends to withdraw suddenly from certain lines of business, clients need to be informed. "Market security and market intelligence are very important," he said.

Ceding companies value security analysis very highly, said Ronald J. Taylor, chairman of G.L. Hodson & Son Inc. in New Hyde Park, N.Y., a reinsurance intermediary subsidiary of Willis Corroon P.L.C.

Most of the big stock companies have their own security departments, and Hodson is mainly "crossing all the t's and dotting all the i's" he said. Smaller companies, however, often have one person handling all the analysis and therefore rely more heavily on brokers, he said.

Large insurers that rely on their own internal reinsurance security committees turn to intermediaries for other services.

Reliance looks for brokers that, in addition to analyzing its needs, pay attention to what Mr. Busti called "the back room aspects" of the businesses, he said. This includes making sure that the wording of a treaty is in keeping with the ceding company's interests.

Transamerica Insurance Co., a unit of Transamerica Group, looks for "people with broad-based capabilities," said Jeff Cooper, a vp with the Woodland Hills, Calif.-based insurer. This includes what Mr. Cooper called "the real basics," like loss collection and documentation. But he said that intermediaries should also offer value-added services such as actu-

Continued on page 32D

Does Your Reinsurer Always Keep His Head?



Does your reinsurer measure up?
Is he weak in handling claims?
Slow in sending the check?
A bit hesitant on pro-rata?
Maybe a little low on capacity?
Whatever you need in reinsurance,
North American Re can provide.

We have professionals in all reinsurance disciplines, and an A+ Best's rating.

We're also pioneers in the creation of non-traditional, financially-oriented reinsurance techniques.

North American Re.
We keep our head on our shoulders.

NORTH AMERICAN



**Choosing A Reinsurer
Shouldn't Be A Risk**

NORTH AMERICAN REINSURANCE CORPORATION 237 PARK AVENUE, NEW YORK, NY 10017 (212) 907-8000
ATLANTA BOSTON CHICAGO DALLAS LOS ANGELES NEW YORK PHILADELPHIA SAN FRANCISCO

Intermediaries

Continued from previous page

Mr. Williams of San Francisco Re said ceding companies also seek innovation from brokers. Instead of simply carrying out the client's wishes, the broker should be able to bring new ideas to the customer without violating the confidences of other clients, he said. Brokers have the advantage of dealing with a "whole list of clients" to which the individual customer would not have access.

"Clients are demanding an increasingly sophisticated approach to the traditional services of program design and marketing, the collection of claims, the preparation of documentation, the tracking of overdue balances if any, as well as a sophisticated evaluation of reinsurers' security," said Sulli-

van Payne's Mr. Espe.

"Continuing attention is being paid to the brokers' ability to add value in areas beyond their traditional role by providing actuarial assistance, computer systems design and implementation, internal reinsurance management systems and legal advice and counsel. Feedback from our clients indicates that they find this approach of tremendous value," he said.

E.W. Blanch's Mr. Cashman also said intermediaries are asked to provide actuarial services and catastrophe analysis. His firm markets a loss prediction program called CATALYST, designed to help insurers determine their exposures to natural disasters.

Of course, even the best services do not guarantee that the cedant-broker relationship will last until death—or its corporate equivalent—does them part.

"There's no question that ceding companies do change. It's still very much a people business. When a fellow goes from one intermediary to another, he takes some clients with him," said San Francisco Re's Mr. Williams. A lack of good chemistry between the individuals involved in an account can also lead to a transfer of business, he said.

Nevertheless, ceding companies generally look at their dealings with reinsurance brokers as a long-term relationship rather than a financially favorable fling that will end as soon as a better deal comes along. Chubb's Mr. Talley summed up the assessment of many of his counterparts by saying: "A very fine intermediary can take an awful lot of burden off your shoulders."

Associate Editor Colleen Johnson also contributed to this article.

Ceding companies keep finger on pulse of reinsurer security

By MARK A. HOFMANN

Ceding companies do not rely solely on their brokers' analysis to evaluate reinsurer security.

Many, in fact, have formal, even elaborate, mechanisms to monitor the soundness of their reinsurance.

At American International Group Inc., a security committee meets at least four or five times a year to discuss the quality of the company's reinsurance, said Christian Milton, vp-reinsurance for New York-based AIG and de facto

chairman of the committee.

Composed solely of senior officers and directors, the committee includes AIG Chairman Maurice R. Greenberg, the senior officer of each major operating division, the controller, legal counsel and the chief financial officer.

"We establish philosophy and implement it," said Mr. Milton. The committee examines reinsurer balance sheets to pinpoint "distinct changes" that need to be explained, he said.

It also looks closely at "to what extent does the company delegate its pen to managing general agents," he said. Other companies had often delegated total authority to MGAs, but doing so "is giving your balance sheet away," he said.

At Fireman's Fund Insurance Co., an eight- to 10-member security committee compiles a list of "approved" reinsurers and brokers for all company units, said James Williams, president of the San Francisco Reinsurance Co. unit.

That committee includes reinsurance executives, underwriters and financial analysts, said Mr. Williams, who has some responsibilities for the Novato, Calif.-based parent company's internal reinsurance operations.

Mr. Williams said reinsurers are approved for property and casualty business or property business alone. In theory, a reinsurer could be approved for casualty alone, he said, although he could not recall a company approved only for casualty.

Mr. Williams, who would not say how many brokers or reinsurers are on the "approved" lists, said Fireman's Fund's aim was to maintain a large enough pool to meet all of its needs.

Transamerica Insurance Co., a unit of Transamerica Corp., has no security committee and has used the same core of 10 to 12 reinsurers in its 15 or so treaties for several years. "We're relatively comfortable with these companies," said Jeff Cooper, a vp for the Woodland Hills, Calif.-based insurer.

Transamerica has used the same lead reinsurer on its primary treaty since 1965, said Senior Vp Linda Bell, who described the company as a "strong domestic reinsurer."

On wider geographic areas, said Mr. Cooper, Transamerica uses a larger group of reinsurers. "Most of the people we'd be looking at overseas are the very large household names," he said.

Face-to-face meetings either in California or at the reinsurer's home offices are an integral part of the company's strategy, Ms. Bell said. "We feel it's very important to get to know the management of these companies."

Many reinsurance officials consult various financial ratings and track the surplus of reinsurers, two actions Mr. Cooper called "very simple first cuts."

Transamerica examines reinsurer management. "Are we familiar with these people?" is one of the questions Transamerica asks, Mr. Cooper said.

The company also considers ownership critical. A small reinsurer with a respected parent company would probably be more acceptable than a similar reinsurer whose parent is unknown, he said.

Ms. Bell said that the system has served Transamerica well. "We're not in a position that we need capacity so badly that we've had to compromise our security."

Errors & Omissions

Agents and brokers are using many methods to reduce the potential for errors and omissions claims. BI editors will report on examples of how agents and brokers can review their operations and implement loss prevention programs. Plus, they'll provide tips on how to select the right E&O insurer for a particular agency or brokerage.

Issue: January 7

Ad Closing: December 20

Financial Planning/Life Insurance Sales

Expanding to new business categories may be an attractive option for many agents pressured by low property/casualty rates. Financial planning services and life insurance sales are just two options. Can all agents turn to these areas — or should these be pursued by only a few, specialized agencies? Editors will talk with agents who have successfully built up business in these categories.

Issue: February 4

Ad Closing: January 23

Agency-Insurer Relations

What are agents expecting from their insurers and vice-versa? BI editors will focus on the special pressures agencies and insurers exert on each other as a result of the continuing soft market. And, they'll look at how each side relies on the other to prepare for a change in market conditions.

Issue: March 4

Ad Closing: February 19

Agent/Broker Topics is a monthly demographic section published within the pages of Business Insurance, and sent exclusively to BI's agent/broker subscribers.

Advertisers in Agent/Broker Topics are positioned within an unparalleled editorial environment and reach an undiluted audience representing a wealth of purchasing power for insurance products and services. With an average premium volume of \$14.91* million, 94%* of these influential readers take action as a direct result of the articles or advertisements they read in Business Insurance.

* An Audience Profile of the Business Insurance 'Agent/Broker' Subscriber, 1990.

New York: 220 East 42nd Street, NY 10017 · 212/210-0228

Chicago: 740 Rush Street, IL 60611 · 312/649-5276

Los Angeles: 6500 Wilshire Boulevard, CA 90048 · 213/651-3710

Business Insurance
a publication of Crain Communications Inc.

J
a
n
u
a
r
y

F
e
b
r
u
a
r
y

M
a
r
c
h

A
g
e
n
t
B
r
o
k
e
r
T
o
p
i
c
s

WHAT PROFESSIONAL ASSET MANAGEMENT CAN DO FOR YOUR COMPANY'S OUTLOOK.

Professional asset management can bring a smile to your company's balance sheet.

At The Insurance Group of Alliance Capital, we design investment plans to benefit your total business. By combining proven investment expertise with an in-

depth understanding of the insurance industry, we can custom tailor a plan to suit your company's needs.

Alliance is one of America's premier money managers with nearly two decades of experience. To find out more about

how Alliance Capital can maximize your company's profit potential, call Allan Keith, Vice-President, at 212-969-1433.

AllianceCapital 
THE ASSET MANAGEMENT PROFESSIONALS.

Big insurers' problems may help regionals

By MARK A. HOFMANN

SAN ANTONIO—Faced with pressure to improve results, national insurers in the 1990s will abandon loss-riddled lines of business—and even some states altogether—to focus on profitable niches, several industry experts say.

By withdrawing from specific lines of coverage in various states, national insurers could create new revenue opportunities for smaller, regional insurers, several experts agreed during a day-long examination of "An Industry in Transition: Issues and Opportunities" during the fall conference of the American Assn. of Insurance Services, held in

San Antonio last month. The AAIS is a Bensenville, Ill.-based rating, statistical and advisory organization, principally composed of small and medium-sized property/casualty insurers.

AAIS

"I believe that by the year 2000, most companies will have become specialists in particular lines of business," said Charles A. Bryan, a partner in charge of Ernst & Young's casualty actuarial practice in New York.

"The traditional multiline companies will reorganize themselves to focus on lines of business that they think they can be successful in and to withdraw from other

lines of business," he said.

"I believe we will see a continuation of the strong influence of the regional and local insurance carriers in knowing their market very well and working to keep the insurance environment healthy within the state," he added.

Companies like the United Services Automobile Assn. in San Antonio; Washington, D.C.-based GEICO Corp.; and Los Angeles-based Farmers Insurance Group have already staked out their reputations as personal lines specialists, Mr. Bryan noted.

Other insurers, though, have been slow to withdraw from troubled lines of business or states for several reasons, according to Mr.

Bryan. For example, much personal auto and workers compensation insurance is written by mutual or reciprocal insurers, which "perhaps" don't feel as much pressure to turn a profit as stock companies, he said.

Insurers have also become accustomed to the underwriting cycle and are willing to accept losses in the belief that the cycle eventually will turn in their favor, he said.

And in some states, regulators require insurers to write unprofitable lines as a condition for keeping their licenses to write profitable lines in the state, he said.

The situation will change in the 1990s, Mr. Bryan predicted.

Even though foreign insurance

companies will continue to pump capital into U.S. operations, poor results will eventually outweigh the influx of capital, he said. And, regulatory scrutiny of insurers' financial results and practices will increase, he predicted.

In response, insurers will begin cutting their losses and withdrawing from unprofitable lines of business and states where they are losing money, Mr. Bryan said.

Another speaker warned, however, that any withdrawals from states or lines of business could stymie insurer efforts to promote legislative change.

"There is a growing concern that we have an oligopolistic market" in personal lines insurance, said Robin K. Campaniano, insurance commissioner of Hawaii since 1987. Mr. Campaniano said that as smaller players pull out, four to eight companies often come to dominate a state's personal lines market.

Consumers and lawmakers aren't amused by the sight of companies packing up and leaving, he said. Insurer-supported efforts to promote tort reform or establish no-fault auto insurance mechanisms will suffer as public attention shifts to withdrawals, Mr. Campaniano said.

However, the withdrawal of national multiline companies from personal lines may "open a window of opportunity" for regional companies, said Donald F. Peterson, corporate secretary of Minneapolis-based Austin Mutual Insurance Co. Mr. Peterson's company is licensed in eight states, predominantly in the Upper Midwest.

One of the chief strengths of regional insurers is their knowledge of local conditions, according to Mr. Peterson. He stressed that this knowledge was not confined to understanding the underwriting facts of life in a given state or region, but included a knowledge of local political realities as well.

"An advantage we have is through the state legislative arena. State legislators will listen to a local, regional company," Mr. Peterson said.

Lawmakers look at regional insurers as companies that employ local people and provide livelihoods for local agents rather than as faceless corporations, he said.

But he emphasized that regionals have to take the initiative in getting their views across to both lawmakers and the public at large. "We can start by educating our own employees, and we've done a lousy job in the past," he said. Company executives need to explain to employees what insurance is, how it works and how pending legislation or regulation would affect them, he said.

"You can't sit back and say, 'As a small company, we really don't matter,'" Mr. Peterson said.

Other speakers stressed the importance of communicating with the public.

Denis J. Walker, president and chief executive officer of McMinnville, Ore.-based Oregon Mutual Insurance Co., called on AAIS members to initiate greater educational efforts. "We have to be sure we tell our policyholders what is happening and why," he said.

Oregon Mutual earlier this year sent its first newsletter to policyholders and plans to send another. Mr. Walker said he was not attempting to downplay the role of agents, but rather to open another line of communication.

Howard C. Stevens, president, chairman and chief executive officer of Penn Mutual Insurance Co.

Continued on next page

Claims Automation & CPCU Report

Today's technology provides claims departments with more than statistics ... now qualitative information — programs that offer value judgements — are also available. From the detection of insurance fraud to artificial intelligence, BI editors will report on how insurers are using advanced automation systems to improve their operations. Also in this section — a report on the Chartered Property & Casualty Underwriters conference

Published: October 15

Reinsurance Issues & Relations With Intermediaries

BI editors will report on how insurance companies select reinsurance intermediaries — what they look for and what they expect. In addition, this section will reveal how direct writers — reinsurers not marketing their coverage through an intermediary — approach insurance companies as well as how insurers interact with direct writers.

Published: November 19

Mergers/Acquisitions/Divestitures

How outside economic forces are reshaping the property/casualty and life insurance industries will be the focus of this section. BI editors will assess merger activity ... is it on the rise in the insurance industry? Are foreign companies setting their sights on U.S. insurers? These questions and more will be examined in an issue of vital concern to our readers.

Issue: December 17
Ad Closing: December 4

Insurer Topics is a unique editorial product — a demographic section within the pages of the undisputed leader in the commercial insurance industry: Business Insurance.

Because of BI's unique position in the marketplace, Insurer Topics offers an unparalleled advertising opportunity. Once each month issues of BI containing Insurer Topics are sent to and read by an exclusive audience of insurance and reinsurance company subscribers. These readers ... an audience undiluted by other functions ... rely on BI for news and trends affecting and influencing decisions made by corporate insurance buyers ... their customers. And they rely on this demographic section for information directly affecting their own business operations.

To you, as an advertiser, these insurance and reinsurance company readers represent a wealth of purchasing power for your products and services. No other publication offers you such a unique selling proposition.

Business Insurance
a publication of Crain Communications Inc

220 East 42nd Street, New York, NY 10017-5806 (212) 210-0228
740 Rush Street, Chicago, IL 60611-2590 (312) 649-5276
6404 Wilshire Boulevard, Los Angeles, CA 90048-5500 (213) 651-3710

Insurer Topics

A 'failure to communicate' Media experts rap insurers for poor PR efforts

By MARK A. HOFMANN

Washington, D.C.

WASHINGTON—The property/casualty insurance industry has such dire public image problems because it gets tongue-tied when trying to convey its message, according to several communications experts.

In addition, insurers shouldn't expect a pat on the back from the press for doing the job consumers pay them to do, warned a financial journalist during a panel discussion at the Society of Chartered Property & Casualty Underwriters' annual conference last month in

Washington, D.C. Insurers have to remember that they live in "the real world" when they become downcast because newspapers don't run giant headlines praising their quick response to disasters, Stratford P. Sherman told the audience of insurance professionals. Mr. Sherman, a member of the board of editors of Fortune magazine in New York, was one of four panelists participating in a discussion titled: "Portraying an Industry: The Press Speaks Out."



The discussion was the second annual Society of CPCU-Harry J. Loman seminar, sponsored by The Loman Foundation, an independent, non-profit organization that works with the society to promote insurance-related research and educational activities. The foundation was created in 1961 to honor Harry J. Loman, first president of the Malvern, Pa.-based American Institute for Property & Liability Underwriters.

James Kirschbaum, a past president of the Society of CPCU and chairman of the foundation, said that the foundation wants to bring

in people and ideas from outside the insurance industry to present their viewpoints on issues affecting insurance.

Mr. Kirschbaum explained the choice of the 1990 topic by saying, "I needn't tell you our industry is and has been for some time under intense public scrutiny. Within our industry we have debated and discussed our 'image.'"

Panel moderator Richard L. Katten—the society's 1989-90 president and executive vp of the Ferd. Marks Agency Ltd. in New Orleans—asked the panelists how press
Continued on next page

Continued from previous page in West Chester, Pa., and 1989-90 chairman of AAIS, called upon his fellow insurance company executives to spend one day a week trying to solve the industry's problems.

Mr. Stevens urged his audience to take that time to get involved in their communities.

Insurer executives should take advantage of opportunities to talk to local groups like community service clubs and business organizations about insurance, Mr. Stevens said.

"Ask questions and listen, listen, listen," advised Mr. Stevens.

Mr. Stevens sought to pre-empt complaints that his strategy was unrealistic.

"Some of you will say you can't afford to do it. I say as the CEO of an insurance company, you can't afford not to," he stressed.

Other speakers during the day-long discussion were: Richard Patronik, vp-treaty department for General Reinsurance Co. in Stamford, Conn.; Donald W. Seagraves, executive director of the Insurance Research Council in Oak Brook, Ill.; Gregory V. Serio, counsel to the New York State Senate Standing Committee on Insurance; Courtney Wood, owner of Courtney Wood & Associates insurance agency in Edmond, Okla.; and Richard Yingling, president of the Yingling-Mauzy Agency in Kalamazoo, Mich.

The AAIS board of directors chose new officers in a meeting at the end of the conference.

Keith H. Langston, president of Buckeye State Mutual Insurance Co. in Covington, Ohio, was named chairman. Mr. Langston will succeed Mr. Stevens.

Kirk M. Hayes, president and treasurer of Druggists Mutual Insurance Co. in Algona, Iowa, was elected chairman-elect.

Robert A. Wadsworth, senior vp and secretary of Preferred Mutual Insurance Co. in New Berlin, N.Y., was elected vice chairman.

1990 | 1991

Business Insurance

DIRECTORY



of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

Updated and expanded, the 1990/91 Directory includes information on more than 13,000 executives from over 2,100 companies of all sizes located throughout the U.S. Plus, vital statistics on all companies listed include:

- primary type of business
- sales or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for:
 - employee benefits — pension/retirement plans — personnel — risk & insurance management — property/casualty insurance — international employee benefits and/or risk management

Order the 1990/91 Business Insurance Directory of Corporate Buyers today — gain access to the executives who are directly responsible for the purchase of commercial insurance, risk management and employee benefits.

Order today! Complete the coupon and mail, or phone 313/446-1623. For tape sales or information call 313/446-1625.

Mail to:
Business Insurance Directory
Single Copy Sales
965 East Jefferson Avenue
Detroit, MI 48207

Reserve _____ copies
\$85 each
15% discount when you order 5 or more.
All orders must be prepaid.
Make check payable to:

Business Insurance Directory

Total enclosed: \$ _____

or charge my Visa Mastercard
 American Express Optima

Account # _____

Exp. Date _____

Signature _____

print name _____

title _____

company _____

address _____

city _____ state _____ zip _____

phone _____

From The Reprint Department Of:

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with \$3⁰⁰ per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of Business Insurance, contact Single Copy Sales. Call (313)446-1609.

Insurer Topics

Public relations

Continued from previous page
 coverage of business issues in general has changed during the past decade and how the change had affected coverage of the property/casualty insurance industry.

Fortune's Mr. Sherman replied that coverage of business has improved on a national level. But local newspapers are trying to do more with fewer resources while public interest in business-related issues has grown, he said.

"Bad press probably hurts more than it ever did before," Mr. Sherman said.

"My impression, without any great expertise in the insurance industry, is by and large your customers hate you," Mr. Sherman remarked.

Roberta Baskin, consumer editor for WJLA-TV, the American Broadcasting Co. affiliate in Washington, D.C., said that insurers appear to feel "beleaguered" and "victimized."

But she added quickly, "I think in the eyes of most consumers, the insurance industry is suspect."

In fact, the public views insurers in much the same way as savings and loan associations, Ms. Baskin said.

"You have to do a better job of getting your message out," she said. Too much advertising has relied on vague slogans rather than attempting to educate consumers about what insurers do, Ms. Baskin said.

"In some ways, you don't speak the same language. You've invented your own insular language," she said.

Ms. Baskin illustrated her point by applying a few insurance policy terms to the act of one person giving another an orange.

According to Ms. Baskin, when a reporter gives someone an orange, the reporter says, "Here's an orange for you." But when an insurance agent performs the same act, the description is festooned with such arcane terms as "chattel," "appurtenances" and "fee simple," she said.

Others on the panel shared Ms. Baskin's contention that insurers don't speak the same language as their customers.

"You've got a real problem," agreed Mr. Sherman.

"What's the nature of the problem? I think the nature of the problem is that your industry doesn't make any sense," he said.

"Certainly, the average consumer who pays hundreds or thou-

sands of dollars a year on various forms of insurance doesn't understand what your profit problems are," Mr. Sherman said.

Consumers don't understand that property/casualty insurers are probably selling their products at a loss, he said.

The industry's "phenomenal cycles" in profitability further perplex customers, he said, noting that insurers' behavior during these cycles makes the word "lemmings" an apt description.

Mr. Sherman urged his audience

insurance premium hikes for drivers with spotless records—that cause negative perceptions, she said.

Mr. Sherman's advice for those insurance industry professionals who wish to establish better relations—and a better image in general—with the press was simple: Stay in touch.

"It's incumbent upon you to educate the reporters, particularly the local ones," he said.

Mr. Sherman said that people who make their living in the insur-

Mr. Stewart is scheduled to succeed Mechlin Moore as the property/casualty industry-supported institute's president in June 1991.

Mr. Stewart, a former speechwriter for President Carter, admitted that insurance as an institution isn't terribly popular.

He noted, however, that institutions in general do not seem to be riding any great wave of popularity.

Mr. Stewart also said that for much of the public, "insurance is insurance is insurance."

If a consumer has problems with, say, Medigap coverage, the ill feeling can spill over to the property/casualty insurance industry even though the property/casualty industry doesn't have anything to do with the Medigap problem, Mr. Stewart commented.

Mr. Stewart added, however, that surveys have shown that while consumers might express dislike of the insurance industry as a whole they generally look upon their own agent and insurance company favorably.

Nevertheless, he agreed with the other panelists that actions speak louder than words.

"All the PR in the world that we do will not work if the behavior is not the best it can possibly be," Mr. Stewart said.

"I think the strongest weapon we have in the difficult time ahead is in fact the truth," he said, praising the Society of CPCU for its emphasis on ethics.

Mr. Stewart also said the insurance industry shouldn't be unduly concerned with the barbs cast by consumer advocate Ralph Nader.

"In reality, I don't think he's hurting us as much as he's hurting us emotionally," Mr. Stewart said. The insurance industry should respond to Mr. Nader's attacks with facts and not allow itself to get "obsessed" with him, Mr. Stewart advised.

Newsweek's Mr. Waldman said that insurers can be "skittish unnecessarily" in their dealings with the press.

Some insurers' practice of insisting that even the most innocuous information cannot be divulged on the record is self-defeating, he said.

"You can't help but win by giving more access," he said. ■

Noting that bad press probably hurts more than it ever did before, Stratford P. Sherman of Fortune magazine says, 'My impression, without any great expertise in the insurance industry, is by and large your customers hate you.'

to focus on a long, cumulative approach to helping the public understand how insurance works.

Also, the public needs to be educated on the issues affecting the insurance industry, he said. For example, insurers need to make people understand how they price products, he said.

"It's your job as an industry to make sure everyone understands that. You haven't even begun that job yet, and it's going to take you at least a decade," Mr. Sherman commented.

Public relations is not the answer, he said. "Solving the problem is the answer," Mr. Sherman asserted.

Mr. Sherman called on insurers to address common problems that affect the insurance industry and consumers, such as the rising cost of automobile repairs.

Doing so is much more effective than spending tens of millions of dollars on political action as the insurance industry did in its failed effort to block California's Proposition 103 in 1988, which Mr. Sherman called the product of "obviously wrongheaded consumer advocates."

The insurance industry "can no longer view itself as a pass-through mechanism," said panelist Steven Waldman, a reporter for New York-based Newsweek magazine.

Instead, it will have to battle actively to lower costs, he said. This could mean taking on such powerful groups as automobile parts dealers and medical groups, he said.

In return, insurers can be viewed as paragons of virtue, and could be looked on as leaders in automobile safety and in workplace safety, Mr. Waldman said.

Insurers could present themselves truthfully as "the ones who will help you find the best, cheapest repair job," he said.

"Play the role of consumer's friend on the way to actually keeping rates low," Mr. Waldman advised.

The Society of CPCU's Mr. Katten asked the panel why the insurance industry doesn't receive praise for its quick reactions to disasters such as last year's Hurricane Hugo.

Mr. Sherman quickly replied, "Unfortunately, for all of you and for all of us up here, we do live in the real world. And in the real world, good news doesn't sell newspapers or magazines or TV ads, so forget about it."

"Never expect anyone to pat you on the back for doing your job properly," he said.

WJLA's Ms. Baskin said that during a disaster, consumers perceive the insurance industry as being on their side.

It is the "nitty-gritty" daily things—such as sudden automobile

"Communicating with the Customer"

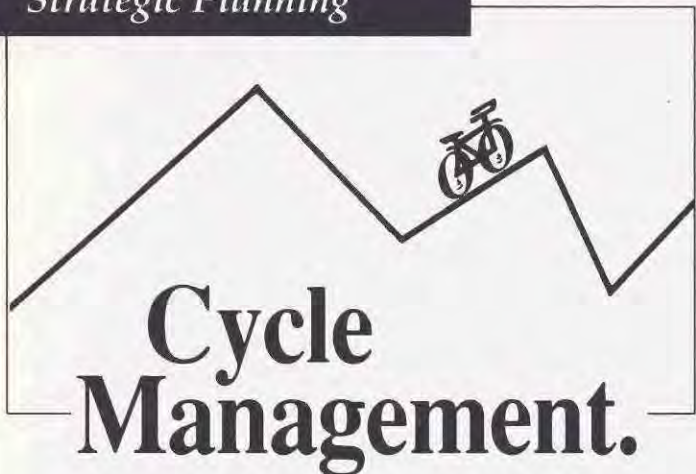
Insurance Marketing Communications Association

Winter Conference

**JANUARY 13 - 16, 1991
 ORLANDO, FLA.**

Call IMCA, 617-266-8400

Strategic Planning



Planning for the short term is like riding blind. Kernan Associates will guide you along the road towards stable profitability.

Our senior staff members deliver affordable, professional consulting to establish your firm's identity and direction. We concentrate on long-range goals, define marketing systems, and sharpen staff-wide skills so you can steer resources toward your prime markets.

Call us today at (201) 665-2273 for our free brochure. We'll help you keep the road clearly in focus.

Kernan Associates, Inc.
 Insurance & Reinsurance Consultants
Unique solutions for your individual needs.

P.O. Box 128 • Gillette, NJ 07933-0128 • (201) 665-2273

Advertiser

Index
Insurer Topics

Issue of November 19

ADVERTISER	PAGE #
Agent/Broker Topics	32D
Alliance Capital Management	32E
Directory of Buyers	32G
IMCA	32H
Insurer Topics	32F
Kernan & Assoc. Re Inc. Co.	32H
North American Reinsurance	32C

Business Insurance

Continued from previous page

Clients: 500 total clients; 70% with 1-100 employees; 25% with 101-1,000 employees, 4% with 1,001-5,000 employees, 1% with more than 5,000 employees. Average plan size, 100 participants; largest plan, 20,000 participants; no minimum or maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Al Shemtob, president; Cheryl Roland, vp.

Benefit Administration Services Ltd.

401 E. Capitol St., Suite 413, Jackson, Miss. 39201; 601-969-1286; fax: 601-354-4085

Year founded: 1984; began offering 401(k) plan administration services in 1987.

Software: Software is written and maintained by the company; can accommodate three investment funds and four kinds of contributions.

Administration: Uses unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides optional government forms preparation (5500).

Service area: Sun Belt states.

Staff: 13 total staff members; four staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one CLU.

Clients: Three total clients; 100% with 101-1,000 employees. Average plan size, 115 participants; largest plan, 200 participants; minimum size plan, 100 participants; no maximum size plan.

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

1989 gross revenues: \$701 million total; \$16.4 million from 401(k) plan services.

Principal officers: Tom Brown, president; Leslie Ashford, vp; John Nicholson, chairman.

Contact: Leslie Ashford or Marcus Glenn.

Benefit Concepts Inc. of Rhode Island

396 Wampanoag Trail, East Providence, R.I. 02915; 401-438-7100; fax: 401-438-5420

Year founded: 1980; began offering 401(k) plan administration services in 1984.

Software: Software is purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides design, document preparation, IRS qualification, communication, payroll coordination, investment manager selection.

Service area: New England.

Staff: 16 total staff members; 10 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one MBA, one CPC, one QPA.

Clients: 100 total clients; 35% with 1-100 employees; 60% with 101-1,000 employees, 5% with 1,001-5,000 employees. Average plan size, 110 participants; largest plan, 1,400 participants; minimum size plan, five participants; no maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Frank J. Hoder III, John W. Hoder, Margaret Lemieux, Stephanie Cretekos.

Benefit Services Corp.

1375 Peachtree St. N.E., Suite 700, Atlanta, Ga. 30309-3116; 404-872-0700

Year founded: 1971; began offering 401(k) plan administration services in 1971.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides enrollment assistance, communication assistance, payroll integration.

Continued on page 38



Business Insurance



of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

The 1990/91 Directory is updated and expanded — it includes information on more than 13,000 executives from over 2,100 companies of all sizes located throughout the U.S. Plus vital statistics on all companies listed include:

- primary type of business
- sales or assets
- number of employees
- name and title of CFO
- names and titles of executives directly responsible for: employee benefits; pension/retirement plans; personnel; risk and insurance management; property/casualty insurance; international employee benefits and/or risk management

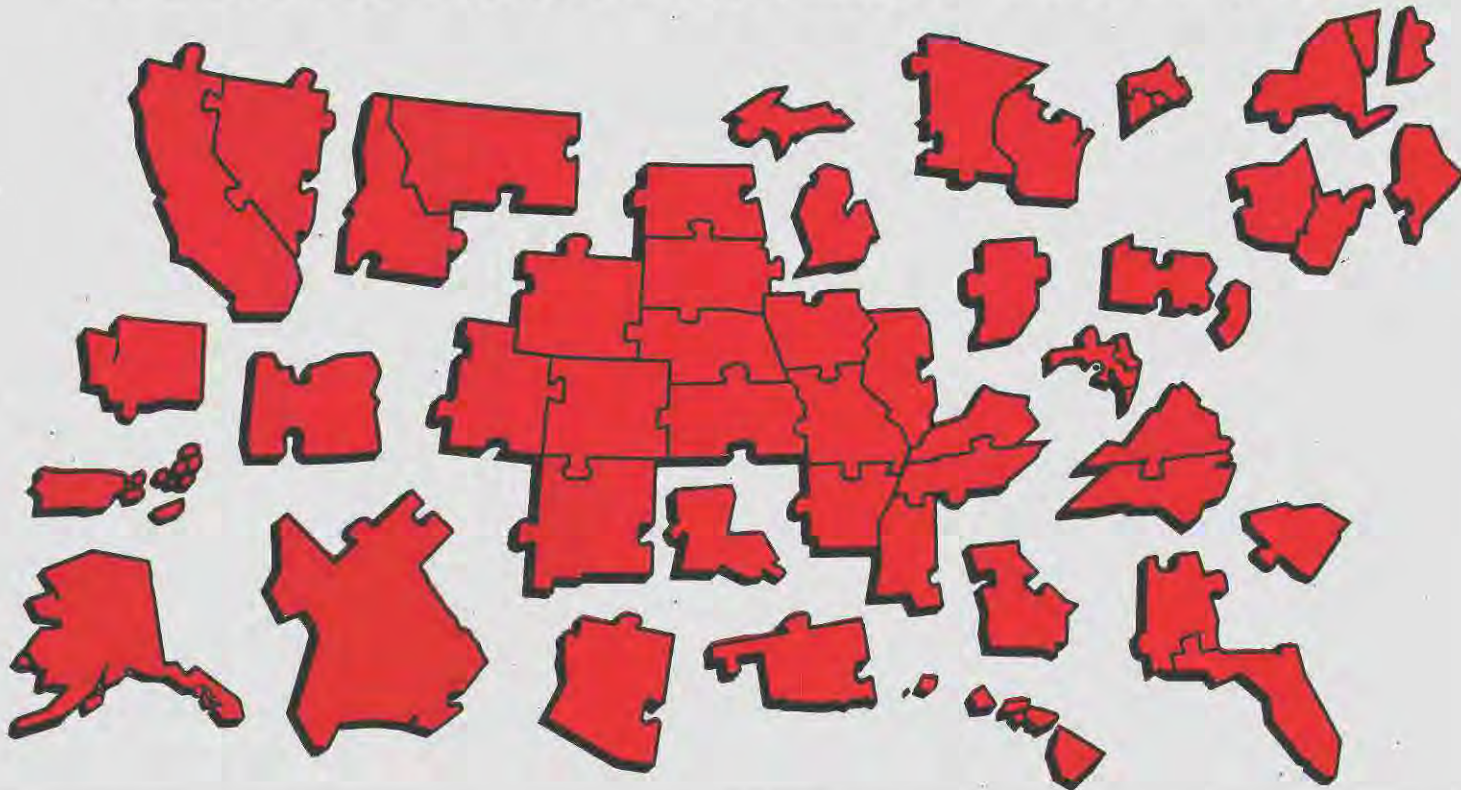
Order the 1990/91 Business Insurance Directory of Corporate Buyers today — gain access to the executives who are directly responsible for the purchase of commercial insurance, employee benefits and risk management.

To order your copy phone: 313-446-1623. For tape sales or information call: 313-446-1625.

Or, complete the coupon and mail to: Business Insurance Directory Single Copy Sales 965 East Jefferson Avenue Detroit, MI 48207

Reserve _____ copies
\$85 each (15% discount when you order 5 or more). All orders must be prepaid.
Make check payable to:
Business Insurance Directory
Total enclosed: \$ _____
or charge my Visa Mastercard American Express Optima
Account # _____
Exp. Date _____
Signature _____
print name _____
title _____
company _____
address _____
city _____ state _____ zip _____
phone _____

Solve the Insurance Law Puzzle Now...with INSURLAW™ on LEXIS®



There's only one place where you'll find the online information to answer your insurance law questions instantly — and that's INSURLAW™ on Mead Data Central's LEXIS® Service.

Use INSURLAW™ and you'll have the information you need, at your fingertips. After all, when you use INSURLAW™, you're using the National Insurance Law Service online. Get all the information you need — on demand, in seconds, for all 50 states:

- Insurance laws
- Insurance regulations
- Automobile financial responsibility laws and Workers' Compensation in the related laws (RELLAW) file
- State Insurance Department Bulletins, Circular letters, and Directives
- Attorney general opinions

INSURLAW™ is easy to use. And with INSURLAW™, you'll stay abreast of all of the changes in laws and regulations for

all 50 states — so you can meet the challenges and take advantage of the opportunities created by these changes.

Current information...an incredible variety of search options... easy access...all part of the edge you get with INSURLAW™.

In addition to INSURLAW™, you'll also find insurance court decisions, law journal articles and the proceedings of the National Association of Insurance Commissioners all on LEXIS®. And, you'll find the Insurance Periodicals Index online. This important resource indexes and abstracts all the major insurance trade publications, so you can conduct important legal, product development, and competitive research quickly and efficiently. No other online service gives you this much insurance information.

Hundreds of insurance professionals are already benefiting from the INSURLAW™ advantage. Isn't it about time you looked into INSURLAW™?

Complete, detach, and return today!

YES!!! I want to unscramble the puzzle of insurance law. Send me more information on INSURLAW™ — the National Insurance Law Service online — and Mead Data Central's LEXIS® service.

Name _____
Title _____
Company _____
Address _____
City _____ State _____ Zip _____
Phone () _____ Ext _____

NILS Publishing Company • P.O. Box 2507 • Chatsworth, CA 91313-2507



INSURLAW™

For more information, call the INSURLAW™ HelpLine TOLL-FREE:

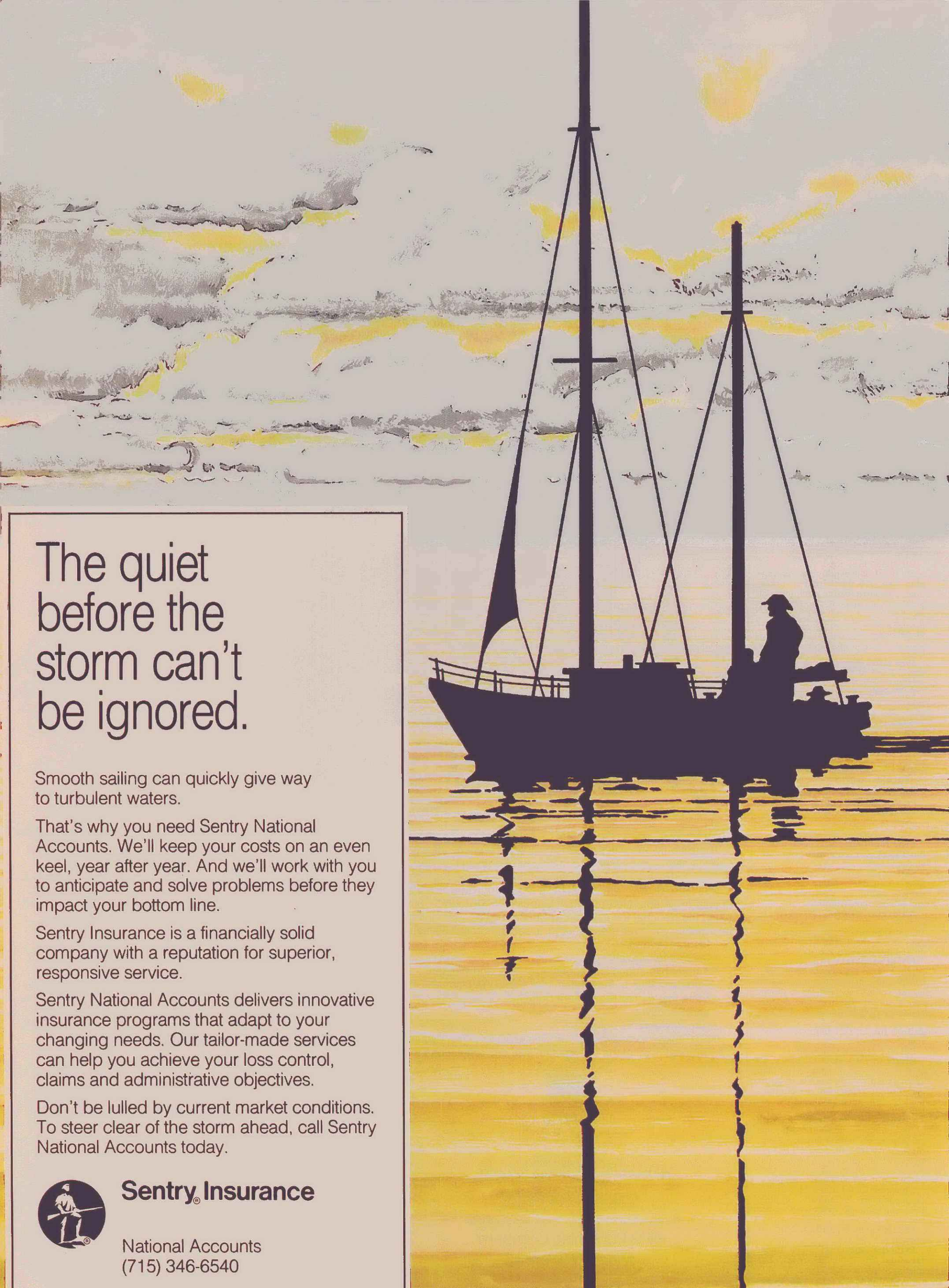
1-800-423-5910

(Outside U.S., call 818-998-8830)

Or, complete the coupon below, and send it to:

NILS Publishing Company

Attention: Marketing Department
P.O. Box 2507, Chatsworth, CA 91313-2507



The quiet before the storm can't be ignored.

Smooth sailing can quickly give way to turbulent waters.

That's why you need Sentry National Accounts. We'll keep your costs on an even keel, year after year. And we'll work with you to anticipate and solve problems before they impact your bottom line.

Sentry Insurance is a financially solid company with a reputation for superior, responsive service.

Sentry National Accounts delivers innovative insurance programs that adapt to your changing needs. Our tailor-made services can help you achieve your loss control, claims and administrative objectives.

Don't be lulled by current market conditions. To steer clear of the storm ahead, call Sentry National Accounts today.



Sentry[®] Insurance

National Accounts
(715) 346-6540

The crisis is real

Employers, insurers must act to control health costs

By Dr. Otis R. Bowen
and Thomas R. Burke

IMAGINE THAT ALL AMERICANS could buy as many shoes as they wished, pay only 10% of the cost and have their employers pay the balance. Imagine further that any American with the requisite capital could open a shoe store anywhere in the United States and charge any price for shoes, regardless of cost.

It wouldn't be long before the average American had as many shoes as Imelda Marcos, employers were confronted with a financial crisis from paying vast amounts to equip employees and their dependents with extravagant footwear and a lot of well-heeled workers lost their jobs.

While seemingly ridiculous, this is the situation in today's health care industry. Employer health care costs continue to increase at rates of 20% per year or more with no relief expected in the near term. With these rates, employers can expect their health care costs to double every three years. Corporate chief executives who bemoan the advent of a national health insurance system are often unwilling to demonstrate the intestinal fortitude needed to get health care costs in line.

The old adage that "everyone talks about the problem but no one does anything about it" certainly applies here.

Employers increasingly are turning to managed care as a panacea. They view large insurers' managed care products as a way to control mounting health care burdens with little effort on the employer's part. Unfortunately, the record on managed care is spotty at best. Many managed care products are simply physician fee discounting schemes. If nothing else, we should have learned from the Medicare experience that physician fees have little to do with the cost of physician services.

During a recent three-year period when physicians' fees were frozen, Medicare's physician payments increased an average of nearly 17% per year. Ancillary services offered in a physician's office in one year alone increased 20%.

Yet few managed care products contain utilization safeguards or performance standards adequate to insure against what has become a common physician practice for increasing revenues.

In general, many of the managed care products that are offered by large health insurers do not contain the provisions needed to insure their effectiveness in controlling total health care costs.

Astoundingly, more than 40% of corporate operating profits will go to health care this year, compared with only 9% in 1965. Ever-escalating costs mean individuals and corporations are spending a great deal more but getting less. Recent statistics indicate the United States currently spends 31% more of its resources on medical care than Canada, 65% more than Japan and 79% more than England; yet the value we get for these expenditures is questionable.

The United States ranks 12th among 36 major countries in life expectancy at 74 years—1.3 years shorter than its international competitors' average and 3.5 years shorter than No. 1 Japan. The U.S. ranks 21st in child mortality, with 12 deaths per 1,000 children under 5 years of age. This figure is 38% greater than the United States' competitors and 85% greater than No. 1 Sweden. Add to this the fact that the United States ranks 24th in the percentage of infants born with a birth weight below 2,500 grams, and one cannot help but question the cost-benefit of the vast sums expended on health

Speaking out

care in this country.

At a recent convention of a major health care provider group in the United States, the chief executive officer of one of this country's largest insurance companies stated, "the biggest obstacle to progress is that so many people are obsessed with the idea that we are in crisis."

He went on to state that the usual crisis arguments do not hold up since our economy is not collapsing from the diversion of 12% of its gross national product into health care and because health care expenditures are no different than for other industries. In fact, these expenditures support 6.4 million workers in jobs. He further noted that in 1988, despite big increases in health care costs, the United States "had the lowest increase in unit labor costs of the 18 major industrialized nations."

Since this viewpoint is not atypical among health care corporation executives, it warrants closer scrutiny. True, the United States had one of the

Fee-for-service, solo-practice medicine has been allowed to prosper for more than 25 years with insurers doing little to foster more efficient, cost-effective delivery mechanisms.

lowest increases in unit labor costs. However, unit labor costs are a function of productivity and productivity increases in the United States have not been great, due to the growing service component in the U.S. economy.

The question might also be asked: How many Americans have lost their jobs because of plant closures or relocations attributable to excessive health care costs?

We are deluding ourselves if we do not see a real crisis in health care, as a quick look at the statistics will attest.

Health insurance costs are increasing three times faster than the rate of pay for employees fortunate enough to have health insurance. More than 30 million Americans have no health insurance, despite that fact that some 22 million of them work 40 hours each week. Tragically, 12 million of the uninsured are children—America's greatest asset and hope for the future.

Between 1980 and 1987, some 20% of our real economic growth went to pay for health care costs. Among this nation's major competitors, this figure was only 11%. If health care costs had consumed the same amount of real economic growth in America as in Japan and Germany, the United States could have saved \$70 billion each year to invest in such areas as education and rebuilding the country's infrastructure. In 1987 alone, if the United States had spent the same share of GNP on health care as our international competitors, we could have saved \$158 billion.

As noted, vast health care expenditures did not put us among the world's leaders by any of the standard health care indicators and many argue that as much as one-third of U.S. health care expenditures are wasteful and ineffective.

The real tragedy, however, is the impact of huge health care costs on the average American household.

Between 1980 and 1987, real gains in income were almost wiped out by higher health care spending.

Median household income grew only 6.4%, or \$1,500.60, whereas average real household health care costs grew by 35%, or \$1,412. Thus, more than 90% of the gain in real income was spent on health care.

Can we afford this kind of economic folly? We think not.

We have known since Medicare's inception that health care in the United States is delivered by some of the most inefficient systems possible. The inefficiencies are fostered by a third-party financing system with inadequate incentives.

Many argue that the insurance industry has defaulted on its responsibility to exercise effective leadership in controlling costs. Fee-for-service, solo-practice medicine has been allowed to prosper for more than 25 years with insurers doing little more to foster efficient, cost-effective delivery mechanisms.

In the United States, more than one-third of staffed hospital beds lie empty on any given day, and the cost of this inefficiency is being passed on to third-party payers who do little to penalize hospitals for it.

If health care costs continue to increase by only 15% annually, they will amount to well over \$1 trillion per year by the year 2000. The most recent data from the Department of Commerce indicates that America is enlarging its status as the world's largest debtor nation. This, coupled with a budget deficit of more than \$200 billion that Washington seems incapable of controlling, would certainly lead one to conclude that if this is not a crisis, then we need to redefine the term.

From all of the above, one may deduce that corporate America must become more vigilant about its ever-mounting health care costs and cannot rely on off-the-shelf managed care products. Employers must demand more from managed care—better accountability and real cost containment. They must be willing to bargain with unions over health care provisions negotiated many decades ago that are no longer feasible or sensible.

Employees insisting on freedom of choice in physician selection must incur increased cost for selecting this health care feature. Employees, by and large, do not have the requisite information to select competent, efficient physicians and to the extent that they insist on going to the doctors and hospitals of their choice, regardless of their qualifications, practice patterns, cost, etc., they must be made to pay more than those willing to opt into efficient delivery systems.

If excessive, unwarranted health care costs are to be reined in, inherently inflationary and inefficient sacred cows are going to have to be confronted and slain. The time for devoting more than rhetoric to this issue has long since passed.

Insurance companies must recognize that there is a crisis and begin to market products with teeth that ensure delivery of effective, affordable, quality care.

Corporate chief executives, moreover, must demand and embrace these products even when they generate some employee discomfort. A nationalized health care system is far more likely to be the consequence of inaction today rather than deliberate choice later.

Dr. Otis R. Bowen is the former secretary of health and human services during the Reagan administration's second term. Thomas R. Burke is a principal with A. Foster Higgins & Co. Inc. in Washington, D.C. He is the former chief of staff of the Department of Health and Human Services during Dr. Bowen's tenure.

Need for RMIS grows in Far East

ONE OF THE DISTINCT pleasures of being in the risk management profession is the constant opportunity to learn new things.

So it was last month, when I had the privilege of speaking to risk management professionals at the second Asia-Pacific Risk Management Conference in Singapore, co-sponsored by the Risk & Insurance Management Society Inc. of New York and the Risk & Insurance Management Assn. of Singapore (*BI*, Nov. 12). I was part of a panel discussion on risk management information system applications, along with the risk manager of Apple Computer Inc. and a computer security consultant from Coopers & Lybrand in Singapore.

I have two observations from my experience in Singapore:

- Risk management information systems are definitely in their infancy in Asia.

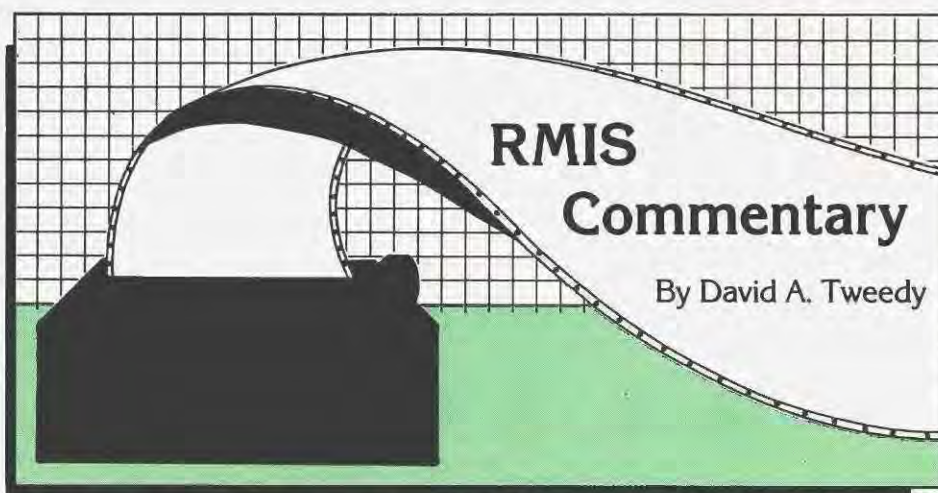
- A computer security application may be a powerful addition to the RMIS product line.

Risk management, as a discipline, is coming into vogue in Asia. Whereas insurance buying is still the primary emphasis for Asian risk and insurance managers, there is marked interest in the varied risk management disciplines of risk financing, risk transfer, risk control, etc. Asian risk managers are particularly concerned about their companies' U.S. exposures, like product liability, export-import problems, environmental impairment, asbestos and other difficult exposures.

From a system-needs perspective, they are in the beginning stages. Several factors contribute to this observation:

- Non-claims emphasis. Most systems in the United States are driven by the primary motivation of the risk manager to monitor, evaluate, pay and report on high claims volume/high claims cost coverages like workers compensation, general and product liability and auto liability and physical damage.

Not so in Asia, where administration of these coverages, as well as marine cargo insurance, are the chief



concerns. This includes managing certificates of insurance, identifying and describing insured locations and policy tracking.

- Greater broker dependence. Most Asian risk and insurance managers heavily rely on their brokers as their primary providers of all insurance services. If they have a sudden problem or need, they coordinate with their brokers.

- Cost sensitivity. This, of course, is true everywhere. But, in speaking with representatives from various vendors—such as Gallagher Bassett Services Inc., which has cautiously entered the region, and Objective Risk Management, an Australian RMIS vendor—Asian RMIS buyers are extremely cost-conscious. The preference seems to be toward microcomputer/personal computer platforms rather than a mainframe/time-share environment.

Nevertheless, I expect that it will not be long before RMIS becomes an invaluable tool in the Far East.

Cheri Hawkins, assistant treasurer and director of insurance for Weyerhaeuser Co. and the president of RIMS, predicted at the conference that the world was fast becoming a "global village." I agreed, noting that the computer is one of the primary instruments that will foster this concept's actualization.

At this stage, the brokers in Asia are probably the key targets of RMIS vendors. Because of the Asian risk

managers' heavy reliance on brokers, they must be able to quickly provide an abundance of factual and accurate information to their increasingly sophisticated clientele.

The systems developed first most likely will be exposure/insurance-oriented, rather than claims-oriented. I would also expect these systems to be personal computer-based since there is less reliance on mainframe and minicomputer platforms in that region of the world.

I would urge each U.S. risk manager with an existing RMIS to involve his or her Asian subsidiaries in the corporate RMIS. This would be a great way to increase the system's usage and, therefore, visibility around the corporation, as well as give an invaluable tool to the Asian unit's risk manager.

To Asian risk managers with U.S. interests, I would encourage them to look at various Western RMIS options, with heavy expertise in exposure-oriented software that will help them track the difficult product exposures in the United States.

The second major observation that I came away with from the Singapore meeting was after observing a prototype computer security diagnostic system developed by Chew Teck Soon of Coopers & Lybrand in Singapore. Mr. Chew's premise was that the computer can be used both positively, as Asian companies look to

manage their risk and insurance programs, and negatively, as a point of sabotage and a target for implantation of viruses and other malicious manipulations, which can bring a firm to a grinding halt.

The subject of computer security is an important one that risk managers worldwide face. It really deserves separate attention and has been written about extensively and continuously in *Business Insurance* and other periodicals.

However, Mr. Chew's presentation suggested to me that computer security, as an application function, could be part of a comprehensive RMIS. Coopers & Lybrand has designed an application that qualified an insurance company system's propensity for sabotage.

Such a subsystem, as part of a RMIS, would be an important tool to the risk manager in the face of this growing exposure. As risk management information systems become more interactive within the corporatewide management information system, the risk manager has great opportunity to truly identify, measure and manage the risk.

In summary, risk management information systems ultimately will become an important tool in Asia, as they have in the West. In the meantime, risk managers will mostly rely on their brokers for this service. The brokers will begin to rely more and more on these systems to provide continued service to their clientele. ■

David A. Tweedy is a senior consultant for Betterley Risk Consultants Inc. in Worcester, Mass. He is the editor of Betterley Risk Management Commentary and the author of RMIS Update, a yearly



publication analyzing major risk management information systems and vendors. Mr. Tweedy's column on risk management information systems appears the third Monday of the month.

Court overturns bad-faith suit restriction

The Supreme Court of Kentucky held that a policyholder may recover in tort for consequential and punitive damages when its insurer acts in bad faith in dealing with the policyholder, overruling an earlier decision it had made on the same subject.

Billy and Ethel Curry contacted an insurance agent seeking a "full coverage" insurance policy for their store. The agent completed the application on a form provided by Fireman's Fund Insurance Co. and, in due course, a policy was issued to the Currys.

Shortly after the policy was issued, the Currys' store was burglarized and \$13,500 of merchandise was stolen. A claim was made but denied. At that time, it was discovered that the insurer had issued a standard business owner's policy, which did not include theft coverage, rather than an "all risks" policy.

The Currys sued the insurance agent and the insurer for the value of the merchandise stolen, consequential damages for lost profits caused by the failure to timely pay the claim and punitive damages. The Currys won a verdict of \$78,500, including \$50,000 for consequential damages, \$15,000 for punitive damages and \$13,500 for

Legal briefs

the lost merchandise.

The appellate court said that the facts of this case well-illustrated the desirability of permitting recovery in tort when an insurance company acts in bad faith in dealing with its own policyholder. The Supreme Court overruled its former ruling that had abolished tort liability to a policyholder, regardless of the conduct of the insurance company. The court said that its prior rule was unjust and should not be perpetuated. *Curry vs. Fireman's Fund Insurance Co.*, Supreme Court of Kentucky, Dec. 21, 1989 (*BI*/04/Sept.-\$10).

Idiopathic injury not compensable

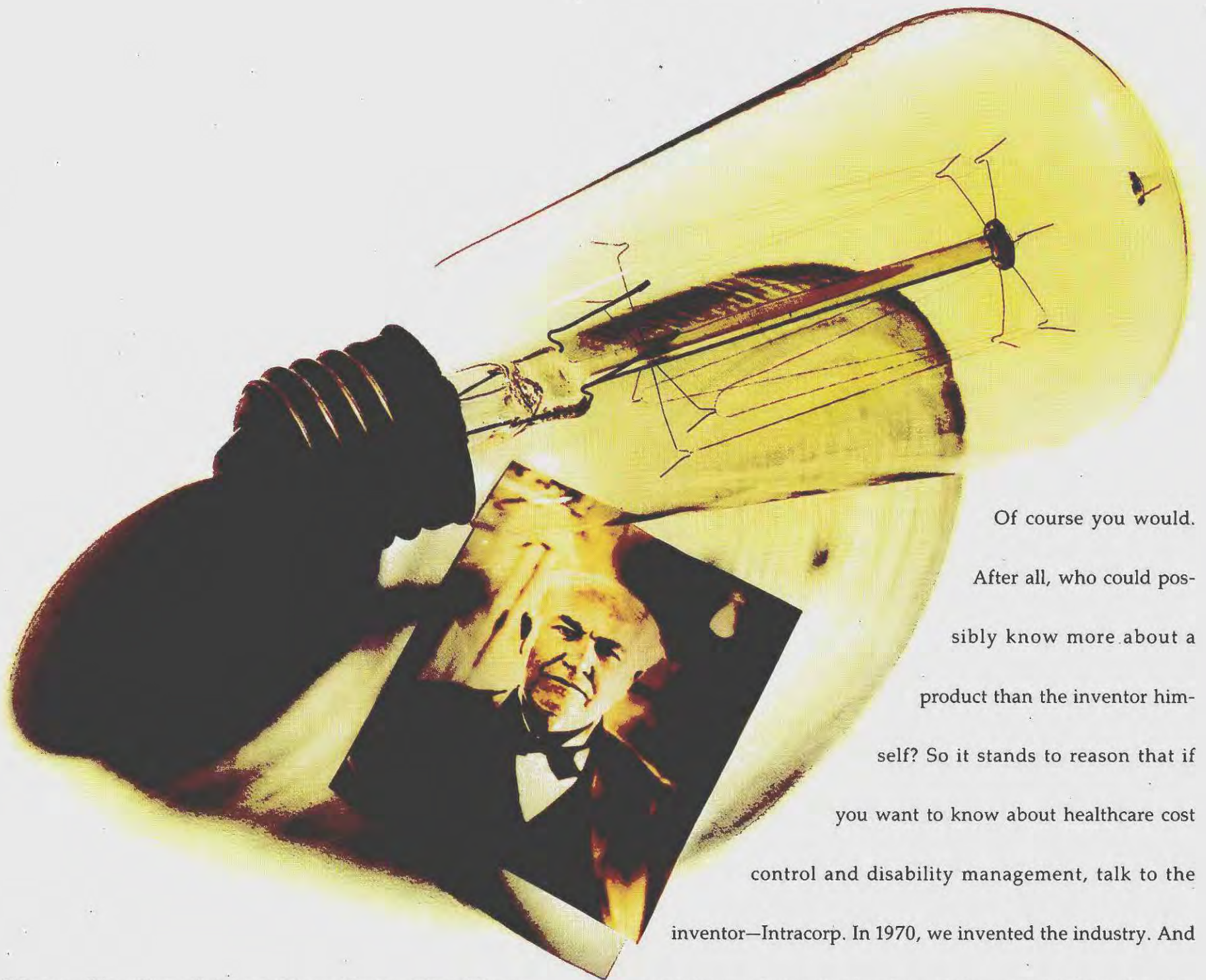
Injuries arising out of an idiopathic fall did not arise "out of employment" and, thus, were not compensable, a Missouri appellate court ruled.

Terilyn McKiness was employed in the customer service department of Western Union Telegraph Co. where she took calls from customers. At the time of the

accident, she was taking muscle relaxant medication for an earlier injury. While arising from her chair, she had a sharp chest pain and fell into another worker's chair. When she fell, her left rib cage and armpit hit the chair, causing a ruptured disc. Ms. McKiness filed for but was denied workers comp benefits.

The appellate court concluded that idiopathic falls—those that are due to something peculiar to the individual, arising spontaneously or from an unknown cause—are not compensable. The court said Ms. McKiness' argument that the close proximity of the other chairs was a hazard connected to her employment was without merit. *McKiness vs. Western Union Telegraph Co.*, Missouri Court of Appeals, Aug. 29, 1989 (*BI*/02/Sept.-\$10). ■

These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a \$10 check payable to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.



WOULD YOU BUY A LIGHT BULB FROM THIS MAN?

Of course you would. After all, who could possibly know more about a product than the inventor himself? So it stands to reason that if you want to know about healthcare cost control and disability management, talk to the inventor—Intracorp. In 1970, we invented the industry. And we've been refining it ever since. Today, we are the only company that can truly offer a comprehensive spectrum of cost containment programs. Each one appropriately placed in the most important segments of the healthcare cycle, from the onset of illness to reconciling accounts. Now, admittedly to some, our invention may not seem as revolutionary as Mr. Edison's. But with American business spending an estimated \$600 billion plus on health insurance annually, we know a few people who will see it as an extremely bright idea. For more information, write Intracorp, Dept. I5, 1205 Westlakes

Drive, Suite 300, Berwyn, PA 19312.



Continued from page 33
benefit payments, tax filing.

Service area: Nationwide.
Locations: Administrative and consulting offices in Denver.
Staff: 48 total staff members; 48 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include three CEBSS, five MBAs, one ASA/FSA, one attorney.
Clients: 100 total clients; 20% with 101-1,000 employees, 60% with 1,001-5,000 employees, 20% with more than 5,000 employees. Average plan size, 1,200 participants; largest plan, 60,000 participants; minimum size plan, 25 participants; no maximum size plan.
Charges: Determined by number of participants, complexity of plan, frequency valuations.
1989 gross revenues: \$2.5 million total; \$2.5 million from 401(k) plan services.
Principal officers: Wendell Nicholson, president; Wayne Richards, executive vp.

George Beram & Co. Inc.
233 Needham St., Newton, Mass.
02164-1502; 617-965-1200; fax: 617-244-5569

Year founded: 1975; began offering 401(k) plan administration services in 1982.
Software: Software is leased from an outside vendor; can accommodate 30 investment funds and 10 kinds of contributions.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides calculation of maximum benefit limitation under section 415, advice on taxation of distributions and withdrawal, fund performance analysis.
Service area: Nationwide.
Staff: 50 total staff members; 15 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBSS, two MBAs, five ASAs/FSAs, one attorney.
Clients: 100 total clients; 20% with 1-100 employees; 75% with 101-1,000 employees, 5% with 1,001-5,000 employees. Average plan size, 400 participants; largest plan, 1,700 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1989 gross revenues: Not reported.
Principal officers: George Beram, president; Nicholas Abdelahad, Philip G. Bruno, executive vps; Stuart D. Green, vp.
Contact: Nicholas Abdelahad.

Boatmen's Trust Co.
100 North Broadway, P.O. Box 14737, St. Louis, Mo. 63178;
314-466-3800; fax: 314-466-3964

Year founded: 1889; began offering 401(k) plan administration services in 1981.
Software: Software is purchased from an outside vendor; can accommodate 30 investment funds and 10 kinds of contributions; company offers software for use by clients.
Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds; provides performance measurement, benefit and lump sum payments, advanced participant record keeping and customized participant statements.
Service area: Nationwide.
Locations: Administrative and consulting offices in Kansas City, Mo.
Staff: 757 total staff members; 196 staff members involved in 401(k) plan

record keeping, administration or consulting. Professional designations held by staff include eight CEBSS, 32 MBAs, three CPAs, three ASAs/FSAs, five attorneys, 18 CFAs (chartered financial analysts).
Clients: 91 total clients; 32% with 1-100 employees; 52% with 101-1,000 employees, 15% with 1,001-5,000 employees, 1% with more than 5,000 employees. Average plan size, 900 participants; largest plan, 5,200 participants; minimum size plan, 50 participants; no maximum size plan.
Charges: Determined by number of participants, complexity of plan, amount of assets under management, time and expense, frequency valuations.
1989 gross revenues: \$22.2 million total; \$4.4 million from 401(k) plan services.
Principal officers: Peter MacCarthy, chairman of the board; Rollin Woltjen, executive vp; Richard Hibbs, senior vp; Lyle Brizendine, senior vp; Christopher Drazen, assistant vp.
Contact: Richard Hibbs, 314-466-3802.

Booke & Co.
310 W. Fourth St., Winston-Salem, N.C. 27101; 919-748-1120; fax: 919-725-7285

Year founded: 1941; began offering 401(k) plan administration services in 1977.
Software: Software is written and maintained by the company; can accommodate virtually unlimited investment funds and kinds of contributions; company offers software for use by clients.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Locations: Administrative and consulting offices in Birmingham, Ala.; Chicago; Columbus, Ohio.
Staff: 335 total staff members; 75 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include 19 CEBSS, 16 MBAs, 12 CPAs, 10/12 ASAs/FSAs, 8 attorneys.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1989 gross revenues: Not reported.
Principal officers: Donald C. Ingram, president; Roger L. Vaughn, executive vp/chief actuary; Joseph H. Ely, senior vp; Linda P. Holleman, senior vp.
Contact: Joseph H. Ely.

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

Year founded: 1916; began offering 401(k) plan administration services in 1981.
Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Toll-free service for account balance inquiries from participants and toll-free service for participants to request account activity upon request, clients' on-line access to company's computer and PC-based inquiry system, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides voice response systems/services, administrative forms and manuals, investment supervisory services, plan document preparation, loan administration consulting, benefit statements, pre-retirement planning seminars.

Service area: Nationwide.
Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Dallas; Denver; Detroit; Fort Wayne, Ind.; Honolulu; Houston; Los Angeles; Pittsburgh; San Francisco; Secaucus, N.J.; Stamford, Conn.; Washington D.C.
Staff: 1,390 total staff members; 170 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include 13 CEBSS, 35 MBAs, six CPAs, 103 ASAs/FSAs, 28 attorneys.
Clients: 350 total clients; Average plan size, 1,300 participants; largest plan, 30,000 participants; minimum size plan, 50 participants; no maximum size plan.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1989 gross revenues: \$134.2 million total.
Principal officers: William E. Giegerich, president/chief executive officer; service directors: Frederick W. Rumack, director of 401(k) consulting; Lowell Tanzer, director of administration services; William C. Burke, national director of defined contribution record keeping services.
Contact: Carolee Martin, manager of marketing, 201-902-2555.

Bushnell, Ducham & Co.
34 Roosevelt Highway, Colchester, Vt. 05446; 802-655-3906; fax: 802-655-5460

Year founded: 1970; began offering 401(k) plan administration services in 1983.
Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.
Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Daily valuations, clients' on-line access to company's computer, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications.
Service area: New England and upstate New York.
Staff: 11 total staff members; four staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBSS, one ASA/FSA, two CLUs.
Clients: 175 total clients; 15% with 1-100 employees; 84% with 101-1,000 employees, 1% with more than 5,000 employees. Average plan size, 275 participants; largest plan, 1,200 participants; minimum size plan, 100 participants; maximum size plan, 15,000 participants.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1989 gross revenues: \$725,000 total; \$75,000 from 401(k) plan services.
Principal officers: James Bushnell, president; David Ducham, vp; Brent O'Donnell, secretary.
Contact: David Ducham.

C&B Consulting Group
231 S. Bemiston, Suite 400, St. Louis, Mo. 63105; 314-725-0114; fax: 314-725-2724

Year founded: Began offering 401(k) plan administration services in 1983.
Parent company: Willis Corroon P.L.C.
Software: Software is written and maintained by the company or purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written

communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides investment placement consulting, design or audit in-house record keeping systems, client loan systems.
Service area: Nationwide.
Locations: Administrative and consulting offices in Baltimore; Birmingham, Ala.; Fort Lauderdale, Fla.; Nashville and Knoxville, Tenn.; Pittsburgh; San Francisco; San Diego; Seattle; Stamford, Conn.; Wichita, Kan. Additional consulting offices in Atlanta; Dallas; Orlando, Fla.
Staff: 420 total staff members; 110 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include 62 CEBSS, 20 MBAs, four CPAs, 36 ASAs/FSAs, 12 attorneys.
Clients: 500 total clients; 50% with 1-100 employees; 38% with 101-1,000 employees, 10% with 1,001-5,000 employees, 2% with more than 5,000 employees. Average plan size, 300 participants; largest plan, 12,000 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1989 gross revenues: \$32 million total; \$4.2 million from 401(k) plan services.
Principal officers: Warren J. Winer, president/chief executive officer-central region; Charles Herget Jr., chief executive officer-eastern region; James Finkelstein, chief executive officer-western region.
Contact: Warren J. Winer.

Chernoff Diamond & Co.
1157 Willis Ave., Albertson, N.Y. 11507; 516-484-2828; fax: 516-484-4755

Year founded: Began offering 401(k) plan administration services in 1982.
Software: Software is written and maintained by the company or purchased from an outside vendor; can accommodate 28 investment funds and seven kinds of contributions.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides coordination of benefits and related qualified and non-qualified plans, plan drafting, employee seminars, complete administration services and actuarial services.
Service area: Nationwide.
Locations: Administrative and consulting offices in Williston Park, N.Y.
Staff: 28 total staff members; 14 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two MBAs, one CPA, two ASAs/FSAs, one attorney.
Clients: 30 total clients; 50% with 1-100 employees; 50% with 101-1,000 employees. Average plan size, 160 participants; largest plan, 500 participants; minimum size plan, 10 participants; maximum size plan, 2,000 participants.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1989 gross revenues: Not reported.
Principal officers: Alexander Chernoff, Donna Diamond, Jeffrey Grabel, Dave Yackel, Ben Feller, partners.

Chicago Title & Trust Co.
111 W. Washington St., Chicago, Ill. 60602; 312-630-2868; fax: 312-630-3091

Year founded: 1853; began offering 401(k) plan administration services in 1983.
Parent company: Alleghany Corp.
Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries from participants, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Locations: Administrative and consulting offices in New York.
Staff: 40 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one attorney.
Clients: 80 total clients; 5% with

Client support: Daily valuations, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds.
Service area: Upper Midwest.
Staff: 200 total staff members; 60 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one CEBSS.
Clients: 230 total clients; 50% with 1-100 employees; 45% with 101-1,000 employees, 5% with 1,001-5,000 employees. Average plan size, 200 participants; largest plan, 2,000 participants; minimum size plan, 50 participants; maximum size plan, 5,000 participants.
Charges: Determined by number of participants, complexity of plan, time and expense.
1989 gross revenues: \$20 million total; \$4 million from 401(k) plan services.
Principal officers: Daniel R. Joyce, Andrew Mayo, vps.

CIGNA-Group Pension Division
350 Church St., P.O. Box 2975, Hartford, Conn. 06104; 203-725-2746; fax: 203-725-2052

Year founded: 1940; began offering 401(k) plan administration services in 1982.
Parent company: CIGNA Corp.
Software: Software is written and maintained by the company; can accommodate unlimited investment funds and seven kinds of contributions.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Daily valuations, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds; ADP testing services, enrollment/re-enrollment, trustee.
Service area: Nationwide.
Locations: Administrative offices in three locations. Consulting offices in 28 locations.
Staff: 1,300 total staff members.
Clients: 2,500 total clients; 53% with 1-100 employees; 47% with 101-1,000 employees.
Charges: Determined by number of participants, complexity of plan, amount of assets under management, time and expense.
1989 gross revenues: \$2.1 billion total.
Principal officers: Byron D. Oliver, president GPD; David B. Gerdes, vp-financial; Frederick C. Castellani, vp-marketing; Roy H. Bubbs, vp-sales; Thomas J. Quinlin, vp-customer service.

Citibank N.A., Fiduciary & Information Services Division
1 Court Square, Long Island City, N.Y. 11120; 718-248-4347; fax: 718-248-3276

Year founded: 1812; began offering 401(k) plan administration services in 1981.
Software: Software is purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions.
Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.
Client support: Daily valuations, toll-free service for account balance inquiries from participants, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.
Service area: Nationwide.
Locations: Administrative and consulting offices in New York.
Staff: 40 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one attorney.
Clients: 80 total clients; 5% with

Continued from previous page
1-100 employees; 37.5% with 101-1,000 employees, 50% with 1,001-5,000 employees, 7.5% with more than 5,000 employees. Average plan size, 3,125 participants; largest plan, 60,000 participants; no minimum or maximum size plan.

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

1989 gross revenues: \$498 million total.

Principal officers: Raymond Parodi, vp/division executive-fiduciary and information services division; Denis Farrell, vp/department head-defined contribution plan services.

Contact: Christina Loddo-Epstein, vp-marketing, 718-248-4347.

Coopers & Lybrand-Actuarial Benefits & Consulting Group

1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-2000; fax: 212-536-3500

Year founded: 1961; began offering 401(k) plan administration services in 1982.

Parent company: Coopers & Lybrand.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees; consults plan design issues, compliance issues, employee communications; provides financial and operational consulting.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Cleveland; Columbus, Ohio; Dallas; Detroit; Houston; Los Angeles; Louisville, Ky.; Parsippany, N.J.; Philadelphia; San Francisco; Stamford, Conn.; Syracuse, N.Y.; Tampa, Fla.

Staff: 800 total staff members; 120 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include six CEBSs, one ASA/FSA, five attorneys.

Clients: 28% with 1-100 employees; 66% with 101-1,000 employees, 4% with 1,001-5,000 employees, 2% with more than 5,000 employees. Minimum size plan, 25 participants; no maximum size plan.

Charges: Determined by time and expense.

1989 gross revenues: \$88 million total; \$15 million from 401(k) plan services.

Principal officers: actuarial, benefits and compensation Group: Peter Scanlon, chairman; Jerome Halperin, vice chairman.

Contact: Paul Protos, Coopers & Lybrand, 2400 Eleven Penn Center, Philadelphia, Pa. 19102.

D

Defined Contribution Administrative Services Inc.

655 Washington Blvd., Suite 800, Stamford, Conn. 06901; 203-965-7800; fax: 203-965-7820

Year founded: 1988.

Software: Software is written and maintained by the company; can accommodate six investment funds and five kinds of contributions; company offers software for use by clients.

Administration: Uses unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; provides investment management, employee meetings, video presentations.

Service area: Pennsylvania, New York and Massachusetts.

Locations: Administrative and consulting office in New York; additional consulting office in Woodbury, N.Y.

Staff: 15 total staff members; all staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include three CLUs, three ChFCs.

Clients: 80 total clients; 95% with 1-100 employees; 5% with 101-1,000 employees. Average plan size, 30 participants; largest plan, 130 participants; minimum size plan, five participants; maximum size plan, 300 participants.

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

1989 gross revenues: Not reported.

Principal officers: David G. Heller, president; Grant G. Heller,

executive vp.

Deloitte & Touche

1 World Trade Center, 93rd Floor, New York, N.Y. 10048; 212-839-6300; fax: 212-839-6314

Year founded: 1947; began offering 401(k) plan administration services in 1978.

Software: Software is leased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Continued on next page

Excellence
In Full Service
Management
for
Captives/Risk Retention
Groups

TOLL FREE 800-USA-RISK
State's Largest
Independent



Get the advantages of Vermont's largest and most experienced independent captive manager. Full service from formation to operation, regulatory reporting, accounting, reinsurance, investment. Exclusive providers of the most comprehensive and timely financial reporting available. Plus the choices and cost savings available only through an independent.


H. Lincoln Miller, CEO Michael T. Rogers, COO
Experts in alternative market mechanisms. Prime Movers of Law.
Vermont Insurance Management
P.O. Box 306, Montpelier, Vermont 05601



A promise to keep a long stay in the hospital from becoming a financial injury.

A promise to make concern for their loved ones go beyond "How's the family?"

A promise that the end of a career won't be the end of a comfortable lifestyle.

When the people who work for you give so much, they're keeping a promise. That's why it's important for you to keep your promises to them. We can help. 

MassMutual

We help you keep your promises. SM



Quality
 Precision
 Timeliness

Customized Defined Contribution Services

MM&D
 MILLER MASON & DICKENSON

Innovation in Employee Benefit Consulting for 30 years

Continued from previous page

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, on-line access to company's computer, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston, Chicago, Dallas, Detroit, Los Angeles, Minneapolis. Additional consulting office in Hartford, Conn.

Staff: 275 total staff members; 38 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include eight CEBSs, one CPA, five ASAs/FSAs, two attorneys, 15 EAs.

Clients: 15% with 1-100 employees; 50% with 101-1,000 employees, 30% with 1,001-5,000 employees, 5% with more than 5,000 employees. Average plan size, 350 participants; largest plan, 12,000 participants; minimum size plan, 250 participants;

maximum size plan, 20,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: David E. Dresner, national director; Adrienne Theriault, Susan Achenbach, Timothy Garmager, Keith Swenson, Leon Smith, Jack Broesamle, Mark Sobel, Jan Lommele, Brian Cameron, Eileen Raney, Robert Starkey, Bruce Bengston, Richard Berens, Robert Ingram, F. Jay Lingo, Steven Ogren, Ainar Ayala, Donald Behan, Frank Buck, Robert Nadel, Jeremiah Riddle, Barry Barnett, partners; Richard Howell, Richard Davenport, Frank Glassner, Gregg Schneider, James Verlautz, directors.

Contact: Debra Newkirk, marketing consultant, 212-839-6317.

E

EBG & Associates Inc.

70 E. Lake St., Suite 1400, Chicago, Ill. 60601; 312-580-2250; fax: 312-580-2252

Year founded: 1978; began offering 401(k) plan administration services in 1984.

Software: Software is written and maintained by the company; can accommodate 10 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, compliance issues; provides custom programming and training.

Service area: Nationwide.

Locations: Consulting offices in Bethesda, Md.

Staff: 35 total staff members; five staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include one ASA/FSA, two CLUs, two EAs, one CPC.

Clients: 150 total clients. No minimum size plan; maximum size plan, 10,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: Emmanuel B. Garcia Jr., president; M. Teresa L. Garcia, vp-personnel; Dee Holt, vp-sales and client support.

Contact: Teresa Brennan, sales representative.

Employers Life Insurance Co. of Wausau

P.O. Box 8017-54402, Wausau, Wis. 54402; 715-842-0747; fax: 715-847-8740

Year founded: 1965; began offering 401(k) plan administration services in 1985.

Parent company: Employers Insurance of Wausau, A Mutual Co.

Software: Software is written and maintained by the company; can accommodate four investment funds and four kinds of contributions.

Administration: Uses cash accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds; provides enrollment meetings.

Service area: Nationwide.

Staff: 17 total staff members; 15 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include three CEBSs, one MBA.

Clients: 90% with 1-100 employees; 10% with 101-1,000 employees. Average plan size, 78 participants; largest plan, 700 participants; minimum size plan, 25 participants; maximum size plan, 1,000 participants.

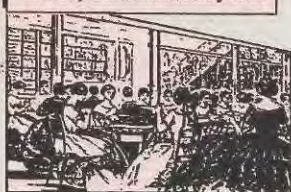
Charges: Determined by number

Continued on next page

Plymouth Colony—Settlers Military Retirement 1636



First Collectively Bargained Health and Welfare Plan, New York City Garment Industry 1917



World War II Expansion of Medical Care Programs as Wage Increases Are Limited



Gallatin Glassworkers' Profit Sharing Plan 1787



Now, Employee Support Services by The Center for Corporate Health

A NEW MILESTONE IN EMPLOYEE BENEFITS

Today's health care cost-management challenge demands new thinking. Join over 13,000 companies that are managing costs with the aid of an invaluable resource: the informed employee.

The Center for Corporate Health's proven Employee Support Services help educate more than a million employees, dependents, and retirees nationwide. Individuals learn more about medical conditions and treatment alternatives, avoid unnecessary doctor visits, and choose more appropriate care.

The Center supports individual decision-making in many ways: Informed Care's® professional health educators counsel employees on toll-free lines, explaining

medical conditions and presenting options on testing, drugs, and operations. Our Employee Assistance Program offers both on-site and off-site problem resolution. And the Taking Care Program® achieves a 3:1 return on investment through medical self-care programming and lifestyle management campaigns. Program success is ensured through superior customer service and hands-on account and program management.

We invite you to call us at 1-800-347-1947 and discover today's new benefits milestone — a proven solution to costs that make all the wrong kind of history. Along the way, discover our most valuable benefit: improved health for the people you care about.

Continued from previous page of participants, complexity of plan, amount of assets under management, time and expense, frequency valuations.

1989 gross revenues: \$475,000 total; \$300,000 from 401(k) plan services.

Principal officers: T.J. Erickson, vp-group retirement; P.M. Lamers, director-defined contribution administration; R.A. Solverud, director-underwriting and compliance.

Contact: Philip M. Lamers, 715-842-6860.

F

Fidelity Investments Retirement Services Co.

82 Devonshire St., Boston, Mass. 02109; 617-570-7000

Year founded: 1946; began offering 401(k) plan administration services in 1978.

Parent company: Fidelity Investments.

Software: Software is written and maintained by the company; can accommodate 150 investment funds and nine kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, 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; provides telephone exchange, broad investment services, full-service communications program, trustee services.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Chicago; Houston; Irvine, Calif.; Jacksonville, Fla.; Kansas City, Mo.; Los Angeles; Melville, N.Y.; Memphis, Tenn.; Milwaukee; Minneapolis; Morristown, N.J.; New York; Philadelphia; Sarasota, Fla.

Staff: Professional designations held by staff include three CPAs, one ASA/FSA, two attorneys.

Clients: 400 total clients. Average plan size, 1,300 participants; no minimum or maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Robert Reynolds, president; Michael Mlniac, senior vp-record keeping; Ted Lavelle, senior vp-marketing; James Bowhars, senior vp-sales.

Contact: Eugene Waldron, senior vp, 617-570-6161.

First Trust Corp.

717 17th St., Denver, Colo. 80202; 303-293-2223; fax: 303-292-2227

Year founded: 1962; began offering 401(k) plan administration services in 1984.

Parent company: FIServ Inc.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Service area: Nationwide.

Staff: 430 total staff members; 12 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two MBAs, one CPA.

Clients: 60 total clients; 90% with 1-100 employees; 10% with 101-1,000 employees. Average plan size, 42 participants; largest plan, 350 participants; minimum size plan, two participants; maximum size plan, 1,000 participants.

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

1989 gross revenues: \$19 million total; \$160,000 from 401(k) plan services.

Principal officers: Mark A. Kelley, vp.

Contact: John F. Corporon, marketing manager.

G

Godwins Inc.

549 Pleasantville Road, Briarcliff Manor, N.Y. 10510; 914-747-2002

Year founded: 1862; began offering 401(k) plan administration services in 1932.

Parent company: Godwins International Holdings Inc./Frank E. Hall & Co. Inc.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 15 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and

Continued on next page

Your life just got easier!

If you're not seeing Business Insurance every week — or are merely catching a dated pass-along copy now and then...you're missing important news and new developments in corporate risk and employee benefits management. Risky!

Make sure you have the business insurance news you need.

ENTER YOUR SUBSCRIPTION TO BUSINESS INSURANCE TODAY!

It will make your life a lot easier.

CALL TOLL-FREE on 1-800-992-9970. Fax your order in on 1-313-446-1650. Use the card in this issue, or if it's gone, use the coupon below.

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)	Surface Mail	By Air
USA	<input type="checkbox"/> \$75	<input type="checkbox"/> \$152
Canada	<input type="checkbox"/> \$107	<input type="checkbox"/> \$162
Bermuda (air only)		<input type="checkbox"/> \$157
United Kingdom		<input type="checkbox"/> \$163 or £105
Europe/Middle East		<input type="checkbox"/> \$163
All other foreign	<input type="checkbox"/> \$107	Rates on request

new subscription. renewal. payment enclosed.
 bill me. bill company.
 Please send information on your special 20%-off group rate for five or more subscriptions.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207

name _____ (please print)

title _____ telephone _____

company _____

nature of business _____

business or home address

city _____ state/country _____ zip/postal code _____

I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

4C09

OUR 401(k) PROGRAM GUARANTEES TO SATISFY EVEN THE HARDEST TO PLEASE.

To perfectionists, the demanding, and the uncompromising: welcome to the MetLife Savings Plan Program—a comprehensive package that promises to deliver everything you need in a 401(k) program.

We are so sure our service will meet or exceed your expectations, we back it unconditionally with a Quality Service Guarantee. And unlike other companies, our guarantee has no qualifications or exceptions. It states that, if for any reason you are not satisfied with our service, you can reduce your bill by 20%. All we ask is that you tell us what the problem is so we can correct it. *No ifs, ands or buts.*

MetLife offers a full range of daily-valued investment choices, flexible plan design, state-of-the-art recordkeeping, an 800 number for direct participant access, and an expert staff of benefits specialists to help you. We can even provide services you may not find in other 401(a) and 401(k) programs. And as a complete package, MetLife's program is more efficient, convenient, and cost-effective.

To find out how we can serve you, contact Mark Weinstein, Assistant Vice-President, Pensions Dept., MetLife, 72 Eagle Rock Avenue, East Hanover, NJ 07936. Telephone (201) 515-1565.

GET MET. IT PAYS.®
MetLife®

SCHULZ

S E T Y O U R D A T E S

issue: November 19
 closing: November 6
 editorial feature: Benefits: Defined Contribution Plans — Directory: 401(k) Plan Administrators
 demographic section: Insurer Topics: Reinsurance Issues & Relations with Intermediaries

issue: November 26
 closing: November 14
 conference report: NAII

issue: December 3 Bonus Distribution: NAIC
 closing: November 19
 editorial feature: Insurance Regulation & Trends
 demographic section: Agent/Broker Topics: PIA Conference Report

issue: December 10
 closing: November 28

New York: 212-210-0228 Chicago: 312-649-5276 Los Angeles: 213-651-3710
 Fax: 212-210-0704 Fax: 312-280-3189 Fax: 213-655-8157

**Business
 Insurance**

a publication of Crain Communications Inc.

Continued from previous page
 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; GIC marketing.

Service area: Nationwide.

Locations: Administrative offices in San Francisco. Consulting offices in Atlanta; Boston; Cedar Rapids, Iowa; Chicago; Coral Gables, Fla.; Costa Mesa, Calif.; Detroit; Fresno, Calif.; Houston; Jacksonville, Fla.; Los Angeles; Milwaukee; Minneapolis; Nashville, Tenn.; New York; Parsippany, N.J.; Philadelphia; Pittsburgh; Portland, Ore.; Providence, R.I.; Roanoke, Va.; San Francisco; Seattle; St. Louis; Stockton, Calif.; Walnut Creek, Calif.

Staff: 350 total staff members; 55 staff members involved in 401(k) plan record keeping, administration or consulting.

Clients: Not reported. Minimum

size plan, 50 participants; no maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Michael W. Dunigan, Herbert Grove, John McNamara, Richard Miller, William Xanthos, James McKinney, Brian Zwarych, directors.

H

Halliwel & Associates Inc.

1800 Two Gateway Center,
 Pittsburgh, Pa. 15222;
 412-288-0822; fax: 412-288-0863

Year founded: 1973; began offering 401(k) plan administration services in 1984.

Software: Software is leased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides design of administrative forms, minimum distribution and hardship distributions and asset balancing.

Service area: Illinois, Ohio, Pennsylvania, Virginia, West Virginia.

Staff: 54 total staff members; 16 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include four CEBSs, one MBA, five ASAs/FSAs, one attorney, one CLU, one CPCU, two ARMs, eight EAs.

Clients: 70 total clients; 63% with 1 to 100 employees; 31% with 101 to 1,000 employees, 6% with 1,001 to 5,000 employees. Average plan size, 223 participants; largest plan, 3,600 participants; no minimum size plan; maximum size plan, 5,000 participants.

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

1989 gross revenues: \$3.3 million total; \$480,000 from 401(k) plan services.

Principal officers: Paul D. Halliwel, president; David L. Wetherill, executive vp; David B. Thomas, vp; Thomas S. Baily, vp/president-Professional Risk Management Consultants.

Contact: David B. Thomas.

John Hancock Mutual Life Insurance Co.

John Hancock Place, P.O. Box
 111, Boston, Mass. 02117;
 617-572-6000

Year founded: 1862; began offering 401(k) plan administration services in 1981.

Software: Software is purchased from a outside vendor; can accommodate unlimited investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds; provides plan document preparation, plan testing, Form 5500 preparation, enrollment assistance, processing of plan distributions to participants with federal and state tax reporting.

Service area: Nationwide.

Clients: 300 total clients.

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

1989 gross revenues: Not reported.

Continued on page 44

“Feasibility is important. But do-ability is even more important.”

Dick Rice, Senior Vice President and Director, on alternative markets:

A feasibility study might tell you it's okay to self-insure.

But doing it is something else again.

That's where Johnson & Higgins makes the difference.

We're the world's largest manager of captives, so nobody else knows worldwide risk-financing alternatives better. Our Special Risk Group makes captives and alternative facilities happen throughout the world.

The Special Risk people also are the ones to talk with for sophisticated ideas such as ad-

justing captive retentions to changing market conditions or setting up a risk retention group to front for an existing offshore facility.

But we never forget that the most important thing we can do for you is to advise you about starting your own insurance company in the first place.

Give a J&H office a call, or contact Roger Gillett in Bermuda at 809-292-4402 or Arthur Koritzinsky in New York at 212-574-8908.

**JOHNSON
 & HIGGINS**

Innovation Driven by Experience.

WIC

World Insurance Congress

Two of the most respected publishers in the insurance industry, *Business Insurance* and *Lloyd's of London Press Ltd.*, have joined forces to produce an exceptional event to fill an important need in the insurance/reinsurance calendar worldwide.

The **World Insurance Congress** will provide a unique forum for all members of the insurance, reinsurance and risk management communities.

The Congress will enable attendees to:

- meet top insurance and reinsurance executives from all over the world;
- attend plenary sessions dealing with subjects of global interest;
- participate in specialized breakout sessions;
- exhibit their products and services.

The insurance industry, at a time of many changes, is also facing many challenges. The Congress will provide a timely opportunity for top industry professionals to meet and discuss the future of the global insurance market.

Morning plenary sessions will focus on issues of concern throughout the industry. Afternoon breakout sessions will focus on more specialized subjects.

Under the title of '*Restructuring For Opportunity*,' a host of internationally recognized experts will address the following issues:

Plenary Sessions

- **The Distribution System**
 - *Brokering Insurance Worldwide*
 - *Captive Insurers: Their Role in the Marketplace*
 - *Private Insurers: Their Role in the Marketplace*
- **Coping With Catastrophes**
 - *Assessing the Risk*
 - *Following a Catastrophe...*
 - *The Broker's Role*
 - *The Insurer's Role*
 - *The Reinsurer's Role*
 - *The Banker's Role*
 - *A Policyholder's Response*
- **Global Restructuring of Insurance Markets**
 - *An American Viewpoint*
 - *A European Viewpoint*
 - *A Japanese Viewpoint*
 - *The Eastern Bloc*
 - *Rethinking Risk Management*
- **Breakout Sessions**
 - *Banking and Insurance*
 - *Professional Liability*
 - *Financial Reinsurance*
 - *Global Insurance Programs*
 - *Claims Handling Following a Disaster*
 - *The LMX Market*
 - *Toxic Torts and Product Liability*
 - *Insurance Regulation Worldwide*
 - *The Green Movement*
 - *EC Directives*

Restructuring For Opportunity

July 1-3, 1991

Queen Elizabeth II Conference Centre
London

Exhibition

As an integral part of the conference, a comprehensive exhibition is planned. Insurance and reinsurance companies, brokerages, automation firms and other industry service providers are invited to exhibit their products and services. Exhibit space is limited.

Spouse/Guest Program (Optional)

Complementing this event, an attractive spouse/guest program has been arranged:

- Visit Blenheim Palace
- Windsor Great Park Polo Day
- The Gala Casino Ball

Post Conference Program (Optional)

After the Congress, relax at the Henley Royal Regatta, enjoy a boat trip, champagne lunch and a traditional Strawberry Tea.

Registration Fees

All delegate fees include conference materials, access to the exhibition, continental breakfasts, luncheons and a gala Casino Ball on the final evening of the Congress.

Early Bird Fee

— payment received prior to March 1, 1991
£ 550* each delegate

Regular Fee

— payment received after March 1, 1991
£ 650* first delegate from a company
£ 585* each add'l delegate, same company

Full Spouse/Guest Program Fee

£ 275* covering all events

Spouse/Guest Casino Ball Ticket Only

£ 95* (only for spouse/guest of delegate)

Exhibitor Fee

£ 2,000* per exhibit, incl. one registration

Post Conference Program

£ 150* per person

* NOTE: Under UK excise regulations, delegates are required to pay 15% VAT on all courses and related functions taking place in the UK.

Payment Policy

All UK Sterling checks must be drawn on a United Kingdom bank, payable to: *Lloyd's of London Press Ltd.*

Access/Visa/Diners Club/American Express cards are acceptable.

Registration

For details on the **World Insurance Congress**, speakers, a full registration package, the exhibition, and hotel accommodations, contact:

Jan Marshall
Conference Department
Lloyd's of London Press
One Singer Street
London EC2A 4LQ
England

Barbara Dalton
Communication Services Dept.
Business Insurance
220 East 42nd Street
New York, NY 10017
USA

Phone: 071-250-1500

Fax: 071-253-9907

Telex: 987321 LLOYDS G

Phone: 212-210-0299

Fax: 212-210-0704

Telex: CRAIN COM NYK

Take the law into your own hands.



Your business disputes can often be handled privately by using voluntary dispute resolution procedures.

Since 1926, the American Arbitration Association has helped lawyers and business people settle disputes promptly and fairly through mediation, arbitration and other dispute resolution methods.

AAA services also include education and training, research, publications and extensive library facilities.

Take the law into your own hands. Let the AAA work for you.

Write or call for free brochure
Resolving Your Disputes



American Arbitration Association

140 West 51st Street, New York, N.Y. 10020
Telephone: (212) 484-4040, Fax: (212) 765-4874

Offices in 35 Major Cities Nationwide

FINALLY, A COMPLETE RESOURCE FOR MEDICAL CLAIMS PAYORS.

HOSPITAL AUDITING & DRG VALIDATIONS

INDEPENDENT MEDICAL EXAMINATIONS

OUTPATIENT SURGICAL FACILITY FEE U & C

PHYSICIAN BILL PEER REVIEWS

UTILIZATION REVIEW & CASE MANAGEMENT



THE CLAIMS NETWORK

CALL TOLL-FREE FOR NO-OBLIGATION INFORMATION ON ANY OF THESE SERVICES
1-800-638-7170

P.O. BOX 68548 INDIANAPOLIS, IN 46268

Continued from page 42

Principal officers: E. James Morton, chairman/chief executive officer; Stephen L. Brown, president/ chief operations officer.

Contact: Maureen Phillips, vp-investment and pension sales, 617-572-1645.

Hazlehurst & Associates Inc.

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30346; 404-395-9880; fax: 404-551-5145

Year founded: 1971; began offering 401(k) plan administration services in 1982.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting; unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides full range of limitation testing, Form 5500 and SAR/SPD preparation, communications consulting, plan design consulting, PC software for loan services and employee queries, benefit statements, interactive voice response services.

Service area: Nationwide.

Locations: Administrative and consulting offices in Seattle.

Staff: 135 total staff members; 60 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include four MBAs, four CPAs, 13 ASAs/FSAs, two attorneys, one CPC, one CLU, one ChFC, one FLMI.

Clients: 90 total clients; 30% with 101-1,000 employees, 53% with 1,001-5,000 employees, 17% with more than 5,000 employees. Average plan size, 2,650 participants; largest plan, 22,000 participants; minimum size plan, 1,000 participants; no maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: James G. Pope, president; Ray McKinney, executive vp.

Contact: William C. Lund, director of marketing.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-295-7634

Year founded: 1940; began offering 401(k) plan administration services in 1982.

Software: Software is written and maintained by the company; can accommodate 15 investment funds and 20 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides comprehensive interactive administration via computerized voice response system and telephone service center, investment manager evaluation and selection.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Bedminster, N.J.; Rowayton, Conn.; Santa Ana, Calif.; Walnut Creek, Calif.; The Woodlands, Texas; Toronto. Additional consulting offices in Boston; Charlotte, N.C.; Chicago; Cleveland; Dallas; Dayton, Ohio; Denver; Detroit; Houston; Las Colinas, Texas; Los Angeles; Milwaukee; Minneapolis; New York; Phila-

delphia; Phoenix; Pittsburgh; Richmond, Va.; St. Louis; San Francisco; Seattle; Tampa; Washington D.C.

Staff: 3,000 total staff members; 650 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include five CEBSS, 30 MBAs, 25 CPAs, one attorney.

Clients: 650 total clients; 15% with 101-1,000 employees, 35% with 1,001-5,000 employees, 50% with more than 5,000 employees. Average plan size, 5,500 participants; largest plan, 85,000 participants; minimum size plan, 1,500 participants (with exceptions); no maximum size plan.

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

1989 gross revenues: \$248 million total (worldwide).

Principal officers: Peter E. Friedes, chief executive.

Contact: Barb Van Lieshout.

A. Foster Higgins Inc.

212 Carnegie Center, CN 5323, Princeton, N.J. 08543; 609-520-2294; fax: 609-520-2561

Year founded: 1927; began offering 401(k) plan administration services in 1982.

Parent company: Johnson & Higgins.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee

communications; provides preparation of form 5500 and SARS training, administrative and financial audits.

Service area: Nationwide.

Locations: Administrative and consulting office in Los Angeles. Additional consulting offices in Atlanta; Chicago; Cleveland; Dallas; Minneapolis; New York; Richmond, Va.; San Francisco; Seattle; Washington, D.C.

Staff: 1,200 total staff members; 35 staff members involved in 401(k) plan record keeping, administration or consulting. Professional designations held by staff include two CEBSS, two MBAs.

Clients: 1% with 1-100 employees; 80% with 101-1,000 employees, 10% with 1,001-5,000 employees, 9% with more than 5,000 employees. Average plan size, 1,200 participants; largest plan, 19,000 participants; no minimum size plan; maximum size plan, 20,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: John Feldtmose, president.

Contact: Stanley E. Lewkowicz.

Holzman Post Ludwig & Schwartz Chtd.

125 S. Wilke Road, Arlington Heights, Ill. 60005; 708-392-2999; fax: 708-392-1053

Year founded: 1977; began offering 401(k) plan administration services in 1983.

Software: Software is written and maintained by the company; can accommodate five investment funds and five kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates

Continued on next page

Advertiser Index

Issue of November 19

Advertiser	Page #	Advertiser	Page #
ACS Group	29	Johnson & Higgins	42
American Arbitration Assn.	44	K & K Ins./Lincoln National	46
American Reinsurance	26-27	Mass Mutual Insurance	39
Arkwright Mutual	22-23	Medical Personnel Pool	20
Assurex International	49	Mercantile & General Reins.	18-19
Blue Cross/Blue Shield	6-7	Metropolitan Life Ins. Co.	28,41
Brownyard Brothers	31	Miller, Mason & Dickenson	40
Business Insurance	57,60	NAPSI	50
CIGNA	64	National Reinsurance	11
Claims Network	44	Never Grow Up, Inc.	45
CNA Insurance Co.	24	Nils Publishing Company	33
Computations, Inc.	10	Northington Partners Finance	56
Coopers & Lybrand	48	Northwestern National Life	12-13
Corroon and Black	25	Paige-Ruane, Inc.	32
Crawford & Company	14	Reliance National	5
Ctr. Corp. Health Prom.	40	Reliance Re	53
Employers Reinsurance	32	The Resource Group	16-17
Fidelity Investments	15	Sentry Insurance	34
John Hancock Mutual Life	47	Skandia America Group	20
Hermitage Insurance Company	50	State Mutual Life Assurance	29
Hyatt Legal Services	45	Sun Financial Group	30
Illinois Captive Insurance	53	Travelers Insurance Co.	9
Insurance Software Packages	49	Underwriters Safety & Claims	51
Int'l Found. Empl. Ben.	48	Vermont Insurance Management	39
Intracorp	37	World Ins. Congress	43
ITT Hartford Insurance Co.	4,31	Xerox Financial Services	21
JCAHO	52	Zurich Insurance Group	54

Continued from previous page
loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides assistance in selection of investment vehicle, Section 415 coordination with other plans maintained by sponsor.

Service area: Nationwide.

Staff: 34 total staff members; 16 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include six CPAs, two attorneys, two EAs.

Clients: 180 total clients; 95% with 1-100 employees; 5% with 101-1,000 employees. Average plan size, 50 participants; largest plan, 400 participants; minimum size plan, one participant; maximum size plan, 2,000 participants.

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

1989 gross revenues: \$2,321,000 total; \$540,000 from 401(k) plan services.

Principal officers: Mark Schwartz, president; George F. Castillo, vp; William C. Ludwig, treasurer; Ira A. Post, secretary.

Contact: George F. Castillo.

sions; performs 401(k) and 401(m) 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.

Staff: Five total staff members; five staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one ASA/FSA.

Clients: 50 total clients; 80% with 1-100 employees; 18% with 101-1,000 employees, 2% with 1,001-5,000 employees. Average plan size, 120 participants; largest plan, 1,800 participants; minimum size plan, one participant; maximum size plan, 5,000 participants.

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

1989 gross revenues: \$301,000 total; \$115,000 from 401(k) plan services.

Principal officers: James L. Hillman.

K

KPMG Peat Marwick

1 Boston Place, Boston, Mass.
02108; 617-723-7700;
617-973-2956

Year founded: 1897; began offering 401(k) plan administration services in 1965.

Software: Software is leased from an outside vendor; can accommodate 30 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues,

Continued on next page

THINK CHRISTMAS INTRODUCING HEAVEN INSURANCE!



Holy Here After! Your own personalized Heaven Insurance Policy—witnessed by St. Pete himself.

But, not so fast. It's a lawyer's paradise of exclusions, inclusions, amendments and loopholes galore.

It's a great stocking stuffer for anybody who wants a fun trip to the Pearly Gates.

Please send (Quan.) _____ Official Heaven Insurance Policy, 8½x14" Gold on Parchment. Envelope and Seal.

\$6.95 @ + \$1.50 Postage and Handling.
CHECK OR MONEY ORDERS ONLY
INCLUDE YOUR NAME AND ADDRESS
1012 Fair Oaks Ave., Suite 359
So. Pasadena, Calif. 91030.
I N C. CUSTOMER SERVICE # (213) 556-0344



Independent Service Co. Inc.

1407 Highway 13 N., P.O. Box 171,
Albert Lea, Minn. 56007;
507-373-8216/1-800-862-8876;
fax: 507-373-6220

Year founded: 1966; began offering 401(k) plan administration services in 1981.

Software: Software is purchased from an outside vendor; can accommodate nine investment funds and nine kinds of contributions.

Administration: Uses full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds; provides employee meetings and communication materials, individual employee counseling, pre-retirement counseling, trustee meetings, reinvestments.

Service area: Iowa, Minnesota, North Dakota, South Dakota, Wisconsin.

Locations: Consulting offices in Minneapolis.

Staff: 17 total staff members; 12 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one MBA, one CPA, one ASA/FSA, one attorney.

Clients: 130 total clients; 85% with 1-100 employees; 15% with 101-1,000 employees. Average plan size, 45 participants, largest plan, 350 participants; minimum size plan, 10 participants; maximum size plan, 1,500 participants.

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

1989 gross revenues: \$1,010,000 total; \$425,000 from 401(k) plan services.

Principal officers: Paul Overgaard, president; Roger Erickson, vp.
Contact: Mark Stotts, CPA manager, plan administration.

THE PAYROLL DEDUCTION THAT OFFERS EMPLOYEES

THE POWER OF OUR ATTORNEYS.

Human Resources professionals are recognizing the changing needs of America's workforce. They are responding by creating innovative flexible benefit packages designed to accommodate these needs.

With years of service to many of America's top companies, Hyatt Legal Plans has a solid history of providing proven, reliable, quality-controlled, low-cost legal plans nationwide. Hundreds of thousands of employees are currently members of a Hyatt Legal Plan, and the number continues to grow.

**HYATT
LEGAL
PLANS**

These employees and their families gain measurably by having convenient access to legal assistance.

Employers gain a competitive edge in recruiting and retaining good employees by offering a Hyatt Legal Plan. Plus, helping employees resolve their personal problems contributes significantly to a happy and productive workforce.

Call or write us today and learn more about Hyatt Legal Plans.

Your employees and your company will benefit!

James L. Snyder, Director of Sales, Hyatt Legal Plans, Inc.
1215 Superior Avenue, Cleveland, Ohio 44114-3249 (216) 241-0022

J&K Retirement Administration

5201 Washington, Suite 4, Downers
Grove, Ill. 60515; 708-852-8882;
fax: 708-852-8901

Year founded: 1986; began offering 401(k) plan administration services in 1986.

Software: Software is leased from an outside vendor; can accommodate 30 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting; accommodates loan provi-



**MAKES SUCCESS
IN YOUR BENEFITS CAREER
A 3 STEP PROCESS**

1. ENROLL

Join thousands of benefit professionals participating in the Certified Employee Benefit Specialist program.

2. LEARN

Study a comprehensive up-to-date curriculum.

3. ACHIEVE

Become one of over 3,000 professionals who have attained the CEBS designation—The Standard of Excellence in Employee Benefits!

CEBS is awarded to individuals who successfully complete ten college level courses and examinations covering employee benefit plans. The program is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania. CEBS in Canada is cosponsored with Dalhousie University.

Take three steps to prepare for the benefits challenges of the 1990s. Call or write for details on the CEBS program or to obtain a copy of the 1990-91 Catalog of Information.



**Certified Employee Benefit Specialist Program
International Foundation of Employee Benefit Plans**

18700 W. Bluemound Rd., P.O. Box 868, Brookfield, Wisconsin 53008-0868, (414) 786-6700

Continued from previous page

Clients: 60% with 1-100 employees; 30% with 101-1,000 employees, 5% with 1,001-5,000 employees, 5% with more than 5,000 employees. Average plan size, 100-500 participants; largest plan, 10,000 participants; no minimum or maximum size plan.

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

1989 gross revenues: \$90 million total; \$3 million from 401(k) plan services.

Principal officers: James A. Curtis, chief executive officer.

R.L. Morris & Associates Inc.

5161 E. Arapahoe Road, Suite 320, Littleton, Colo. 80122; 303-779-0810; fax: 303-770-2571

Year founded: 1987; began offering 401(k) plan administration services in 1987.

Software: Software is purchased from an outside vendor; can accommodate unlimited investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides implementation, employee meetings and other communication services.

Service area: Primarily Virginia, Southeast, South, Southwest and Rocky Mountain states.

Locations: Administrative and consulting offices in Albuquerque, N.M.; Atlanta; Dallas and El Paso, Texas; Denver; Orlando, Fla.; Warrenton, Va.

Staff: 35 total staff members; 21 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one CEBS, one MBA, one attorney.

Clients: 110 total clients; 61% with 1-100 employees; 39% with 101-1,000 employees. Average plan size, 94 participants; largest plan, 550 partici-

pants; minimum size plan, five participants; maximum size plan, 5,000 participants.

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

1989 gross revenues: \$1,097,650 total; \$507,500 from 401(k) plan services.

Principal officers: Robert L. Morris, president; Carol L. Morris, vp; Ken Copen, marketing (Colorado); Joe Long, regional marketing (Dallas).

Mutual of New York

4 Manhattanville Road, Purchase, N.Y. 10577; 914-697-8000; fax: 914-697-3743

Year founded: 1843; began offering 401(k) plan administration services in 1984.

Parent company: Mutual of New York Services.

Software: Software is written and maintained by the company; can accommodate eight investment funds and five kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, 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; provides customized communication materials, enrollment videos and meetings.

Service area: Nationwide.
Locations: Administrative and consulting offices in Boston; Charlotte, N.C.; Chicago; Cincinnati; Irvine and San Francisco, Calif.; New York; New Orleans; Philadelphia.

Staff: 147 total staff members; 80 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: 500 total clients; 10% with 1-100 employees; 82% with 101-1,000 employees, 8% with 1,001-5,000 employees. Average plan size, 200 participants; largest plan, 4,000 participants; minimum size plan, 200 participants; maximum size plan, 5,000 participants.

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

1989 gross revenues: \$ total; \$ from 401(k) plan services.

Principal officers: Peter Kunkel, Rob Vetere, assistant vps; Sue Salice, director; Joe Masterson, divisional vp-sales; Chris Cumming, vp-marketing.

Contact: Chris Cumming.

N

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210, Farmington Hills, Mich. 48334; 313-932-4020; fax: 313-932-4119

Year founded: 1968; began offering 401(k) plan administration services in 1978.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides Internal Revenue Service compliance and trust asset accounting.

Service area: Nationwide.
Staff: 25 total staff members; 6 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one MBA, two CPAs, one ASA/FSA, two CPCs, two

QPAs.

Clients: 69 total clients; 68% with 1-100 employees; 32% with 101-1,000 employees. Average plan size, 70 participants; largest plan, 330 participants; no minimum or maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Hal Lambert, president; Michael Stacey, vp; Brian Stevens, secretary/treasurer.

National Benefit Services Inc.

6 N. Michigan Ave., Chicago, Ill. 60602; 312-372-2150; fax: 312-372-7673

Year founded: 1978; began offering 401(k) plan administration services in 1982.

Software: Software is leased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Clients' on-line access to company's computer, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Staff: 8 total staff members; 4 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: 25% with 1-100 employees; 75% with 101-1,000 employees. Average plan size, 100 participants; largest plan, 2,500 participants; no minimum or maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Gerald I. Kalish, president; Karen S. Bonn, vp.

Contact: Karen S. Bonn.

Noble Lowndes, U.S.

33 Evergreen Place, East Orange, N.J. 07019; 201-675-8900; fax: 201-675-8959

Year founded: 1932; began offering 401(k) plan administration services in 1981.

Parent company: Noble Lowndes & Partners, Ltd., United Kingdom.

Software: Software is leased from an outside vendor; can accommodate 30 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Dover, Del.; Garden City, N.Y.; New York; Langhorne, Pa.; Philadelphia; San Francisco; Washington, D.C.

Staff: 700 total staff members; 123 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include two CEBSs, four MBAs, one CPA, two ASAs/FSAs, four attorneys, two CPCs, 10 QPAs.

Clients: 560 total clients; 23% with 1-100 employees; 65% with 101-1,000 employees, 12% with 1,001-5,000 employees. Average plan size, 375 participants; largest plan, 6,000 participants; minimum size plan, 100 participants; maximum size plan, 10,000 participants.

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

1989 gross revenues: \$50 million total; \$8 million from 401(k) plan services.

Continued on next page

Coopers & Lybrand

Managing Change in the Property Casualty Industry

Coopers & Lybrand presents its second annual seminar for senior level executives in the property-casualty industry.

Wednesday, December 5, 1990
Thursday, December 6, 1990
The Parker Meridien
New York City

Industry leaders will discuss regulatory issues from both the Washington and the international perspectives, trends toward specialization and consolidation, globalization, changes in distribution channels, and strategies for acquisitions and divestitures.

Speakers include:

Joel W. Cipolla, President and CEO
Zurich Reinsurance Company
Eli Dabich, Senior Vice President, Nationale-Nederlanden
Constance B. Foster, Commissioner
Pennsylvania Department of Insurance
Alan M. Levin, Senior Vice President, Standard & Poors
Myron M. Picoult, Senior Vice President, Oppenheimer & Co.
Norman Rosenthal, Principal, Morgan Stanley
Congressman James H. Scheuer, Majority Leader,
Subcommittee on Oversight and Investigation
James M. Stone, President,
Plymouth Rock Assurance Corporation
William E. Thiele, President and CEO, Continental Corporation
Henry T. Tillman, Director of Mergers/Acquisitions,
First Boston Corporation

Registration fee: \$895. Group discounts available.
Reserve your place by
telephone (212) 586-0880 or FAX (212) 586-1013.



Continued from previous page

Principal officers: Stephen G. Singer, president/chief executive officer-Noble Lowndes U.S.; Edward Johnson, president-Noble Lowndes/Johnson; Edward H. Becker, chairman; R. Theodore Benna, principal; Alex Sussman, senior vp/national director of consulting.

Contact: Kenneth Hunt, vp/director of defined contribution plans, 201-677-4290.

P

T.R. Paul Inc.

14 Commerce Road, Newtown, Conn. 06420; 203-426-8161; fax: 203-270-0927

Year founded: 1947; began offering 401(k) plan administration services in 1977.

Software: Software is written and maintained by the company; can accommodate 30 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for participants to request account activity, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides health insurance third party claim administration, cafeteria plans, deferred compensation plans, other qualified pension plans.

Service area: Nationwide; mainly Northeastern states.

Staff: 110 total staff members; 12 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one CEBS, two ASAs/FSAs, three CPCs.

Clients: 70% with 1-100 employees; 30% with 101-1,000 employees. Average plan size, 75 participants; largest plan, 200 participants; minimum size plan, one participant; maximum size plan, 5,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: Robert L. Levy, president/treasurer; Raymond Nelson, vp; Sharon Morrissey, secretary; Michael Millman, vp.

Pension Planning Co.

355 Lexington Ave., New York, N.Y. 10017; 212-867-4100; fax: 212-953-7765

Year founded: 1947; began offering 401(k) plan administration services in 1982.

Parent company: Republic Hogg Robinson Inc.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides employee communications, administrative manuals, administrative form design, tax reform studies, 5500, 1099-R.

Service area: Nationwide.

Locations: Administrative offices in New York. Consulting offices in Atlanta; Boca Raton, Fla.; Boston; Cleveland; Dallas; Detroit; Los Angeles; Philadelphia; Washington, D.C.

Staff: 50 total staff members; 20 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include two CEBSs, six MBAs, five ASAs/FSAs, two attorneys.

Clients: 66 total clients; 65% with 1-100 employees; 28% with 101-1,000 employees, 7% with 1,001-5,000 employees. Average plan size, 500 participants; largest plan, 4,500 participants; minimum size plan, 10 participants; no maximum size plan.

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

time and expense, frequency valuations.

1989 gross revenues: Not reported.

Principal officers: Donald A. Lockwood, president/senior actuary; Paul Robinson, Jack Warshavchik, vps/actuaries; Gena Buchwald, vp-recordkeeping services; Robert Heuer, vp-data processing.

Pension Resources

401 N. Michigan Ave., Chicago, Ill. 60611; 312-245-1740; fax: 312-644-4423.

Year founded: 1972; began offering 401(k) plan administration services in 1979.

Software: Software is purchased from an outside vendor; can accom-

modate 25 investment funds and five kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides administrative and actuarial services for all types of retirement plans.

Service area: Nationwide.

Staff: 25 total staff members. Professional designations held by staff include one MBA, one CPA, three ASAs/FSAs, one attorney.

Clients: 200 total clients; 70% with

Continued on next page

THE LEADER IN RISK MANAGEMENT SOFTWARE
PRESENTS THE NEW

HEALTHSTAR

EMPLOYEE HEALTH BENEFITS MANAGEMENT SYSTEM
Fully Adjudicating Claims Processing Software

FEATURE
3

Single Screen Claim Entry

Put ISP's experience, resources and expertise to work for you!
Installations coast to coast
Call for information on the other ISP HealthStar features ...

INSURANCE SOFTWARE PACKAGES, INC.

5118 N. 56th Street • Tampa, FL 33610
(800) 237-8133 US • (813) 621-6069 FL

Assurex operates from 174 locations in North America & abroad.

How many represent you?

Assurex  **INTERNATIONAL**
Independent Partners United for Growth

UNITED STATES**ALABAMA**

McGriff, Seibels & Williams, Inc.
Thames Batre' Mattei Beville & Ison

ARIZONA

The Mahoney Group

CALIFORNIA

Barney & Barney
Bolton and Company
Woodruff-Sawyer & Co.

COLORADO

Day, Webb and Taylor

CONNECTICUT

Arthur A. Watson & Co., Inc.

FLORIDA

J. Rolfe Davis Insurance Agency, Inc.
Seitlin & Company

GEORGIA

Hamilton Dorsey Alston Company
Palmer & Cay/Carswell, Inc.

HAWAII

American Mutual Underwriters, Ltd.

ILLINOIS

Mack and Parker, Inc.

INDIANA

Insurance & Risk Management

IOWA

Cottingham & Butler, Inc.
LaMair-Mullock-Condon Co.

KANSAS

Insurance Management Associates, Inc.

KENTUCKY

Powell-Walton-Milward, Inc.

LOUISIANA

Gillis, Ellis & Baker, Inc.

MAINE

Morse, Payson & Noyes Insurance

MARYLAND

Early, Cassidy & Schilling, Inc.
Riggs, Counselman, Michaels & Downes, Inc.

MASSACHUSETTS

Fred C. Church, Inc.

MICHIGAN

General Underwriters, Inc.

MINNESOTA

Brandow Howard Kohler & Rosenbloom, Inc.

MISSISSIPPI

Fox-Everett, Inc.

MISSOURI

The Daniel and Henry Co.
Gilbert-Magill Company

NEBRASKA

The Harry A. Koch Co.

NEW JERSEY

National Insurance Associates

NEW MEXICO

Bundy, Seligman & Thomas

NEW YORK

Adams & Porter Inc.
Hatch-Leonard/Markin-Shaw, Inc.

OHIO

The McElroy-Minister Company
The James B. Oswald Company
Picton-Cavanaugh, Inc.
Schiff, Kreidler-Shell, Inc.

OREGON

Jewett, Barton, Leavy & Kern, Inc.

PENNSYLVANIA

Engle, Hambright, Davies, Inc.
HDH Group, Inc.

RHODE ISLAND

Starkweather & Shepley, Inc.

SOUTH CAROLINA

Boyle-Vaughan Associates, Inc.

TENNESSEE

Treadwell & Harry Insurance Agency

TEXAS

Ordway-Saunders Company
Roach Howard Smith & Hunter
John L. Wortham & Son

UTAH

Fred A. Moreton & Company

VERMONT

Kirney, Pike, Bell & Conner, Inc.

VIRGINIA

DeJarnette & Paul, Inc.
Henderson & Phillips, Inc.

WASHINGTON

Parker, Smith & Feek, Inc.

WEST VIRGINIA

McDonough Caperton Insurance Group

WISCONSIN

Laub Group Inc.

CANADA**ALBERTA**

Harding Hall & Graburne Insurance Inc.

BRITISH COLUMBIA

Cambridge Insurance Brokers Ltd.

MANITOBA

Ryan Gateway Insurance Brokers, Inc.

NEW BRUNSWICK

Wilson Insurance Ltd.

NEWFOUNDLAND

Anthony Insurance Inc.

NOVA SCOTIA

Fraser & Hoyt Insurance Ltd.

ONTARIO

Tower-Chisholm Ferguson Ltd.

QUEBEC

P. Brunet Assurance Inc.

SASKATCHEWAN

Cherry Insurance Ltd.

INTERNATIONAL**VICTORIA, AUSTRALIA**

R.H. Tolley & Gardner Pty. Ltd.

BRUSSELS, BELGIUM

Menage & Jowa S.A.

SAO PAULO, BRAZIL

Adams & Porter Ltd.

ENGLAND

Robert Fleming Insurance Brokers Limited

DUESSELDORF, GERMANY

C. Wuppesahl

DUBLIN, IRELAND

Coyle Hamilton Limited

AMERSFORT, NETHERLANDS

Kamerbeek

HASTINGS, NEW ZEALAND

International Insurance Brokers Limited

Assurex International • Community Corporate Center • 445 Hutchinson Ave. • Columbus OH 43235

Spotlight report

Continued from previous page
1-100 employees; 30% with 101-1,000 employees. Average plan size, 100 participants; largest plan, 1,000 participants; minimum size plan, 15 participants; maximum size plan, 5,000 participants.

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

1989 gross revenues: \$2 million total; \$700,000 from 401(k) plan services.

Principal officers: Michael Schwartz, president.

Contact: Michael Schwartz.

Prudential Asset Management Co. Inc.

W.W. Scranton Office Park, 30 E.D. Preate Drive, Moosic, Pa. 18507-1796; 717-341-6200; fax: 717-341-6340

Year founded: 1875; began offering 401(k) plan administration services in 1980.

Parent company: Prudential Insurance Co. of America.

Software: Software is written and maintained by the company; can accommodate 10 investment funds and six kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m)

discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer; written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds; provides separate accounting for business units or multiple locations, trustee services if necessary, company stock recordkeeping, external investment recordkeeping.

Service area: Nationwide.
Locations: Consulting offices in Florham Park, N.J.; Chicago; Woodland Hills, Calif.

Staff: 1,120 total staff members; 200 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include two CEBSs, five MBAs, one CPA, one attorney, one CLU, one ChFC, one FLMI.

Clients: Largest plan, 125,000 participants; no minimum or maximum size plan.

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

1989 gross revenues: \$11.5 billion

total.

Principal officers: Harold R. Hopkins Jr., Steven E. Benson, vps.
Contact: Andrew M. Richmond.

R

Gerald T. Reilly & Co., CPAs

424 Adams St., Milton, Mass. 02186; 617-696-8900; fax: 617-698-1803

Year founded: 1955; began offering 401(k) plan administration services in 1985.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

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

Service area: Nationwide.

Staff: 30 total staff members; 5 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include two CPAs, one attorney.

Clients: 90% with 1-100 employees; 10% with 101-1,000 employees 10% with 1,001-5,000 employees. Average plan size, 45 participants; largest plan, 300 participants; minimum size plan, 5 participants; maximum size plan, 500 participants.

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

1989 gross revenues: \$3.3 million total; \$80,000 from 401(k) plan services.

Principal officers: Frank Percuoco, president; Anthony Smeriglio, treasurer; Stephen Marini, Alfred Morano, James McNamara, Richard Daley, vps.

Contact: Frank T. Ardito, employee benefits manager.

Retirement Plans of America Inc.

200 S. Broad St., Suite 425, P.O. Box 35, Philadelphia, Pa. 19102; 215-875-8610; fax: 215-875-3592

Year founded: 1977; began offering 401(k) plan administration services in 1983.

Software: Software is purchased from an outside vendor; can accommodate 25 investment funds (from eight sources) and five kinds of contributions.

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues,

employee communications; provides actuarial services, pension consulting and administration, booklet/statement.

Service area: Nationwide.

Staff: 60 total staff members; 10 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one CEBS, one MBA, one CPC, one ChFC, one actuary.

Clients: 50 total clients; 98% with 1-100 employees; 2% with 101-1,000 employees. Average plan size, 75 participants; largest plan, 800 participants; minimum size plan, 25 participants; maximum size plan, 1,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: JoAnn Massanova, president; Carmen LaVerghetta, vp.

Contact: JoAnn Massanova or Mark Moran, vp.

S

SEI Corp./Benefit Services Division

2777 Stemmons Freeway, Suite 700, Dallas, Texas 75207; 214-689-3200; fax: 214-631-8036

Year founded: 1971; began offering 401(k) plan administration services in 1971.

Parent company: SEI Corp.

Software: Software is written and maintained by the company; can accommodate 70 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds; provides a prototype plan document, voice response access, trustee services.

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston; Jersey City, N.J.

Staff: 200 total staff members; 125 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include two CEBSs, two MBAs, two CPAs, one attorney.

Clients: 325 total clients; 20% with 1-100 employees; 40% with 101-1,000 employees, 30% with 1,001-5,000 employees, 10% with more than 5,000 employees. Average plan size, 1,500 participants; largest plan, 20,000 participants; no minimum or maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Henry H. Greer, president; Roger Marietti and Ed Loughlin, senior vps.

Contact: David Cannaday, director of client and product support, 214-689-3301.

Martin E. Segal Co.

1 Park Ave., New York, N.Y. 10016-5895; 212-251-5000; fax: 212-251-5490

Year founded: 1939; began offering 401(k) plan administration services in 1981.

Software: Software is written and maintained by the company; can accommodate 10 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance

issues, employee communications; provides annual reporting of 1099R and W2P, 5500 reports, SPOs, benefit statements, administrative manuals, preparations and submission of plan documents.

Service area: Nationwide.

Locations: Consulting offices in Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Los Angeles; New Orleans; Phoenix; San Francisco; Seattle; Washington, D.C.; West Palm Beach, Fla.

Staff: 625 total staff members; 60 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include three CEBSs, five MBAs, two CPAs, five ASAs/FSAs, three attorneys.

Clients: 75 total clients; 15% with 1-100 employees; 50% with 101-1,000 employees, 20% with 1,001-5,000 employees, 15% with more than 5,000 employees. Average plan size, 600 participants; largest plan, 35,000 participants; minimum size plan, 50 participants; no maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Robert D. Krinsky, president; Robert D. Paul, vice chairman; Howard Fluhr, Dale Grant, John Gentleman, executive vps; Vincent O'Hara, special counsel.

Contact: Robert A. Liberto, 212-251-5324.

Small Parker & Blossom Inc.

4200 N. Knoxville, Peoria, Ill. 61614; 309-682-4200; fax: 309-682-2418

Year founded: 1968; began offering 401(k) plan administration services in 1981.

Software: Software is purchased from an outside vendor; can accommodate 11 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of 401(k) plan funds.

Service area: Nationwide.

Staff: 30 total staff members; seven staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one ASA/ASA.

Clients: 140 total clients; 70% with 1-100 employees; 30% with 101-1,000 employees. Average plan size, 62 participants; largest plan, 1,000 participants; minimum size plan, two participants; maximum size plan, 2,000 participants.

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

1989 gross revenues: \$1,200,000 total; \$400,000 from 401(k) plan services.

Principal officers: John D. Blossom Jr., president/chief executive officer; Carol R. Sears, vp-qualified plan services administration; Linda B. Blossom, vp-qualified plan services marketing.

Contact: Linda B. Blossom.

State Mutual Cos.

440 Lincoln St., Worcester, Mass. 01605; 508-852-1000; fax: 508-856-9385

Year founded: 1844; began offering 401(k) plan administration services in 1982.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting, accrual accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides prototypes, investments, recordkeeping, administration, benefit payment, testing.

1989 gross revenues: Not reported.

Principal officers: Not reported.

Contact: Not reported.

Continued on next page

FOR SECURITY GUARD & ALARM COMPANIES

NAPSI GIVES YOU AN



Group General Liability coverage for American Private Security - available nationwide!

- ★ Rated 'A' by A.M. Best
- ★ Professional Liability
- ★ \$1 Million Limits

- ★ Excess/Umbrella up to \$10 Million
- ★ Fast, Specialized Service

NAPSI invites interested Brokers and Agents to call or write for further details:

1-800-777-0830

NAPSI

The National Association of Private Security Industries, Inc.
P.O. Box 59349
Dallas, Texas 75229-1349

Hermitage Insurance Company

a division of Hermitage Group

**A Specialty Insurance Company
Serving Professional E & S
Wholesalers Exclusively**



White Plains, NY

Atlanta

Boston

Chicago

Continued from previous page
employee communication, government reporting.

Service area: Nationwide.
Locations: Consulting offices in Atlanta; Boston; Buffalo, N.Y.; Chicago; Dallas, Greensboro, N.C.; Los Angeles; Paramus, N.J.; Philadelphia; Pittsburgh; Puerto Rico; Richmond, Va.; San Francisco; Seattle; Tampa Bay, Fla.; Washington, D.C.

Staff: 300 total staff members; 230 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include eight CEBBS, 14 MBAs, 12 ASAs/FSAs, three attorneys, 11 FLMI's, 21 CLU's, 10 ChFC's.

Clients: 1,016 total clients; 44.2% with 1-100 employees; 54.4% with 101-1,000 employees, 1.3% with 1,001-5,000 employees, .1% with more than 5,000 employees. Average plan size, 300 participants; largest plan, 5,250 participants; minimum size plan, 100 participants.

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

1989 gross revenues: \$47.1 million total; \$25.9 million from 401(k) plan services.

Principal officers: Albert W. Buckbee II, vp-group pensions; Richard P. McGirr, vp-pension & investment sales; John L. Wentzell, second vp-pension marketing.

Contact: Richard P. McGirr or John L. Wentzell.

State Street Bank & Trust Co.

200 Newport Ave., Quincy, Mass.
02171; 617-786-6117;
fax: 617-847-7252

Year founded: 1792; began offering 401(k) plan administration services in 1976.

Parent company: State Street Boston Corp.

Software: Software is purchased from an outside vendor; can accommodate 400 investment funds and 400 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds; provides automated voice response for participant inquiry and transactions, fiduciary management of employer securities, trust and custody, discretionary GIC management.

Service area: Nationwide.

Staff: 8,000 total staff members; 270 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include 15 CEBBS, 30 MBAs, 20 CPAs, four attorneys.

Clients: 10% with 101-1,000 employees, 50% with 1,001-5,000 employees, 40% with more than 5,000 employees. Average plan size, 7,000 participants; largest plan, 50,000 participants; minimum size plan, 2,000 participants; no maximum size plan.

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

1989 gross revenues: \$656 million total.

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 550,
Houston, Texas 77056;
713-622-8930; fax: 713-622-6705

Year founded: 1987; began offering 401(k) plan administration services in 1987.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Clients' on-line access to company's computer, written communication of plan features

to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides assistance with plan documents, communications, investment option advice and consulting.

Service area: Nationwide.
Locations: Administrative and consulting office in Dallas.

Staff: 14 total staff members; 7 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one MBA, two ASAs/FSAs, one Ph.D.

Clients: 15 total clients; 13% with 1-100 employees; 66% with 101-1,000 employees, 13% with 1,001-5,000 employees, 7% with more than 5,000 employees. Average plan size, 1,500 participants; largest plan, 9,600 participants; minimum size plan, 100 participants; maximum size plan, 20,000 participants.

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

1989 gross revenues: Not reported.

Principal officers: James E. Stone, managing director; Kenneth L. Haynes, Thomas F. McCord, Craig Rennpage, Allen Jenkins, Ellen B. Sanborn, principals.

Contact: Thomas F. McCord.

T

TPF&C

1500 Market St., Philadelphia, Pa.
19102; 215-246-6000

Year founded: 1934; began offering 401(k) plan administration services in 1983.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company offers software for use by clients.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative offices in Atlanta, Boston, Chicago, Dallas, Los Angeles. Consulting offices in 30 locations.

Staff: 5,000 total staff members; 387 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: 150 total clients; 13% with 101-1,000 employees, 60% with 1,001-5,000 employees, 27% with more than 5,000 employees. Average plan size, 4,000 participants; largest plan, 46,000 participants; minimum size plan, 1,000 participants; no maximum size plan.

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

1989 gross revenues: \$686 million total; \$10 million from 401(k) plan services.

Principal officers: James E. Kielley, chairman/chief executive officer; John T. Lynch, president; Charles E. Peartree, executive vp.

Contact: Michael L. Hockersmith, 215-246-6271.

W

Williams, Thacher & Rand

630 Third Ave., New York, N.Y.
10017; 212-949-1344;
fax: 212-682-9147

Year founded: 1975; began offering 401(k) plan administration services in 1982.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and

401(m) discrimination tests.

Client support: Clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides GIC/other investment fund surveys, group consulting, defined benefit consulting and administration, non-qualified plan consulting, PC-based software systems.

Service area: Nationwide.

Locations: Administrative and consulting offices in Baltimore; Indianapolis; Philadelphia; Richmond, Va.; Washington, D.C.

Staff: 165 total staff members; 45 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include five CEBBS, four MBAs, eight ASAs/FSAs, one attorney.

Clients: 150 total clients; 15% with 1-100 employees; 65% with 101-1,000 employees, 15% with 1,001-5,000 employees, 5% with more than 5000 employees. Average plan size, 500 participants; largest plan, 7,500 participants; no minimum or maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Charles Thacher, Robert Williams, Thomas Rand.

Contact: Richard A. Darian.

The Wyatt Co.

601 13th St. N.W., Washington
D.C. 20005; 202-508-4760; fax:
202-508-4758

Year founded: 1946; began offering 401(k) plan administration services in 1946.

Software: Software is written and maintained by the company; can accommodate 99 investment funds and 99 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; provides assistance in GIC placements, trustee searches and fund performance analysis.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Cleveland and Columbus, Ohio; Dallas; Denver; Detroit and Grand Rapids, Mich.; Fort Lee, N.J.; Honolulu; Houston; Irvine, Los Angeles, San Diego and Santa Clara, Calif.; Lake Oswego and Portland, Ore.; Little Falls, N.J.; Memphis, Tenn.; Miami; Milwaukee; Minneapolis; New York; Philadelphia; Phoenix; Seattle; Stamford, Conn.; Montreal.

Staff: 3,700 total staff members; 425 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: 2,225 total clients; 56% with 1-100 employees; 32% with 101-1,000 employees, 10% with 1,001-5,000 employees, 2% with more than 5,000 employees. Average plan size, 600 participants; largest plan, 60,000 participants; minimum size plan, 50 participants; no maximum size plan.

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

1989 gross revenues: \$382 million total; \$50 million from 401(k) plan services.

Principal officers: Michael Davis, president; Lee Parks, treasurer; William Hartman, secretary; Tim Hankins, national practice director; Paul Barbick, marketing director.

Y

Yaffe & Co.

800 N. Charles St., Baltimore, Md.;
301-332-1166; fax: 301-727-1344

Year founded: 1976; began offering 401(k) plan administration services in 1982.

Software: Software is purchased from an outside vendor; can accommodate 35 investment funds and kinds of contributions combined.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; provides selection assistance on trustees and investment managers, investment performance monitoring, coverage/benefits discrimination testing, employee retirement contribution calculation, investment breakdown of contracts, maintenance of beneficiary and vesting records, client staff training, procedures manuals, legislative updates, annual government reporting forms, individually designed benefit systems.

Service area: Baltimore area.

Staff: 40 total staff members; 8 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one CEBBS, one CPA.

Clients: 30 total clients; 20% with 1-100 employees; 80% with 101-1,000 employees. Average plan size, 500 participants; largest plan, 1,000 participants; minimum size plan, 75 participants; maximum size plan, 6,000 participants.

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

1989 gross revenues: Not reported.

ported.

Principal officers: Rian N. Yaffe, president; Judy H. Cox, Thomas F. Filling, Gerard F. Petrik, Daphne R. Salsberg, Elizabeth S. Trainer, John C. Voit, principals.

The following listings were received too late to be listed alphabetically.

Metropolitan Life/Metrorecords

1 Madison Ave., New York, N.Y.
10010; 212-578-6273

Year founded: 1973; began offering 401(k) plan administration services in 1973.

Parent Company: Metropolitan Life Insurance Co.

Software: Software is written and maintained by the company; can accommodate unlimited investment funds and kinds of contributions; company does not offer software for use by clients.

Administration: Uses unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access to company's computer, written communication of plan features to employees; consults on legal issues, plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds.

Service area: Northeast, Rocky Mountain states.

Continued on next page

We've got Stop Loss.



In Spades!

Don't let anyone tell you "Stop Loss" is too hard to find, or too hard to sell.

At Underwriter's Safety & Claims, "Stop Loss" is our strong suit. We have the expertise, contacts and programs to put today's advanced stop-loss techniques to work for your clients.

If you have a client who needs new or updated protection from excess medical or worker's comp claims, pick up the phone and give us a call.

We'll deal you a winning hand.

Call: Doug Donaldson
(502)244-1343 / Fax: (502)244-1411



Underwriters Safety & Claims, Inc.

P.O. Box 23790
Louisville, Kentucky 40223

Brokerage results

Continued from page 1

lins Burdick Hunter Co., the retail brokerage unit of Rollins Burdick Hunter Group Inc. in Chicago, said he saw "very little change" in rates during the third quarter.

"Nobody's predicting any major shift in the trend of pricing," and RBH will plan for a continuing soft market, he said.

"You just need to manage and operate from the point of view of a competitive environment," he said. Brokers then could adapt if the market hardens, he said.

Walter Fitzgerald, an analyst at Baird, Patrick & Co. in New York, agreed that "there was no significant improvement" in rates during the third quarter.

Noting that rates tend to be tied to insurers' cash flow, Mr. Fitzgerald said that cash flow apparently turned negative earlier this year for the property/casualty industry. This could translate into improved results for brokers by mid-1991 or 1992, he said.

A "flattish environment" persists, according to Julie A. Hilt, until last week an analyst and assistant vp with Interstate/Johnson Lane in Atlanta. "People are still saying rates are flat to slightly down, and they're fairly non-committal" about when they think the market might turn, she said.

Recent insurance industry events, including Travelers Corp.'s announcement it was adding \$650 million to real estate and mortgage loan reserves (BI, Oct. 15), mean that insurance companies will be paying more attention to their results at year-end, Ms. Hilt observed.

However, the effect of this on insurance brokers will not be apparent until after January renewals, she added.

Analyst Michael A. Smith, vp of Lehman Brothers, a division of Shearson Lehman Hutton Inc. in New York, called brokers' third-quarter results "disappointing," noting that rates while stabilized in July they seem to have softened in September and October.

Because of this, "I would say that, unfortunately, the brokers' earnings are a little bit short of the estimates analysts had," he said.

Mr. Smith said he did not think rates would rise until after insurers file their annual statements with regulators, which are due March 1.

"I think they'll wake up on March 1 and realize cash flow was bad," he said, explaining that insurers will realize their surplus declined in 1990. They also will find next year that they cannot buy as much reinsurance, he said.

A change in insurers' rates is "not going to happen until they see their results in ink on paper," Mr. Smith said.

Individual results for the third quarter and the first nine months for publicly held brokers follow:

Marsh & McLennan

M&M reported an 11.9% increase in revenues for the first three quarters and a 12.3% increase in the third quarter, compared with the corresponding periods in 1989.

Revenues for the first three quarters grew to \$2.05 billion from \$1.84 billion in 1989, while third-quarter revenues rose to \$681.5 million in 1990 from \$606.6 million in 1989.

Breaking down its third-quarter results into major business segments, M&M reported:

- Revenue from insurance services—including insurance brokerage—increased 9.5% to \$379 million from \$346.1 million in the third quarter of 1989.

- Revenue from consulting rose 20.7% to \$231.8 million from \$192 million.

- Revenue from investment management rose 3.2% to \$70.7 million from \$68.5 million.

Analysts said that although the percentage increase of M&M's investment management revenue is smaller than that of the other two groups, the figure is impressive because of the decline of the stock and bond markets.

M&M's net income was smaller in the third quarter than other quarters because of costs incurred when the brokerage moved its headquarters to another building.

Alexander & Alexander

A&A's gross revenues for the first three quarters of 1990 rose 6.9% to \$983.5 million from \$920.1 million in the corresponding period in 1989.

Gross revenues for the third

A&A's net income for the first three quarters fell 24.8% to \$34.9 million from \$46.4 million during the same period in 1989.

However, third-quarter net income climbed 31.9% to \$12 million from \$9.1 million.

The brokerage posted its first increase in year-to-year net income in the third quarter, following a 56.7% decline in the first quarter and a 30% fall in the second quarter.

However, Ms. Vogel pointed out that the net income increase came not because the third quarter of 1990 was particularly strong but because "last year's third quarter was particularly weak."

"I think it was just the fact it was an easy comparison," she said. In the third quarter of 1989, A&A's net income fell 44.8% to \$9.1 million from \$16.5 million in the same period in 1988 mainly because of an \$11 million increase in reserves for non-recurring expenses (BI, Nov. 13, 1989).

Frank B. Hall

Hall's gross revenues rose 14.5% in the first three quarters of 1990 to \$319 million from \$278.6 million in the same period of 1989.

Gross revenues in the third quarter increased 20% to \$102.5 million from \$85.4 million.

Net income for the nine month-period increased to \$1.7 million in 1990 from an \$83 million loss a year ago. In the third quarter, Hall reported a loss of \$2 million, an improvement over a \$19.1 million loss in the same period in 1989.

"What's unusual is for them to have net income at mid-year," said Mr. Smith of Lehman Brothers. "They've just begun to turn the corner now."

Mr. Addeo said the brokerage's situation is "improving significantly" despite the loss in the third quarter. "Our third quarter is traditionally our weakest quarter," he said, explaining the loss.

"Our strategies that we put in place a couple years ago are beginning to pay," Mr. Addeo said. These strategies include a campaign to attract good producers, employee training programs, staff reduction and incentive programs, he said.

Baird's Mr. Fitzgerald said Hall's "revenue figures look very encouraging." Although Hall still lost money in the third quarter, it has reduced its losses, he said.

However, the brokerage probably will continue to lose money until rates firm, he added.

The costs Hall incurred in acquiring new producers and new

Continued on next page

Nine-month broker results

Results in thousands of dollars

Broker	Gross revenues	% change	Net income	% change
Marsh & McLennan	\$2,054,500	11.9%	\$249,600	4.4%
Alexander & Alexander	983,500	6.9	34,900	-24.7
Frank B. Hall	318,991	14.5	1,667	NM
Rollins Burdick Hunter	292,618 ¹	26.5	32,382 ²	51.2
Arthur J. Gallagher	146,344	11.9	12,799	-8.3
Hilb, Rogal & Hamilton	64,845	1.7	5,475	-2.8
Poe & Associates	34,470	13.5	3,203	-14.7

NM - Not meaningful ¹Excludes investment income ²Pretax

Source: Company reports

GRAPHIC BY HOLLY SEGUINE

"The fact they are able to show an increase shows they are doing a pretty good job managing investments," said Gloria Vogel, an associate director with Bear, Stearns & Co. in New York.

Meanwhile, M&M's net income rose 4.4% over the nine-month period to \$249.6 million from \$239.1 million.

Net income increased 1.5% in the third quarter to \$74.6 million from \$73.5 million. That followed net income increases of 6.7% and 4.5% in the first and second quarters, respectively.

Mr. Bischoff said the increase in

quarter rose 13% to \$336.6 million from \$298 million.

The weakening dollar against foreign currencies inflated both the increase in revenues and expenses in the third quarter, Mr. Wiczynski noted.

In terms of the revenue increase, "once you strip out foreign exchange, you're not really talking 13%, you're talking 8%," he said.

The revenue increase also can be attributed to better results in A&A's reinsurance brokerage operations, which reported a revenue increase of 55% in the third quarter, Mr. Wiczynski said. Even with an adjustment for the effect of foreign exchange rates, reinsurance brokerage revenues were still up 40%, he said (BI, Nov. 12).

The reinsurance brokerage operations "had an inordinately good quarter for new business," Mr. Wiczynski explained. Much of that can be attributed to ceding companies reinstating catastrophe coverage, he said.

In addition, revenues from A&A's consulting operations were up nearly 20% in the third quarter, according to Mr. Wiczynski.

However, retail brokerage revenues for the third quarter rose only a "microscopic 1%," he said.

"A&A had its problems, but they seem to be resolving them very effectively," observed Baird's Mr. Fitzgerald.

401(k) administrators

Continued from previous page

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

Staff: 70 total staff members; 70 staff members involved in 401(k) plan recordkeeping, administration or consulting.

Clients: Largest plan, 250,000 participants; minimum size plan, 75 participants; no maximum size plan.

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

1989 gross revenues: Not reported.

Principal officers: Lawrence Kavana, vp; Mark Weinstein, assistant vp.

Michigan National Bank

P.O. Box 9065, Farmington Hills, Mich. 48333-9065; 313-473-3550; fax: 313-472-3094

Year founded: 1940; began offering 401(k) plan administration services in 1982.

Software: Software is purchased from an outside vendor; can accommodate 10 investment funds and 10 kinds of contributions; company does not offer software for use by clients.

Administration: Uses cash accounting, full share accounting; ac-

commodates loan provisions; performs 401(k) and 401(m) discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, clients' on-line access to company's computer, written communication of plan features to employees; consults on plan design issues, compliance issues, employee communications; manages investment of the 401(k) plan funds.

Service area: Nationwide.

Locations: Administrative and consulting offices in Grand Rapids and Lansing, Mich.

Staff: 27 total staff members; 18 staff members involved in 401(k) plan recordkeeping, administration or consulting. Professional designations held by staff include one CEBS, one MBA.

Clients: 300 total clients; 70% with 1-100 employees; 29% with 101-1,000 employees, 1% with 1,001-5,000 employees. Average plan size, 75 participants; largest plan, 1,400 participants; minimum size plan, one participant; maximum size plan, 1,500 participants.

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

1989 gross revenues: Not reported.

Principal officers: Robert Howard, first vp.

Contact: Steff Chalk, vp.



The Mark of Quality. Why Settle for Less.

Looking for a way to evaluate the quality of a health care organization? Ask the organizations that you work with if they're Joint Commission accredited. You'll see the difference!

For further information, please complete and return the form below to:

Joint Commission on Accreditation of Healthcare Organizations
One Renaissance Boulevard • Oakbrook Terrace, Illinois 60181
Attention: Marketing

Name _____

Organization _____

Address _____

Business Phone _____

Area of Interest _____

BI-11/90



Joint Commission
on Accreditation of Healthcare Organizations

Continued from previous page management about a year ago are starting to subside, Mr. Fitzgerald said. "I think they've got a reasonable shot at making a profit next year."

Rollins Burdick Hunter Group

Rollins Burdick Hunter Group, a division of Aon Corp. of Chicago, reported \$292.6 million in gross revenues for the three quarters of 1990, a 26.5% increase over \$231.4 million in the same period last year.

Gross revenues for the third quarter of 1990 were \$92.2 million, a 9.3% increase over \$84.4 million in the third quarter of 1989.

RBH's net income for the first three quarters rose 51.2% to \$32.4 million from \$21.4 million in 1989. Third-quarter net income before taxes in 1990 was \$6.2 million, a 37.5% increase over \$4.5 million.

RBH was "somewhat short of our expectations on revenues," said Mr. Smith of Lehman Brothers. However, he noted that "RBH generally does have a weaker third quarter."

But Mr. Quern noted that the results of Bayly, Martin & Fay International Inc., which RBH acquired in July 1989, were first included in RBH's 1989 third-quarter results.

As a result, greater revenue increases in the first and second quarters this year compared with the same periods last year—before BMF's results were included—were expected. RBH revenues increased 36.3% in the first quarter and

38.2% in the second quarters of 1990, compared with the same periods last year.

The revenue increase in the third quarter stemmed from internal growth, Mr. Quern said. "We've really had a very positive organizational impact from the Bayly, Martin & Fay acquisition," he said.

During the second half of 1989, RBH looked at ways to combine the management and production teams of the two brokerages, integrated BMF's niches in entertainment and gaming brokering, and strengthened RBH's existing energy specialty with BMF's expertise in that field, Mr. Quern said. "In '90, we're starting to see that take hold."

Arthur J. Gallagher

Gross revenues for Arthur J. Gallagher increased 11.9% for the first three quarters of 1990, to \$146.3 million from \$130.8 million for the same period in 1989. Gallagher has restated its 1989 figures to account for pooled acquisitions.

Third-quarter gross revenues rose 13.7% to \$54.8 million from a restated \$48.2 million.

Gallagher's net income for the first three quarters fell 8.3% to \$12.8 million from a restated \$14 million for the comparable period in 1989. Net income for the third quarter increased 7.6% to \$7.7 million from a restated \$7.2 million.

The increase in Gallagher's net income for the third quarter follows a 28.2% decline in net income for the first half of 1990.

Mr. Cloherty said the first-half

decline in profits reflected the fact that rates have been flat while expenses continue to rise.

In addition, "our third quarter is by far our strongest quarter," he noted.

Ms. Hilt said Gallagher's contingent commissions from insurers, which are typically paid in the first quarter, declined this year because the brokerage's contingents are figured on a three-year rolling average that for the first time included 1989, a poor underwriting year.

She also pointed out that Gallagher gave pay raises during the first quarter.

The effects of these events continued to be felt in the second quarter, she said.

However, the third quarter is typically Gallagher's biggest, because a large block of business renews at that time, Ms. Hilt said.

Hilb, Rogal & Hamilton

Hilb, Rogal & Hamilton Co. reported a 1.7% increase in gross revenues for the first three quarters of 1990 to \$64.8 million from \$63.7 million. The brokerage has restated its results to account for mergers made on a pooled basis during 1989 and 1990.

For the third quarter, HRH's gross revenues rose 5.9% to \$21.5 million from \$20.3 million.

Net income for the first three quarters fell 2.8% to \$5.5 million from \$5.6 million. Net income for the third quarter rose 11.8% to \$1.7 million in 1990 from \$1.6 million in 1989.

HRH is combatting the soft mar-

ket with "tight expense control" and acquisitions, said Robert H. Hilb, president of the Glen Allen, Va.-based company.

The brokerage has made about 20 acquisitions so far in 1990, and four or five of those were in the third quarter, he said.

As HRH makes acquisitions, the brokerage is able to cut expenses by consolidating operations, Ms. Hilt observed.

Poe & Associates

Tampa, Fla.-based Poe & Associates reported a 13.5% increase in gross revenues for the first three quarters of 1990 to \$34.5 million from \$30.4 million during the same period in 1989. Gross revenues for the third quarter of 1990 rose 3.8% to \$11.6 million from \$11.2 million.

Net income for the first three quarters fell 14.7% to \$3.2 million from \$3.6 million for the comparable period in 1989. Third-quarter net income dropped 29% to \$1.1

million from \$1.6 million.

Poe & Associates' net income was up 3.9% for the first half of 1990.

"We were hopeful of doing better" in the third quarter, said Chairman William F. Poe. "We had a fair amount of acquisition cost that was being depreciated out, and we have had a heavy hit in investment income."

The brokerage has made nearly 10 acquisitions over the past two years, he said. "We write it off as fast as we can," he noted.

Gross revenues were up, but that was only because of acquisitions, Mr. Poe said.

The broker is hoping for an improved fourth quarter because of "business in the pipeline," he said.

Poe & Associates' results were "a bit of a disappointment," Ms. Hilt said. "Their revenues were down from where we expected them to be as they digest some of their acquisitions." ■

Datebook

NOVEMBER

NOV. 25-28. 22nd Annual National Conference of Insurance Legislators meeting in Lake Buena Vista, Fla.; \$150 for legislators and staff; \$25 for spouses; no charge for insurance department personnel. NCOIL, P.O. Box 217, Brookfield, Wis. 53008.

NOV. 26-29. Reinsurance Law Course in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 670 pounds (\$1,302) plus 15% VAT. Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 71-236-2175; fax: 71-489-1487.

NOV. 27. Advanced Risk Management Financing Techniques seminar in Boston, co-sponsored by The Society of Chartered Property & Casualty Underwriters and the Boston Chapter of The Society of CPCU; \$120 for Society of CPCU members; \$145 for non-members. Bonnie Kinsley, Continuing Education Coordinator, The Society of CPCU, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 215-251-2735.

NOV. 27. Employee Benefits workshop in Chicago, sponsored by The Illinois State Chamber of Commerce; \$120 for members; \$180 for non-members. The Illinois State Chamber of Commerce, 800-621-4220.

NOV. 27-28. Managing Hazardous Substances at Federal Facilities: A Hands-on Workshop in San Diego, Calif., sponsored by Executive Enterprises Inc.; \$1,045. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

NOV. 27-28. Mixed Waste Regulation Conference in Washington, D.C., sponsored by Executive Enterprises Inc.; \$1,045. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

NOV. 27-28. The Environmental Insurance Law Institute seminar in New York City, sponsored by Executive Enterprises Inc.; \$1,045. Executive Enterprises Inc., 22 W. 21st St.,

New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

NOV. 27-28. Environmental Auditing From A-Z seminar in Philadelphia, sponsored by Executive Enterprises Inc.; \$1,045. Also **Dec. 3-4** in Orlando, Fla. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

Reliance Reinsurance Corp.

Announces the opening of its
Facultative Department
for Property and Casualty

Home Office

1 Penn Center
Philadelphia, PA 19103
Tel: (215) 864-6400
Fax: (215) 864-6499

Contact

Erich F. Schweikert
Sr. Vice Pres. - Property

John H. Kramer
Sr. Vice Pres. - Casualty

Eastern Regional Office

2 Penn Center
Philadelphia, PA 19102
Tel: (215) 864-0606
Tel: (800) 962-7934
Fax: (215) 864-0611

Contact

Edward N. Ryan
Vice Pres. - Property

David L. Adams
Vice Pres. - Casualty

Western Regional Office

550 N. Brand Street
Glendale, CA 91203
Tel: (818) 507-7600
Tel: (800) 852-5838
Fax: (818) 549-7499

Contact

Roger K. Ochs
Vice Pres. - Casualty



Reliance

Reliance Reinsurance Corp.
A Reliance Group Holdings Company

NOUVEAU As an entrepreneur, you see opportunities in the single European Market. You have plans which extend across borders.

But establishing operations in foreign countries also means coping with cross-border insurance issues.

Not to worry. The Zurich Group can now solve these issues through a new pan-European service concept.

Through Zurich International in the United States, UK, Belgium, France, Germany, Italy and the Netherlands, a multilocal concept ensures on-site risk analysis wherever your operations are located. This internationally coordinated service enables you to control, reduce and insure your risks... all in English and you won't even have to leave your office!

This concept, together with a full range of products and services, underlines our objective to be a professional market leader.

The Zurich Europolicy provides coordinated coverage for all your risks in Europe. It complies with EC and domestic regulations and specifically

addresses EC market needs. Should your requirements extend beyond EC borders, you can still stay with us. The Zurich is one of the world's leading insurers. We serve all major industries in some 80 countries. ZURINET, our computerised worldwide data network, gives us instant access to crucial information.

Even if your interests are still primarily national, we are the ideal partner. The Zurich Group is backed by capital investments worth nearly U.S. \$ 33 billion – just one of the reasons why all major financial analysts regularly give us an AAA rating. Another is the commitment to personal service given by all our 33,000 employees.

For U.S. multinationals, Zurich International-United States, a member of the Zurich-American Insurance Group, arranges the Zurich Europolicy as safely and easily as any other of the international products we provide.

United States. Europe. Worldwide. Wherever you are planning your future, make it more secure through Zurich International.



**ZURICH
INTERNATIONAL**
GLOBAL SECURITY

INTERNATIONAL

German law stiffens pollution liability, fines

By DON LEWIS KIRK

BONN, Germany—A law recently approved by the German Parliament is expected to increase businesses' liability and insurance costs.

The law received final approval on Nov. 7 in the lower house of Parliament—the Bundesrat—after being passed last month by Parliament's upper house, the Bundestag. Most of the stricter pollution controls the Bundesrat had tried to include were dropped from the final version.

The law, which will take effect Jan. 1, tries to limit pollution by introducing strict liability and stiffer penalties for polluting companies.

Among other things, the measure would:

- Hold companies strictly liable for soil and air pollution. West German law has imposed strict liability for water pollution for about 30 years.

- Hold a company liable for pollution caused by "normal operations."

Insurers sharply criticize this provision, contending that a company should only be held liable for unexpected and unintended pollution.

- Allow parties injured by pollution or who have sustained pollution damage to sue a company if

there is "reasonable suspicion" that it is to blame.

To escape liability, companies will have to prove they did not pollute. The burden of proof had been on the plaintiffs.

The law does, however, allow a company to claim as a defense that its normal operations followed government rules and regulations.

- Allow parties injured by pollution to seek damages for personal injury up to 160 million deutsche marks (\$108.2 million at current exchange rates).

- The bill also removes a cap on the maximum amount that can be collected by a worker injured in a pollution incident. The Bundestag had sought a damage cap of 50,000 deutsche marks (\$33,805) for workers injured by a polluting facility, but the Bundesrat removed the limit, allowing workers to seek up to 160 million deutsche marks.

- Force litigation against foreign companies alleged to be responsible for pollution damage or injury to be heard in a court in the jurisdiction where the pollution occurred.

Insurers say they will not be able to insure the expanded corporate liability the new law creates.

"Insurers will not be able to cover risk to the degree industry needs," said Siegmund Gluck, director of industrial liability for

Allianz A.G. Holding in Munich.

"It will be a matter of determining what is possible and what isn't. I'm just afraid we have a situation in which industry will be liable for certain things they can't insure," Mr. Gluck said. "We have several possibilities open to us. It's just a matter of determining what. As far as cost is concerned, it's just impossible to say what it will cost."

Business groups also criticize the law.

"It won't bring industry to a halt, but it causes enormous problems," said Horst P. Sander, environmental consultant to the Federation of German Industries.

Industrial companies "are liable to a degree not found in any other sector of business, he added.

Mr. Sander said blasted the new law for reversing the legal process, making companies responsible for proving they didn't cause pollution damage or injury.

"Normally, those damaged must prove the company of wrongdoing," he said.

In addition, extending liability to "normal" operations will make it impossible to insure the risk of pollution, Mr. Sander said. "This places a terribly high demand on companies."

The law is expected to have a huge impact in eastern Germany, where pollution controls have been

Continued on next page



Photo by R. Bossu/Syigma

In Leuna, Germany, where pollution controls have been almost non-existent, people breathe in pollution from a chemical factory.

Arbitration best avoided

Litigation is better solution: British lawyer

BY ROGER SCOTTON

HAMILTON, Bermuda—If mediation "without prejudice" fails to resolve a reinsurance coverage dispute involving one or more British parties, the dispute should be litigated in London's Commercial Court rather than arbitrated, a British lawyer recommends.

Compared with arbitration in Britain, litigation in the London Commercial Court "is no more expensive; it is closely regulated; the judges exercise their inherent powers to ensure that the cases are properly conducted; and there are ample means for bringing around the swift resolution of disputes," said Mark Elborne, a partner with Cameron Markby Hewitt of London.

Additionally, English commercial judges will be "ruthless" to ensure litigation is conducted ex-

peditiously and they are "less likely to be given the run-around by lawyers than is an arbitrator," Mr. Elborne said at the fourth International Reinsurance Congress in Hamilton earlier this month.

Litigation proceedings in London's Commercial Court also will allow intermediaries, brokers and other relevant third parties to be "enjoined" in a suit, and there will be "less of a feeling at the end of the day that the result went the wrong way," he said.

"It is all too easy to criticize an arbitrator or an arbitration panel for taking a view which they regard to be equitable and fair, than it is to criticize a judge, who will make findings based on evidence, fact and law," Mr. Elborne said.

In a wide-ranging review, Mr. Elborne provided an English perspective of reinsurance mediation,

Continued on next page

4th International Reinsurance Congress

Finite risk market not glutted

By ROGER SCOTTON

HAMILTON, Bermuda—Primary insurers should not be misled by what seems to be intense competition in the true finite risk reinsurance market, a reinsurance executive warns.

The reality is that only a limited number of reinsurers have the legal, actuarial and financial expertise to evaluate and structure their own transactions, according to Steven Gluckstern, president and chief executive officer of Centre Reinsurance Holdings Ltd. (Bermuda).

To judge from press reports and industry gossip, nearly every reinsurance company now writes finite risk reinsurance or says it wants to, Mr. Gluckstern said this month at the fourth International Reinsurance Congress in Hamilton. Hawksmere Ltd. of London and accounting firm Coopers & Lybrand sponsored the meeting.

But, he argued: "Despite what most people believe, the finite risk reinsurance business is a distinct and fundamentally unique part of the reinsurance landscape. One cannot simply decide that one is in this business."

Finite risk reinsurance "requires significant capital, expertise and a commitment to a level of underwriting due diligence and risk taking that I contend most reinsurance operations are unwilling to make. Unlike in fairy tales, simply saying something enough times doesn't make it come true," he said.

Bermuda-based Centre Re has been specializing in underwriting finite risk reinsurance contracts since January 1988.

Dentre Re differentiates itself from other financial reinsurance underwriters because it structures its programs to include substantial

Continued on next page

GLOBAL BRIEFS

European Commission proposes new facility for credit reinsurance

BRUSSELS, Belgium—The European Commission is proposing to establish a credit risk reinsurance pool to encourage companies in the 12 member nations to invest in Eastern Europe.

The proposed pool, "which responds to the immediate needs for increased trade with the countries of Central and Eastern Europe, should be a first step toward the further opening of the export credit insurance market in the community," the European Commission said this month.

"Under the terms of this proposal, 40% of risks to be reinsured will be shared by (credit risk insurance) agencies throughout the community," the commission said.

"In this way, risks can be spread, available resources used more efficiently across the community and the availability of cover increased," it added.

Ministers attending a meeting of the European Council in Dublin, Ireland, in April had asked the commission to examine ways to encourage the transfer of private capital to the former communist bloc countries.

"Recent developments, notably the collapse of the COMECON economic and trade system, the decision to move to hard currency payments among COMECON members, the loss of the East German market for exports which cannot easily be sold elsewhere, and the Gulf crisis have widened

the gap in the external finances of the countries concerned," according to the commission.

COMECON is the Council for Mutual Economic Assistance, composed primarily of Eastern European countries.

"This gap should be closed, to the greatest extent possible, by flows of direct investment, bringing new technology, business know-how, increased productivity and potential exports. Imports of capital equipment needed to boost production should be increased," it explained.

"But political and economic uncertainties associated with the transition process, exacerbated by external shocks, have restricted trade and investment flows," the Commission noted.

In addition to private credit risk insurers, many E.C. countries have state-operated credit insurance companies, the commission noted.

However, state-sponsored credit insurance agencies in each E.C. member country currently are "authorized to provide cover only for enterprises established in that member state. Coordination between national agencies providing export credit insurance is extremely limited," according to the commission.

As a result, "the use of overall resources available in the community for export credit insurance is far from optimal. This increases

Continued on page 60

INTERNATIONAL

Mediation

Continued from previous page
arbitration and litigation, among other things.

Conciliation is always a better means of resolving disputes than confrontation, he said.

"Time and again, reinsurers will dash headlong into a dispute not realizing the enormous cost that might be incurred, particularly if the dispute is over a matter of principle," Mr. Elborne noted.

"Mediation should produce a result which is satisfactory to both parties. There is no loss of face or loss of pride and one is not left with the overhang of a prospective appeal," he argued.

Reinsurers have a lot to gain by agreeing to mediation as a precondition to arbitration or litigation, he said.

"A skilled mediator can have the full facts at his fingertips in a relatively short period of time and is in a far better position to bring the parties together, particularly if the disputing parties can be encouraged to dispense with the service of lawyers.

"This would not be a disadvantage, for it would be a precondition of the mediation process that the entire exercise would be without prejudice to the parties' rights if a settlement cannot be reached," Mr. Elborne said.

However, the nature of the un-

derlying issue in a dispute and the wishes of the contracting parties—who can save time and money by agreeing at the outset the method they will use to resolve contractual agreements—are key factors in the arbitration or litigation debate, Mr. Elborne pointed out.

If parties choose to arbitrate when they enter into an agreement, "then that is an expression of their intent and they should be bound by it," he said.

"The reinsurance industry has been trying to do this for some time with the use of arbitration clauses. A problem is that the parties fail, in many cases, to take the necessary steps to ensure that those wishes can be fulfilled at some future date when a dispute arises."

Arbitration ought to produce results fair to both parties, he said. But he added that a lawyer with a reinsurance firm in New York commented recently that "arbitration is so much fairer in America because the American system allows an arbitrator to cut up the cake. In London, the result of an arbitration is so often that one party wins and one party loses, and there is no middle ground."

Mr. Elborne attributed the popularity of arbitration partially to the perception that it produces resolutions more quickly and inexpensively than going to court.

Other advantages include a choice of venue, the availability of

arbitrators who understand the technical side of reinsurance and the arbitrator's ability to decide an issue without adhering strictly to the letter of the contract, he said.

In addition, arbitration proceedings are private, and the limited rights of appeal cut down on delays, Mr. Elborne said.

But he said that the administration of justice, particularly in London's Commercial Court, is now

'Mediation should produce a result which is satisfactory to both parties,' Mr. Elborne says.

"far speedier" than it was two or three years ago.

Lawyers used to "misuse" the court by seeking and usually obtaining long extensions. In addition, discovery would "lumber on," and proceedings would be repeatedly adjourned, reheard and re-listed.

The "new broom" approach tries to speed up pre-trial preparations by limiting the time to serve pleadings and conduct discovery.

"Skeleton arguments" now are used more extensively, and both sides have access to the other's

witness statements, he said.

In addition to other written submissions, both sides also are required to submit a pre-trial checklist so the Commercial Court can ensure that both sides are ready for trial.

"Many of the advantages ascribed to arbitration simply do not, in my view, any longer exist," Mr. Elborne said. "What has for a long time been described as one of the great advantages of arbitration—that is, cost and speed—simply does not exist any longer."

If anything, arbitration costs can be higher because arbitrators' fees can be "substantial," he said.

For example, he noted that "a lawyer dealing with an arbitration is no cheaper than a lawyer dealing with a case in litigation."

Citing the disadvantages of arbitration, Mr. Elborne said that if the proceedings are not properly conducted, there can be greater delay, great injustice and greater expense.

He also pointed out that arbitrators' powers over uncooperative parties and to order injunctions are more limited than judges' powers.

And, "perhaps most importantly," the results bind only parties to whom the agreement applies and who have agreed to submit to arbitration, he said.

"Thus, the broker will not be a party to the arbitration, although the dispute often relates to some

action taken or not taken by the broker," he explained.

"The reinsured and the reinsurer can spend four years disputing what was or was not said or was or was not represented at the time of the placement. The reinsurer succeeds on the factual evidence—say that the broker failed to give incurred-but-not-reported loss information on asbestosis losses—and the reinsured has to start all over again in court against the broker," Mr. Elborne said.

"This, in my view, more than any other is the reason why arbitration in reinsurance disputes is unsuitable, in particular when the allegations relate to matters of non-disclosure and misrepresentation," he said.

Another disadvantage is that privacy requirements can keep decisions important to the market under wraps unless all parties agree to release details.

Most reinsurance disputes are bitter affairs over contracts producing abnormally large and totally expected losses, Mr. Elborne said. There is no doubt that arbitration can be just as bitter as a case going to court, he observed.

And, while most arbitration rulings can be appealed to the courts, a 1979 law makes made doing so more difficult, he said. Maintaining access to the courts is a fundamental principle of English law, he added. ■

Finite risk reinsurance

Continued from previous page
underwriting risk, rather than only timing risk. Centre Re has coined the term "finite risk reinsurance" for its products to differentiate from other financial reinsurance products (BI, April 30).

Mr. Gluckstern said that most of the "true" competition he sees is over small, extremely limited risk financial reinsurance transactions.

"The prototype transaction for this type of reinsurance is the time-and-distance contract," he said, referring to contracts that guarantee ceding companies specific payments at specific times in the future based on the initial premium paid and investment returns expected by the reinsurer.

"This banking product—and do not confuse it for anything but a banking product—has now become

a true commodity. It really doesn't matter from whom you buy it. Commodity products with fixed margins and no risk attract competition. They are easy to understand

4th International Reinsurance Congress

and easy to price," he said.

Mr. Gluckstern said he wishes that the time-and-distance market "would die out completely."

Regulators too often incorrectly view this "non-risk, non-reinsurance contract" as the prototype of all finite risk contracts, he said.

"Nothing could be further from the truth," Mr. Gluckstern as-

serted. "Believe me, I would be very happy if we all could get rich writing no-risk contracts."

Similarly, brokered deals in which highly trained intermediaries do all the analytical work and "spoon feed" the reinsurers usually attract intense competition, Mr. Gluckstern said.

However, large, complicated, custom-designed finite risk programs with strong financial and risk elements are "not a commodity product and the competition is still in its infancy."

For example, out of about 10 transactions Centre Re has written with premiums in excess of \$50 million, on only two occasions did it believe it was competing against anyone, he said. Mr. Gluckstern said that the finite risk reinsurance community is often "condemned"

on the false assumption that its aim is to eliminate risk from its contracts.

"I have no interest in eliminating risk, because hand in hand with the elimination of risk comes the elimination of potential profit."

And many finite risk reinsurers "will lose money," Mr. Gluckstern predicted. "They may not end up bankrupt, but their return on capital will be negative."

Old-fashioned bad luck is one reason, he said. Simply asserting that an absolute limit of liability—one of the features of all finite risk reinsurance contracts—guarantees profitability "is a dangerous, irresponsible and ridiculous statement," he said.

Poor risk assessment and unpredictable events can severely hurt reinsurers, he said.

Bad underwriting also comes into play, as well as the "only-this-once syndrome" suffered by underwriters who are so confident that they have found the "perfect deal" that they write unlimited coverage, Mr. Gluckstern said.

Unlucky or imprudent asset management also can hurt a finite risk reinsurer's margin.

"Traditionally, financial reinsurers have merely cash-matched their portfolios. In other words, they invested their funds in such a way as to create a system whereby the maturities on their investments matched the maturities of their liabilities," he explained.

"This was a fine strategy when you could exactly predict cash outflows and their timing. But what about now, when a ceding company can often commute a contract at almost any time?"

Cedants may decide to commute when interest rates are at their highest and when "unfortunately, the value of your bond portfolio is at its lowest," he said.

"How much money you lose will be dependent on how much of a haircut you must take as you liquidate your portfolio," he warned. ■

Pollution law

Continued from previous page
almost non-existent for years.

Companies in that region could be devastated, said a spokesman for Allianz in Munich. "As of Jan. 1, all industries in (the former) East Germany will need new liability insurance. The old policies will expire. The problem is that there isn't a single insurer willing to cover the risk.

"Companies have toxic waste dumps to deal with," the spokesman said. "There was no environmental protection in East Germany to speak of. As a result, you won't find insurers willing to take the risk.

"The only thing that can be done now is to have the government make an exception in the case of East Germany," the spokesman said. "The new law should not apply in this case. Either the state takes on the responsibility for cleaning up the pollution or companies will just have to take the risk of operating without insurance." ■

July 1990

W.S. MOODY HOLDINGS LIMITED

has divested its

UNITED KINGDOM SUBSIDIARIES

including

Hinton Hill Group Limited
W.S. Moody Limited
Barnes, Eales & Upton Limited

We acted as a financial advisor to W. S. Moody Holdings Limited.

Northington Capital Markets, Inc.

August 1990

The business of

Integon Corporation

has been acquired by an investor group comprised of

Jupiter Industries, Inc.

and

Head Insurance Investors L.P.

an affiliate of

John Head & Partners L.P.

We acted as financial advisor to the Special Committee of the Board of Directors of Integon Corporation.

Northington Capital Markets, Inc.

Laws said to strengthen liquidators' hand

By ROGER SCOTTON

HAMILTON, Bermuda—U.S. and British bankruptcy laws offer the "brightest prospect" for unraveling the tangled problems of liquidating multinational insurers, say several international law experts.

Two specific measures—Section 304 of the U.S. Bankruptcy Reform Act of 1987 and Section 426 of Britain's 1986 Insolvency Act—give liquidators a "formidable" tool to use in fairly administering assets, they say.

Both laws are a "positive step" toward fairly administering assets spread over many legal jurisdictions, the experts say. "But it remains to be seen whether the goal of a multinational approach to insurance insolvencies can be attained."

Their paper on insolvencies was presented at the Fourth International Reinsurance Congress in Bermuda earlier this month. Hawksmere Ltd. of London and Coopers & Lybrand sponsored the meeting.

New methods pose threat to old skills

HAMILTON, Bermuda—A reinsurance company executive urges the Bermuda insurance industry to maintain the "traditional broker/underwriter relationship" rather than adopt electronic interface.

The Bermuda market must not be allowed to move toward the use of the "electronic market," as other markets have, said Jonathan Crawley, president of Sphere Drake Underwriting Management (Bermuda) Ltd.

In particular, Mr. Crawley said he was concerned about the effect of

4th International Reinsurance Congress

The paper was written by four lawyers from Rudnick & Wolfe in Chicago—Stephen W. Schwab, Carolyn S. Reed, David E. Mendelsohn and Alison M. Mitchell—and Daniel S. Guberman, a counsel with the Office of the Special Deputy of the Illinois Insurance Department.

The authors examined the conflicting powers of liquidators in different jurisdictions to marshal and distribute assets. Liquidators' duties are viewed against the claims against those assets by foreign and domestic creditors.

"Problems engendered by differ-

ences in the laws of competing jurisdictions makes... (it) nearly impossible" to distribute assets to all creditors on an equal basis in one proceeding, the paper says.

Most jurisdictions require insurers to post a security or deposit to protect policyholders in that jurisdiction, the authors note.

"When the insurer becomes insolvent, there is an immediate crystallization of divergent interests in different jurisdictions: Each creditor wants his due and the company's receiver—or the courts—must resolve these competing interests," they said.

U.S. and British laws offer a similar way to settle such claims.

Section 304 of the U.S. Bankruptcy Reform Act prohibits classifying domestic and foreign insurers as "debtors" and thus denies them the law's

full protection, the authors say. But the law does empower representatives of an insolvent foreign insurer involved in "foreign delinquency proceedings" to invoke the law's protections and remedies.

When formulating the section, the paper says, Congress considered the growth of multinational business and complexities created when a multinational company is "enmeshed" in a foreign bankruptcy proceeding.

"Congress was also aware that the Bankruptcy Act of 1898 did not contain express provisions giving a foreign receiver the flexibility required to resolve the problems that arise when foreign proceedings are instituted and creditors seize assets located in the U.S.," the paper says.

Section 304, the authors contend, enables liquidators "to administer

the debtor's U.S. assets, prevent dismemberment by local creditors and obtain other appropriate relief" in U.S. courts.

The authors find similar advantages in Section 426 of the British Insolvency Act. That section supplements English common law by "obliging courts of different jurisdictions to recognize liquidation orders of foreign courts and to give assistance to liquidators appointed by those courts," the authors say.

The measure applies to U.K. courts and those in Australia, Bermuda, Canada, the Cayman Islands, Hong Kong, Ireland and New Zealand. But laws of the designated territory must "correspond" to U.K. law and the authors warn that the application of Section 426 depends partly on how courts interpret that term.

Editorial Index Service 1990

The Business Insurance Editorial Index Service for 1990 is available. This valuable service directs you to all news reports and feature articles published by Business Insurance newsmagazine.

The annual service includes three quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are available from BI's Information Centers in New York and Chicago... at no additional charge... it's part of the service. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

If it's in Business Insurance, it's in the Editorial Index. Uncover the issues. Track the trends. Follow the changes and developments in risk management, employee benefits and the commercial insurance industry— with topics such as self-insurance, cost control, captives, plan design & administration, systems & analysis, surplus lines, insurance exchanges, reinsurance, market conditions, financial developments, claims settlements, government regulations & legislations, and more.

The fee for the 1990 Business Insurance Editorial Index Service is \$100. Take advantage of this cost effective tool and fill out the coupon today.

Business Insurance

Please send me the following index(es):
Full Index Service at \$100* for: 1990 1991
Softcover editions at \$100* each:
 1989 1988 1987 1986
Hardcover editions at \$150* each:
 1985 1984 1983 1982 1981

* foreign postage additional

TOTAL ENCLOSED \$ _____

PAYMENT MUST ACCOMPANY ORDER —

- Visa Mastercard Optima American Express
- Check Enclosed (make check payable to Business Insurance)

Mail to:
Editorial Index Service
Business Insurance
220 East 42nd St.
New York, NY 10017
Or call: 212/210-0137

name _____
title _____
company _____
address _____
city _____ state _____ zip _____
phone# _____
account# _____ exp. date _____
signature _____

technological advances on the skills of the island's reinsurance underwriters. These skills should include "a good head for heights;" the ability to "smell a bad risk, a fishy presentation or a disreputable producer;" the ability to acquire a good reputation; the ability to develop good negotiating techniques; and the ability to have the degree of technical knowledge needed to underwrite at a profit, he said.

"I am fearful that tomorrow's technology will cause the practice of any or all of the first four of these skills to become obsolete," Mr. Crawley said at the Fourth International Reinsurance Congress in Bermuda earlier this month. Coopers & Lybrand and Hawksmere Ltd. sponsored the meeting.

The "electronic slip" threatens the traditional operation of the market in which underwriters are visited by brokers carrying underwriting files and placement slips, he said. Electronic slips let negotiations and placement be completed entirely by computer, he explained.

"I fear that the arrival of the electronic slip is only happening because the technology is there to allow it to happen and not because it is necessarily desirable technology beneficial to the profitability of our industry," Mr. Crawley said.

He said he would like to "put in a plea for the traditional broker/underwriter relationship to be maintained. Even if it fades away in London and New York, let us see to it that it is maintained here in Bermuda. Let its continuance become yet another of the unique features of the marketplace in Bermuda."

—By Roger Scotton

The professional marketplace

RATES AND CLOSING TIME:

Rates: Display classified is \$116.75 per column inch, minimum of one inch. Straight classified is \$10.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$17.50 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

Closing: Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.

COMMITTED TO BEING THE BEST

We represent 14, A+15 insurance companies plus major brokerage markets. If you are a commercial and/or personal lines producer or own your own firm, join the most successful team in the business. The best equity and commission arrangements in the industry. Please send resume to:

P.O. Box 315, Jericho, NY 11753.

V.I.P. RESOURCES, INC.

Executive Recruiters
Domestic & International
EMPLOYEE BENEFITS

200 Park Ave., Suite 303E
New York, New York 10166
(212) 344-2100

Over Ten Years of Exclusive Concentration in **Insurance Safety Recruitment.** Personal attention with a Professional approach. Our Excellent Reputation Precedes Us.

PAT ALLEN ASSOCIATES
P.O. Box Q
Goldens Bridge, N.Y. 10526
(914) 232-1545

LOGIC ASSOCIATES, INC.

Risk Management Executive Search Consultants

Celebrating Our 13th Year Of National Service To The Risk Management Community

Telephone 212-227-8000 170 Broadway Suite 1208
Fax 212-766-0188 New York, New York 10038

"The Original and #1 Choice in Risk Management Recruiting"

RMA RICHARD MEYERS & ASSOCIATES, INC.

Executive Recruiters,
Servicing Clients Nationwide, In The Areas Of:

- Risk Management
- Claims Management
- Safety & Fire Protection
- Benefits & Pensions
- Property & Casualty

NJ HEADQUARTERS
15 James Street
Main Level
Florham Park, NJ 07932
201 765-9000
Fax 201 765-9009

NYC OFFICE
1285 Ave. of the Americas
35th Floor
New York, NY 10019
212 237-2804
Fax 212 237-2792

"Where Professionals Insure Their Careers"

ALEXANDER & ALEXANDER
SENIOR ACCOUNT MANAGER/CONSTRUCTION

We have an immediate opening for someone to function as part of a team responsible for marketing and servicing large commercial contracting accounts. The successful candidate will have a minimum of 10 years commercial lines experience, a license as required by state, good written and verbal communication skills and a thorough and varied knowledge of commercial lines coverages and markets. The candidate will also have a demonstrated record of performance in attracting and retaining major construction accounts.

Several outstanding medical options, company matched savings plan, 401k plan, life insurance, pension plan, payroll deduction plan for personal insurance and modern offices overlooking Baltimore's Inner Harbor are just a few of the exceptional benefits we offer. Salary commensurate with experience. Please respond in writing with salary requirements to:

ALEXANDER & ALEXANDER
Human Resources Department
100 Light Street
Baltimore, Maryland 21202
EOE/MF/HV

PRIMARY CASUALTY UNDERWRITING OFFICER

A progressive Chicago Loop property Casualty company has an officer level position available in the Primary Casualty Underwriting Department.

The incumbent will be responsible for the development of new and additional products and in the development of underwriting guides for primary casualty lines. Additional responsibilities include conducting underwriting reviews at Regional locations and MGAs.

This position reports directly to the Chief Underwriting Office and has significant exposure to the entire Senior Management Team. This is a prime position for an individual seeking new challenges and future growth.

The ideal candidate will be a college graduate with at least ten years experience in heavy Excess/surplus underwriting. Thorough knowledge of products and general liability is a must. Prior management experience and training in Primary Casualty lines at a standard lines company required. Experience in Home Office environment with exposure to actuarial pricing, forms development, claims made forms, rating methodologies and underwriting manual compilation add to you being the best applicant.

Salary commensurate with your background and experience.

Respond in confidence to:

Box 2634, Business Insurance
740 Rush Street, Chicago, IL 60611-2950

UNDERWRITERS RISK MANAGERS

Establish your OWN RISK MANAGEMENT PRACTICE

For a demonstration tape on our RISK MANAGEMENT FRANCHISE

Send: Your background outline & a check for \$5.95 to:

RISK MAN...®
Director of Franchising
13 Franklin Circle
Northboro, MA 01532

SITUATIONS WANTED

INSURANCE FINANCIAL EXECUTIVE, CPA
Generalist w/exp in STAT, GAAP, Tax, Systems, Invest., Loss reserving, Corp. affairs. Reinsurance. Team player. Startup Turnaround expertise. Available Now. Reasonable salary & No reloc. expenses.
Call or Fax 800-845-1795

FOR SALE

INSURANCE SHELL FOR SALE
30+ state life insurance shell. Call/write for specifics: AMS Group, P.O. Box 1172 Ellsworth, ME 04605, 207-667-4000 FAX 207-667-4002.

HELP WANTED

INSURANCE STATE FILER
REPUBLIC WESTERN INSURANCE PHOENIX, ARIZONA
Republic Western a property and casualty insurance company headquartered in Phoenix, Arizona is seeking an individual to prepare and file all rate and form filings. Will also monitor deadlines for all reporting requirements, respond to inquiries from insurance depts. and other regulatory agencies and sort and route mail from these entities. Prefer individual with experience in the insurance industry or other similar business experience with some college. Legal research skills a plus. Smoke free working environment. Drug test required. Please send resume with salary history to:
Republic Western Insurance Company
Attn: Donna Noel,
Personnel Administration
2727 N. Central Ave.
Phoenix, Arizona 85004

Business Insurance Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's/Presidents, and Owners 2,670
Vice-Presidents, General Managers and Other Administrative Personnel 4,438

Financial:
Chief Financial Officers and Vice-presidents of Finance 3,149
Secretaries, Treasurers, controllers and other Financial Personnel 4,505

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 10,830

Sub-total 25,592

Associations 511
Government, Unions and Educational Institutions 1,289

Commercial Consumers
Sub-total 27,392

Insurance Agents and Brokers 9,815
Insurance Companies 7,851
Accountants, Actuaries, Attorneys & Consultants 3,377
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,218
Others Allied to the Field 1,593

TOTAL 51,386

* Source: Business/Occupational breakdown of qualified circulation. May 28, 1990 issue, as submitted to BPA for June 1990 BPA Publisher's Statement.

NOTICES

NOTICE OF PUBLIC SALE

Notice is hereby given that John R. Grantham, Trustee of the QC-1 Liquidating Trust ("Secured Party"), intends to sell at public sale, for cash, cashier's check or bank wire only (US funds) made payable to Secured Party and available to Secured Party by 2:00 p.m. (Houston, Texas time) on the date of the sale, the following described property: Unearned insurance premiums in the aggregate amount of \$9,843,096.31 (the "Collateral") in which security interests were granted pursuant to premium finance agreements (the "PFAs") between various individuals and Kwik Kash, Inc. The foregoing amount and all other amounts herein represent Secured Party's best estimate based on information available to it. With respect to the Collateral, please note the following:

(a) Secured Party has filed claims with the Receiver of Best Lloyds Insurance Company (the "Best Lloyds Receiver") to recover a portion of the Collateral in the aggregate amount of \$5,422,564.11. To date, however, Secured Party has not been notified as to whether the Best Lloyds Receiver has made any decision on whether to accept or reject the claims. Best Lloyds Insurance Company had the benefit of coverage by the Guaranty Fund (the "Guaranty Fund") maintained by the Texas Property and Casualty Guaranty Association which insures payment of a covered claim for refund of an unearned insurance premium in an amount not in excess of the lesser of \$1,000.00 or 75% of the amount claimed. Out of this \$5,422,564.11 portion of Collateral for which claims have been submitted against the Best Lloyds Receiver, to the best of Secured Party's knowledge, the portion covered by the Guaranty Fund aggregates \$3,913,517.45.

(b) Secured Party has filed claims with the Receiver of North American Lloyds of Texas (the "North American Receiver") to recover a portion of the Collateral in the aggregate amount of \$346,390.00. To date, however, Secured Party has not been notified as to whether the North American Receiver has made any decision on whether to accept or reject claims. North American Lloyds of Texas had the benefit of coverage by the Guaranty Fund. Out of this \$346,390.00 portion of the Collateral for which claims have been submitted against the North American Receiver, to the best of Secured Party's knowledge, the portion covered by the Guaranty Fund aggregates \$227,234.50.

(c) Secured Party has filed claims with the Receiver of National County Mutual Fire Insurance Company (the "National County Mutual Receiver") to recover a portion of the Collateral in the aggregate amount of \$3,266.00. National County Mutual Fire Insurance Company had the benefit of coverage by the Guaranty Fund. Out of this \$3,266.00 portion of the Collateral for which claims have been submitted against the National County Mutual Receiver, to the best of Secured Party's knowledge, the portion covered by the Guaranty Fund aggregates \$2,552.00.

(d) Secured Party has filed claims with the Receivers of the following insurance companies to recover portions of the Collateral in the respective aggregate amounts set below. To date, however, no payments have been made on these claims. These portions of the Collateral are not covered by the Guaranty Fund.

Bluff Farmers Mutual Insurance Company	\$3,533,548.92
Universal Indemnity Insurance Company	\$304,294.35
Secured Party has made demand on the Receiver of Laramie Insurance Company to recover a portion of the Collateral in the amount of \$116,380.00. To date, however, no payments have been made in response to these demands. This portion of the Collateral is not covered by the Guaranty Fund.	
(f) Secured Party has filed suit against the following insurance companies to recover portions of the Collateral in the respective aggregate amounts set forth below. To date, however, no payments have been made in response to these suits.	
Acceptance Insurance Company	\$57,158.00
Continental American Insurance Company	\$34,301.00
Interstate Fire & Casualty Company	\$33,815.00
(g) Secured Party has made demand on the following insurance companies to recover portions of the Collateral in the respective aggregate amounts set forth below. To date, however, no payments have been made in response to these demands.	
Adriatic Insurance Company	\$2,659.00

Albany Insurance Company	\$1,035.00
Alliance General Insurance Company	\$6,390.00
American Modern Lloyds Insurance Company	\$180.00
American Trust Insurance Company	\$6,205.00
Commodore County Mutual Insurance Company	\$6,449.00
Eagle Insurance Company	\$372.00
Essex Insurance Company	\$2,689.00
First National Indemnity Company	\$153.00
Florida International Indemnity Insurance Company	\$134.00
Foremost County Mutual Insurance Company	\$1,144.00
General Agents Insurance Company of America, Inc.	\$516.00
General Indemnity Insurance	\$1,173.00
Government Employees Insurance Company	\$887.00
Guaranty County Mutual Insurance Company	\$2,374.33
International Indemnity Company	\$15,616.00
Lloyds of London	\$3,882.00
Lumbermens Mutual Casualty Company	\$139.00
Michigan Mutual Insurance Company	\$1,143.00
Marine Office of America Corporation	\$5,153.00
Mt. Hawley Insurance Company	\$1,818.00
National Lloyds Insurance Company	\$3,803.00
NGC County Mutual Insurance Company	\$8,643.00
Nu-Main Insurance Company	\$2,278.00
Old American County Mutual Insurance Company	\$716.00
Old Hickory Casualty Insurance Company	\$2,458.00
Presidential Fire & Casualty Insurance Company	\$943.00
Royal Surplus Lines Insurance Company	\$11,033.00
Scottsdale Insurance Company	\$781.00
Southern County Mutual Insurance Company	\$1,303.00
Texas All Risk	\$125.00
Texas Farmers Insurance Company	\$168.00
TransAmerica Insurance Company	\$331.00
Travelers Indemnity Company of Rhode Island	\$408.00
United States Fire Insurance Company	\$2,959.00
Universal Security Insurance Company	\$490.00
U.S. Lloyds Insurance Company	\$8,552.00
Western Fire & Casualty Insurance Company	\$700.00
Western Lloyds Insurance Company	\$73.00
Western World Insurance Company	1,883.00

To be sold with all faults, with no expressed or implied warranties, whether with respect to fitness of purpose, merchantability or otherwise.

Kwik Kash, Inc. is a privately held Texas corporation that was engaged in the business of financing property and casualty premiums. Kwik Kash, Inc. was involved in Chapter 11 reorganization proceedings in the United States Bankruptcy Court for the Southern District of Texas, Houston Division filed on August 8, 1988, and dismissed on March 22, 1989.

Contact Secured Party at P.O. Box 25351, Houston, Texas 77265-5351, phone number (713) 680-4385 for additional information about the insurers, this sale or to schedule an appointment to inspect the PFAs.

Sale Date: December 14, 1990
Time: 10:30 a.m. Houston Texas time
Location: Holiday Inn Astrodome
8111 Kirby
Houston, Texas 77054
Royal Oak Ballroom
Auctioneer: Secured Party

Bids may be submitted for the Collateral as a single block or any portion thereof. Secured Party reserves the right to bid for and purchase the Collateral (or any portion thereof) and to credit its purchase price against the

expenses of sale and such portion of the indebtedness secured by the security interest in the Collateral.

Representatives of Secured Party will be available at the following locations at 10:30 a.m. on the Sale Date to answer any questions and to relay bids by telephone to Secured Party at the location where the sale is being conducted:

Cowles & Thompson
100 Congress, Suite 310
Main Conference Room
Austin, Texas 78701

Cowles & Thompson
4000 NCNB Plaza
901 Main Street
Conference Room 40B
Dallas, Texas 75202

Marathon Title
Nolen Building
9311 San Pedro Avenue
Suite 1110
San Antonio, Texas 78216

NOTICES

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS,)
ex rel.,)
Zack Stamp,)
Director of Insurance)
of the State of Illinois)
Plaintiff,) No. 88 CH 7300
v.)
COOPERATIVE)
HEALTH PLAN,)
an Illinois)
Domestic Stock)
Health Maintenance)
Organization)
Defendant.)

NOTICE OF CLAIMS DATE AND PROCEDURES

PLEASE TAKE NOTICE, that on March 29, 1989 an Order of Liquidation With A Finding of Insolvency was entered against Cooperative Health Plan ("Cooperative") by the Circuit Court of Cook County, Illinois. Zack Stamp, Director of Insurance of the State of Illinois ("Liquidator") is the statutory and court affirmed Liquidator of Cooperative.

TAKE FURTHER NOTICE, that on October 29, 1990, the Circuit Court of Cook County, Illinois, entered an Order Extending the Final Date for the Filing of Claims ("Fixing Order"). Pursuant to the terms and conditions of the Fixing Order, all rights and liabilities of Cooperative and its creditors, policyholders and stockholders, and all other persons interested in its assets, are extended and fixed as of April 1, 1991, unless otherwise provided in a subsequent Order of the Court.

TAKE FURTHER NOTICE, that all persons and entities, who have, or may have, claims, contingent or otherwise, against Cooperative, or the property or assets of Cooperative, shall have the right to present and file with the Liquidator, proper proofs of claim on or before 4:30 p.m., C.S.T., on April 1, 1991. Such contingent claims by insureds may be allowed if such claim is fully liquidated, and the insured presents evidence of the payment of such claim to the Liquidator, on or before such final date and such contingent claims by person claiming against such insureds may be allowed if such persons demonstrate to the Liquidator that the proofs submitted to the liquidator upon such claim satisfy the requirements of Illinois Revised Statutes 1989, Ch.73, Par. 821 by such final date.

TAKE FURTHER NOTICE, that the form of, and required contents of, all proofs of claim are described in Illinois Revised Statutes 1989, Ch. 73, Par. 821. Proofs of Claims, together with supporting documents, if any, are to be filed with, and may be secured from, the Special Deputy Liquidator of Cooperative Health Plan, in Liquidation, 446 E. Ontario, Suite 700, Chicago, Illinois 60611. Filing shall occur upon the receipt of the Proof of Claim by the Liquidator. The Liquidator reserves the right to require such additional information with respect to any claim filed with him as he may deem necessary. The Liquidator further reserves any and all defenses available to Cooperative upon all filed claims. All Proofs of Claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATES FOR THE FILING OF PROOFS OF CLAIM WITH THE LIQUIDATOR AND THE LIQUIDATION OF ALL CONTINGENT CLAIMS, IS SET FORTH ABOVE. NO PERSONS HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST COOPERATIVE, OR ITS INSURED, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY, UNLESS SUCH CLAIMS ARE PROPERLY FILED, AND IN THE CASE OF CONTINGENT CLAIMS PROPERLY LIQUIDATED, WITH THE LIQUIDATOR ON OR BEFORE APRIL 1, 1991 AT 4:30 P.M., C.S.T.

James W. Schacht
Special Deputy Liquidator

INTERNATIONAL

Settle claim disputes by losing the lawyers

By ROGER SCOTTON

HAMILTON, Bermuda—Lawyers, like children, should be seen and not heard during negotiations over reinsurance claims, says an expert.

Reinsurance disputes can be resolved without resorting to either litigation or arbitration, adds Sheila Nicoll, the managing director of BCS Management Ltd., a Bermuda-based runoff and consulting concern.

"With all due respect to the lawyers present," the disputes are often best resolved "by dealing on a business level and keeping the lawyers out of the negotiations," said Ms. Nicoll at the Fourth International Reinsurance Congress in Bermuda earlier this month. Hawksmere Ltd. of London and Coopers & Lybrand sponsored the meeting.

Ms. Nicoll, whose company—formerly known as Robert Bishop International Services Ltd.—is owned by Merrett Underwriting Agencies Ltd. of London, devoted her speech to maximizing reinsurance recoveries without arbitration or litigation.

In complex deals, ceding companies and reinsurers will obviously want legal advice, but "it is best to leave the lawyers out of the actual negotiations," Ms. Nicoll said.

Providing that both sides genuinely want to end a dispute, Ms. Nicoll counsels honesty. "For example, if the book of business in question was underwritten by a managing general agent who did not comply with treaty terms or representations made, then it is best to be honest" and compromise, she said.

Realistic expectations, especially when dealing with financially troubled companies, can also be critical to resolving disputes, Ms. Nicoll said. "A reinsurer cannot expect a cedant to agree to a very high discount on a commutation when he can see that the resulting hit will make the company insolvent," she noted.

Ms. Nicoll pointed out that it is not unusual for leading reinsurers to have reinsurance recoverables equal to two or three times their surplus.

Ceding companies, she claims, too often approach recoverables with a "self-righteous attitude." That attitude crops up as indignation at requests for audits, threats to sue slow payers or take them to arbitration, and comments like, "You never asked questions when taking the premium, why are you asking them now?"

Insurance companies should remember that a reinsurer has "obligations to its management, shareholders and its own reinsurers, as well as to the cedant," she said.

Ceding companies could improve their chances of recovery by making sure their books are in order, the amounts billed can be justified and that they have complied with treaty terms, according to Ms. Nicoll.

She urged cedants to reconcile their books with brokers' records and to contact reinsurers directly. Be persistent, research the reinsurer as much as possible and keep the reinsurer up to date on claims, she advised.

Ms. Nicoll also recommends that ceding companies investigate the laws in a reinsurer's domicile. "Do not blindly accept currency restrictions as a reason for not paying. Find out about loopholes in the restrictions and ways of obtaining hard currency."

Use a commutation strategy and do not rely on the financial condition of the parent company as a reason for not commuting, she advised cedants. "There are numerous examples (in which a) parent has not stood behind the subsidiary. Corporate veil actions are difficult to prove and ex-

4th International Reinsurance Congress

pensive and time-consuming to run," she said.

"Innocent capacity," Ms. Nicoll noted, has often been cited as one main reason for the extremely soft reinsurance market of the late 1970s and early 1980s. And "it is all too easy for cedants to consider that they were not part of the soft market problems and to characterize their reinsurers, from whom they are now trying to collect, as the problem.

"The reality is, of course, that everyone was part of the problem and contributed to cheap reinsurance which was so readily available," she said.

Although some of the "innocent capacity" companies are now trying to avoid liabilities, many others are genuinely interested in honoring their obligations, said Ms. Nicoll. "Cedants would do well to remember that it was their decision to accept their reinsurers and be more understanding of the problems which may exist."

Forum Re chairman files libel suit

HAMILTON, Bermuda—Mark Hardy, chairman of Forum Re Group (Bermuda) Ltd., is suing insurance executive Merton J. Segal and several companies he is affiliated with for libel and slander allegedly committed during dealings with Bermuda businessmen and regulators.

Mr. Hardy, a Bermuda resident, has filed the action in Oakland County, Mich., Circuit Court. The suit seeks an unspecified amount of damages, as well as interest, expenses and legal fees.

The action also names Southfield, Mich.-based Meadowbrook Inc. and its reinsurance intermediary unit, Meadowbrook Intermediaries Inc., and Star Insurance Co. Inc. and its parent company, Star Holding Co., all of which are controlled by Mr. Segal.

The action alleges that Mr. Hardy was libeled in a memorandum that Mr. Segal prepared after attending a meeting this summer in Southfield with Jonathan Crawley, former president of Aneco Reinsurance Underwriting Ltd., a former subsidiary of Forum, and Michael Woodroffe, a business associate of Mr. Crawley.

Mr. Hardy contends the memo contained false and defamatory statements about Mr. Hardy's trustworthiness, about his tendency to "move assets around at will" and about how he had handled Forum's Amberco Brokers Ltd. before closing it earlier this year.

According to the action, "the said memorandum contains the following false and defamatory statements regarding the plaintiff":

- "There is talk of the fact that Hardy is not personally trustworthy, that he moves assets around at will and that he is amoral financially."

- "It appears to me that he milked Amberco Brokerage of its assets and profits and then decided to

close it down."

The legal complaint alleges that Mr. Segal's memorandum was distributed to six individuals: John McGarrity, former chief executive of Amberco; Charles M. Reynolds and Robert S. Cubbin, officers of Star Insurance Co.; and Archie McIntyre, Mark Nestor and Bob Engel, whom the court papers do not identify further.

The meeting with Messrs. Woodroffe and Crawley centered on Mr. Crawley's efforts to raise \$30 million of funds to acquire Aneco's business from Forum. The plan failed to attract sufficient backing and Mr. Crawley resigned from company (BI, July 16).

Mr. Hardy subsequently helped form Sphere Drake Underwriting Management (Bermuda) Ltd., of which he is president.

Mr. Hardy's complaint alleges that he also was slandered this summer during conversations between Mr. Segal and Bermuda Registrar of Companies Verbena Daniels and her assistant, Gary Holland.

Mr. Segal allegedly told Ms. Daniels of "negative inferences" he had received from individuals associated with Mr. Hardy, the complaint says.

Mr. Hardy, who has made no secret of his deteriorating relationship with Mr. Crawley and who closed Aneco after staff members defected to Mr. Crawley's new company (BI, Sept. 17), alleges in the complaint that his reputation has been damaged, that he has suffered a loss of earnings and earnings capacity, and that he has been humiliated by Mr. Segal.

Mr. Segal said, "We will be vigorously defending the action by Mr. Hardy." He declined to further discuss the litigation.

—By Roger Scotton

Insurance services guide

INCREASE THE PRODUCTIVITY OF ANY CLAIMS OFFICE



INSURANCE SOFTWARE PACKAGES, INC.

Leaders In Risk Management Software
The TOTAL Solution For Your Claims Administration Needs

- Workers' Compensation
- Medical Fee Schedules
- Multi-Line Liability
- Employee Health Benefits
- Medical Bill Review Services
- COBRA

Call or Write Our Marketing Department at:

5118 N. 56th Street, Tampa, Florida 33610 (813) 621-6069 FL (800) 237-8133 US

RISKMASTER® Software

by



Software, Services & Consulting

- GENERAL CLAIMS
- WORKERS' COMP
- VEHICLE ACCIDENTS
- CHECK WRITING
- EXP. MODIFICATION FACTORS
- ACTUARIAL REPORTING
- NEW WC FEE SCHEDULING
- SYSTEM FOR ALL STATES

FOR PC/LAN/MINI/MAINF

ONSITE TRAINING ONGOING SUPPORT

For Marketing Questions or to Attend a Free Seminar, Call (313) 462-5800

TEMPORARY CLAIMS EXAMINERS



CLAIM SERVICES RESOURCE GROUP • 800-331-5039
The Claims Productivity People®

- Exclusively Medical/Dental Claims
- Nationwide Service
- 10 Years Service to Over 800 Clients
- Proven Performance Record
- Rapid Start Up
- Effective Quality Control Program



Software of Florida, Inc.

Insurance Software Specialists

- SOPHISTICATED SOFTWARE
- QUALITY SERVICE
- AFFORDABLE PRICING

- HEALTH CLAIMS ADMINISTRATION AND BILLING
- WORKERS' COMPENSATION CLAIMS ADMINISTRATION
- FLEXIBLE BENEFITS ADMINISTRATION
- COBRA ADMINISTRATION

MINI, MICRO AND NETWORK BASED SOFTWARE
CALL FOR MORE INFORMATION OR A FREE DEMONSTRATION
(813) 797-7814

2087 U.S. 19 NORTH / SUITE D, CLEARWATER, FLORIDA 34623

FROM

Recordkeeping to Managing . . .
Consulting to Marketing . . .

SEARCH CENTRE

connects you with the best career choices!

And places you in many of the nation's most desirable cities.
Atlanta • Boston • Chicago • Dallas • Los Angeles
• New York • San Francisco

Our prestigious clients include Banking, Third Party Administration, Mutual Fund Companies, and Employee Benefits Consulting firms.

Currently, we seek several:

Defined Contribution Recordkeeper/Plan Administrators

Junior Level: to \$35k (1-3 Years Exp)
Mid Level: to \$45k (5-7 Years Exp)
Senior Level: to \$80k (10+ Years Exp)

Let Search Centre make it EASY for you to make your next career choice. Call and talk with one of our managers today!



SEARCH CENTRE INC.

Executive Recruitment

CHICAGO
Ted Tomei
1400 Opus Place Suite 960
Downers Grove, IL 60515
800-543-2553

ATLANTA
Jay Rollins
1450 Parkway Place #420
Marietta, GA 30067
800-732-7244

GLOBAL BRIEFS

Continued from page 55

the price and reduces the availability of cover for exporters and thus distorts competition," according to the commission.

The proposed reinsurance pool would reinsure medium- and long-term risks assumed by the national credit insurance agencies.

"Risk sharing will bring about a better spread of risks within each national portfolio," said the commission.

And, once the pool is functioning "consideration could be given to the participation in it of private reinsurers," it added.

—By Carolyn Aldred

AIG granted licenses

NEW YORK—American International Group Inc. has received insurance licenses in Poland and Hungary to proceed with three joint insurance ventures it has been working on for several months.

"We are extremely pleased to be one of the first foreign companies selected to participate in the Polish insurance market under the new regulations and to be one of the first Western companies to be granted similar permission in Hungary," said AIG Chairman Maurice R. Greenberg.

Two AIG subsidiaries—American Life Insurance Co. and AIU Insurance Co.—and Bank Polska Kasa Opieki S.A. have received the first two insurance licenses Poland issued to companies with foreign partners since the nation's new insurance law recently took effect.

The two Polish insurance ventures—a life and non-life company—will be 55% owned by the AIG subsidiaries and 45% by Bank Polska Kasa Opieki, also known as

Bank Pekao. The two will have combined initial capital of \$4 million, an AIG spokesman said. They are expected to be operating by early 1991.

First American Polish Life Insurance & Reinsurance Co. S.A. will offer life insurance products, while First American Polish Insurance & Reinsurance Co. S.A. will write general insurance and personal accident products.

Thomas Mintoft-Czyz, AIG's special representative for Poland, will be president of the two companies, based in Warsaw. Dariusz Cieslikiewicz, director of the economics and organization department at Bank Pekao, will be first vp.

In Hungary, ALICO and four private Hungarian partners are incorporating their joint insurance venture, First American Hungarian Insurance Co. F.T., after receiving permission from the Council of Ministers.

FAHIC, which is expected to be fully operational by early 1991, will write both life and non-life coverage and will have initial capital of \$16 million, the AIG spokesman said. The venture will be 52% owned by ALICO; 35% by the Hungarian Cooperative Savings Bank; 11% by the Assn. of Iron, Metal & Electrical Energy Industry; 1% by the Assn. of Civil Servants Union; and 1% by the Federation of Chemical Workers.

Edward J. Bush, AIG's special representative for Hungary, will be president of FAHIC, based in Budapest.

—By Paul D. Winston

Policy cancellation law

BONN, Germany—The Bundestag, the upper house of German

Parliament, has voted to change national insurance laws to comply with E.C. guidelines on policy cancellation and annulment.

Policies in Germany often provide coverage for more than one year. In fact, policy periods of three, five and 10 years are common. However, until now it has been difficult for policyholders to cancel these long-term policies, even if premiums increased mid-term.

For example, third-party liability policies covering a period of 10 years previously could not be canceled in most cases.

According to Gunter Hounker and Norbert Wiczorek, Social Democratic party representatives in the Bundestag, a long-term policy can now be canceled if the premium increases by more than 5%. The new regulation does not apply when coverage is also increased with a rise in premium.

In addition, the new rule would allow long-term policies to be canceled if the price of the insurance premium ever exceeded 25% of the original premium for the coverage.

In addition, most policyholders will be able to cancel any policy of a duration longer than a year up to 10 days after signing the policy.

—By Don Lewis Kirk

E.C. service liability

BRUSSELS, Belgium—The European Commission is proposing to harmonize national rules in the 12 member states on liability for service providers.

National laws on service provider liability now vary considerably, according to the commission. Creating a single, effective market requires removing the disparities, it adds.

Under the commission's plan, a consumer who has been injured or incurred damages as a result of improper service will only have to prove that he or she did indeed suffer damages and demonstrate the link between the damage and the service provider. It will fall upon the service provider to prove that it was not negligent in providing the service or at fault for the damages.

Indirect damages such as pain and suffering are not covered by the proposed directive.

All service firms would be subject to the directive, except those already specifically covered in other E.C. directives, such as travel agents and waste disposal firms. Financial advisers also will be exempt from the directive, the commission said.

Doctors and other medical service providers fear the new directive will open up the European Community to American-style malpractice suits, and some groups have lodged complaints with the commission.

Commissioners respond that excessive damages will be curtailed by national practices and traditions and that the damages awarded against service providers are unlikely to get out of hand.

In addition, according to a commission study, the proposed directive would not increase professional liability insurance rates by more than 2%.

"In any case, the increase will be recouped in the price of the services that consumers will be willing to pay," a spokesman for the commission said.

The proposal must be approved by the European Parliament and the European Council before it goes into effect.

—By Denise Claveloux

Storms hit insurer

DUSSELDORF, Germany—Provinzial Feuerversicherungsanstalt der Rheinprovinz, one of Germany's largest property insurers, says winter storms that whipped Germany and other parts of Europe earlier this year will contribute to losses of 400 million deutsche marks (\$240.9 million at appropriate exchange rate) in fiscal 1990.

However, Chief Executive Bernd Michaels said premium volume and reserves were adequate to cover the loss.

The Dusseldorf-based insurer had placed 65 million DM (\$37.7 million at appropriate exchange rate) into reserves in fiscal 1989, because losses were light, he explained.

Losses during the year-ending June 30, "took a big hunk but not all of the 141 million deutsche mark (\$84.9 million) fund," Mr. Michaels said.

In addition, the insurer reported 300 million deutsche marks (\$180.7 million) in building insurance premiums and 25 million deutsche marks (\$15.1 million) in storm insurance premiums.

—By Don Lewis Kirk

Buck opens offices

NEW YORK—Buck Consultants Inc. has opened new consulting offices in Hong Kong and Mexico City.

The Hong Kong operation is headed by Lewis Ting, who has served as an employee benefit consultant in the city-state for several years.

The Mexico City office is headed by Rafael Trava, a consulting actuary.

1990 INTO 1991

Three Timely Issues



Business Insurance is the only weekly newsmagazine that will take readers from 1990 into the new year with 3 timely feature issues: Benefits Market Report, The Year In Review, and Risk Management Market Report.

A complete package of news and feature articles on developments, trends, and insights will take the pulse of the commercial insurance marketplace. BI editors will analyze the impact that national and international news events have had and what they mean to corporate insurance buyers — today and for the future.

Don't miss this powerful trio. Reserve space today in each Business Insurance issue and reach more than 155,000* top level decision-makers in each one — readers who turn to BI first for responsible, authoritative reporting and targeted advertising.

*includes pass-along

Business Insurance
a publication of Crain Communications Inc.

New York
212/210-0228

Chicago
312/649-5276

Los Angeles
213/651-3710

Benefits: Market Report Directory: Benefit Consultants

BI's annual Market Report on Employee Benefits will monitor group health insurance and other group plan costs for 1991. Editors will report on expected rate increases and other trends in employee benefit plans.

This issue also includes BI's ranking of the 10 largest employee benefits consultants as well as BI's annual Directory of Benefit Consultants.

Issue:
December 17
Ad Closing:
December 4

The Year In Review

1990 launched a new decade ... and presented a myriad of new challenges for commercial insurance, risk management, and employee benefits.

BI reported every significant event as it unfolded, and alerted over 155,000* readers to the impact these events would have on their corporate insurance decisions.

BI's annual Year in Review issue will feature a survey of our readers' views of the most important risk management and employee benefits events and recap the news that made headlines in 1990.

*includes pass-along

Issue:
December 31
Ad Closing:
December 17

Risk Management: Market Report

Kicking off the new year, BI's annual Market Report on Risk Management will report how year-end renewals are shaping up for all types of commercial, property/casualty insurance and reinsurance.

This well-read issue will include comments from insurers, brokers, risk managers, stock analysts, the surplus lines market, as well as the London market and reinsurers.

Issue:
January 7
Ad Closing:
December 20

Defense attorneys

Continued from page 1

109 non-claims insurance company executives, 300 defense attorneys and 200 plaintiffs' attorneys about the relationship of insurance companies and outside counsel hired to defend policyholders.

The relationship between insurers and their outside defense counsel is becoming more strained, said DRI President Archie Robinson of Robinson & Wood in San Jose, Calif.

"We don't have the same depth of relationship we used to have," Mr. Robinson said.

Thomas M. Crisham of Hinshaw, Culbertson, Moelmann, Hoban & Fuller in Chicago, which represents numerous large commercial insurers, said he also has seen increasing strain in the relationship between insurers and their outside counsel.

"There is a myriad of factors" contributing to the strain, said Mr. Crisham, who had not yet seen the survey.

For example, financial pressure on insurance companies, exacerbated by the soft market, is causing insurers to take a hard look at attorney fees, he said.

Mr. Robinson agreed: "The insurance industry wants to cut defense costs; attorneys want to increase costs," he said.

The DRI survey found that 63% of all respondents believe "financial or bottom-line pressure on insurance companies is increasing compared with just five years ago."

And, 75% of all respondents believe law practices also are under increased financial pressure, the survey reports.

The DRI survey revealed several areas of discord between insurers and attorneys arising from each group's attempts to relieve some of that financial pressure.

For example, defense attorneys

claim insurers are bringing them into disputes too late. Sixty percent of the defense attorneys believe that "outside counsel is being used later in the litigation process than ever before."

Forty-six percent of the insurer executives agreed.

And, almost half of the defense attorneys believe "insurance companies settle too early." Defense attorneys asserted that insurers "should go to trial more often."

However, 60% of insurer executives think defense attorneys needlessly drag out litigation. Insurer executives, both claims executives and non-claims executives, believe that "defense attorneys are usually not in a hurry to close cases."

In addition, 36% of insurer claims executives and 52% of the non-claims executives believe that "defense attorneys basically overcharge for their legal services."

Only 9% of the defense attorneys think they overcharge.

A vast majority of insurer executives—64%—say defense costs are rising faster than other insurance costs.

Only 14% of the defense attorneys say defense costs are rising faster than other insurance costs.

Insurers and defense counsel in the DRI survey did agree that rising defense costs are attributable to:

- A greater number of claims against policyholders.
- An increase in litigation between policyholders and plaintiffs.
- Increasingly complicated litigation.
- Increased costs of expert witnesses.
- Larger settlements.

"With the increasing complexities of litigation believed to be the major contributor to increased defense costs, the question of 'how can litigation be simplified' should be addressed," the study authors say.

"Special programs to educate

claims executives and representatives about the law and legal issues clearly are called for," the authors say.

"As litigation becomes more and more complicated, a better understanding by claims executives and representatives of these complexities should foster a greater appreciation of defense counsel's expertise in dealing with them and a better working partnership between claims personnel and defense counsel."

Insurers "are paying more attention to legal fees," agreed attorney Mary Kay Vyskocil of Simpson, Thatcher & Bartlett in New York, which represents some policyhold-

Insurers 'are paying more attention to legal fees,' says attorney Mary Kay Vyskocil.

ers on behalf of Travelers Corp.

However, this increased scrutiny "has not caused any tension in our relationship with Travelers," she reported.

Despite insurers' scrutiny of defense costs, only 9% of insurer executives and 16% of defense counsel believe "insurance companies are harder to get money out of than ever before."

But 62% of the plaintiffs attorneys believe insurers are increasingly tightfisted.

Another significant area of friction between insurers and policyholder attorneys is who should control litigation.

Nearly three-quarters—73%—of all survey respondents said "insurance company management have directed their claims and litigation departments to increase control over defense attorneys."

More specifically, 82% of insurer non-claims executives and 76% of both defense attorneys and insurer claims executives agree that insurers are seeking tighter control over litigation.

But, 63% of the defense attorneys believe that "once hired by an insurance company, a defense attorney should control litigation."

Insurers want more control over litigation because they believe they can cut costs, according to Hinshaw, Culbertson's Mr. Crisham, who is a former president of the Defense Research Institute.

"Often, non-lawyers are placed in a position to direct professional lawyers," which is obviously a bone of contention with the lawyers, Mr. Crisham said.

While these factors always have existed in the relationship between insurers and their outside counsel for policyholders, "things which were always an abrasion are becoming sticking points," Mr. Crisham said.

Insurers concede that they are taking a harder look at defense costs and attempting to become more involved in litigation.

"We are scrutinizing our costs and how we utilize our independent counsel," said Richard Manetta, executive vp-insurance services for Schaumburg, Ill.-based Zurich-American Insurance Co. of Illinois.

And, "we are trying to be more pro-active in these cases in order to better manage costs."

The problem is that "defense counsels object to intense scrutiny of their billing practices and client direction or control over litigation," according to Doug Martin, vp-counsel for Fireman's Fund Insurance Co. of Novato, Calif., a subsidiary of Fund American Cos. Inc.

"These two factors, control and accountability, are the cornerstone of what carriers believe are their responsibilities to their policy-

holders but what counsel views as abhorrent," according to Mr. Martin.

To control defense costs, Zurich is increasing its use of in-house counsel, auditing the work of its outside counsel and issuing written guidelines to its outside counsel, Mr. Manetta said.

A similar practice of "establishing the ground rules at the beginning" has improved the relationship that Woodland Hills, Calif.-based Transamerica Corp. has with its outside defense counsel, according to Joe Saad, senior vp-specialty claims.

"A lot of the problems arise when people don't talk to each other," he said.

An overwhelming majority of insurer executives—88%—and attorneys—94%—who responded to the DRI survey agree that they "must get to know each other's business better."

Both sides pointed to a need for increased communication. Thirty-nine percent of the defense attorneys and 43% of the insurer executives said there is a need for "good or better communication."

Only 2% of all those surveyed believe "no improvement is needed in the system" and that it is "fine as is."

However, while nearly everybody expressed a desire to improve relations, 59% of both the insurer executives and defense attorneys acknowledged that "the trend at insurance companies is to use in-house defense counsel."

Copies of the survey "Property & Casualty Litigation and the Relationship Between Insurance Carriers and Outside Defense Counsel" can be obtained by writing to the Defense Research Institute, Public Relations Department, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575. The DRI has not determined a price for copies of the survey.

Insurer must work with legal nemesis

By STACY ADLER

NEW YORK—Liberty Mutual Insurance Co. faces an uneasy alliance with New York law firm Anderson, Kill, Olick & Oshinsky—a long-time adversary in coverage disputes—during massive product liability litigation.

A temporary injunction issued last week by a New York federal judge requires Liberty Mutual to allow a policyholder to retain the lawyers representing it in the product liability case, even though those lawyers merged quired by insurer nemesis Anderson, Kill.

Immediately after the acquisition was announced, Liberty Mutual told its policyholder that it would not pay defense costs to Anderson, Kill, arguing that paying the law firm \$50,000 to \$60,000 a month in legal fees would be the equivalent of aiding and abetting the enemy.

Paying the fees would allow Anderson, Kill "unrestrained opportunity to be fed by the very same hand it is attempting to bite," the Boston-based insurer said.

The policyholder subsequently sued to stop the insurer from interfering with its relationship with Anderson, Kill.

The injunction issued earlier this month by U.S. District Judge Peter K. Leisure forces Liberty Mutual to pay Anderson, Kill for representing Emons Industries Inc. of New York in 300 lawsuits.

The product liability actions all relate to the anti-nausea drug diethylstilbestrol, or DES, which several of Emons' predecessor companies manufactured.

Pregnant women were prescribed DES beginning in 1941. Thirty years later, the drug, by then linked to cancer in their adult daughters and granddaughters, was banned by the Food and Drug Administration.

Judge Leisure found that Emons had a right to choose its own attorneys—even attorneys that its insurer may not like—because there was a conflict of interest between the policyholder and the insurer.

"Here, the insurer had an interest in settling all the cases quickly," explained Anderson, Kill attorney John Doyle. "The opposite was true for the policyholder. It wants its defense to last as long as possible," he said.

"In the situation in which there are potential conflicts of interest, such as where the economic interest of the policyholder and the carrier differ," it is important for policyholders to be able to choose their own counsel, Mr. Doyle said.

Despite the temporary injunction, the case still is pending and could be brought to trial within a year.

Liberty Mutual has not decided whether it can or will appeal the injunction, said Liberty Mutual attorney Stefano V. Calogero of Cuyler, Burk & Matthews in New York. Mr. Calogero would not comment further.

The dispute between Anderson, Kill and Liberty Mutual arose when the firm acquired Slade, Moross, Rahl, Glatzer & Stamm, the New York law firm representing Emons in the DES suits, on May 1.

Liberty Mutual wrote comprehensive general liability insurance policies for Emons and its predecessor companies from 1945 to 1970. Per-occurrence limits under most of the insurance policies were \$10,000 with aggregate limits of \$150,000.

Emons was first named in a DES lawsuit in 1975. While Emons never manufactured DES, it is the successor company to several drug companies that did: Grant Chemical Co., Amfre Drug Co. and Amfre Grant Inc.

When Emons first sought a defense and indemnification for the DES claims from Liberty Mutual in the mid-1970s, the insurer denied coverage. The ensuing coverage dispute languished in New York federal court for 13 years.

In a July 28, 1988, settlement, Liberty Mutual agreed to pay for the defense of the DES cases and indemnification.

In addition, the settlement provided that there would be no coverage for third-gen-

eration DES claims brought by the granddaughters of women who took the drug.

The settlement also stipulated: "Liberty and Emons agree that they are satisfied with the manner in which the DES actions have been defended. Liberty and Emons intend to have the defense of the DES actions continue in its present manner so long as quality representation is being provided in a cost-effective manner."

At the time of the settlement agreement, and for several preceding years, Emons had been represented in the DES cases by the law firm Slade, Moross, Rahl, Glatzer & Stamm.

Liberty Mutual had paid the defense costs in the DES cases.

But then Anderson, Kill acquired Slade, Moross on May 1. That same day, Liberty Mutual informed Slade, Moross that it would not agree to transfer defense of the DES cases to Anderson, Kill.

The insurer's sole objection to transferring the cases was that Anderson, Kill is the insurer's adversary in 24 separate coverage disputes nationwide.

Liberty Mutual told Emons that it must either use a different law firm to defend the DES suits or forfeit its coverage.

Emons argued that it had the right to pick its own counsel.

On Aug. 2, Emons sued Liberty Mutual in federal court in New York seeking a declaration from the court that the policyholder had a right to choose its own counsel. Emons also asked the court to enjoin the insurer from interfering with its relationship with Anderson, Kill.

Liberty Mutual responded by asking the court to disqualify Anderson, Kill from the DES litigation. Liberty said paying fees to Anderson, Kill would amount to "financial aid and comfort to an established adversary."

On Oct. 4, Judge Leisure refused to disqualify the firm.

Then, on Nov. 7, Judge Leisure issued an

injunction preventing Liberty Mutual from interfering with Emons' relationship with Anderson, Kill.

"Emons' DES attorneys, now members of the Anderson firm, have represented Emons in these and similar actions since the first DES-related suit was brought against Emons in 1975," Judge Leisure noted in his decision.

"Replacement of Emons' long-time DES counsel at this stage of the DES cases would seriously interfere with the effective defense of those cases."

And, foregoing the coverage provided by the settlement agreement would threaten the financial stability of Emons, the judge ruled, noting that Emons emerged from bankruptcy less than four years ago.

Further, Emons has a right to select its counsel because there is a conflict of interest between the policyholder and the insurer, Judge Leisure ruled.

The court found that because indemnification was limited to \$10,000 per claim for most claims, Liberty Mutual would have an interest in settling as many cases as possible regardless of whether the settlement offers are within the per-claim limit.

Similarly, because Liberty Mutual's annual aggregate liability was capped at \$150,000, the insurer would have a strong interest in settling cases quickly to limit defense costs while reaching the annual aggregate limits.

Emons, though, has a strong interest in vigorously defending all of the claims and obtaining the lowest settlement possible.

Its settlement with Emons also does not require Liberty Mutual to indemnify the company for DES claims by granddaughters of women who took the drug.

In addition, policyholders in New York, like Emons, cannot use insurance to pay punitive damages in these types of cases.

• *Emons Industries Inc. vs. Liberty Mutual Insurance Co., United States District Court for the Southern District of New York; No. 90 Civ. 5603.*

London market

Continued from page 1

The new syndicate will not write LMX business, stressed Tony Berry, CBL's managing director.

Eventually Mr. Berry hopes that the 1987, 1988, 1989 and 1990 underwriting years of the three former Feltrim syndicates will be closed into the new and existing CBL syndicates for a "fair and equitable" reinsurance premium. However, CBL asked Lloyd's to form an independent company, AUA No. 7, to initially take over the syndicates' runoff to legally insulate CBL from the Feltrim agency, confirmed Mr. Berry.

There are fears the size of the losses will lead to litigation by members, and CBL's errors and omissions underwriters are not prepared for CBL to assume direct responsibility for the runoff, sources say.

A spokesman from Feltrim, which is expected to go into liquidation, estimated that losses from the three syndicates will total about 134.5 million pounds (\$263.2 million).

However, Mr. Berry, who is still examining the syndicates' records, estimates the losses will be "substantially more than Feltrim's estimate."

However, syndicates 540, 542 and 847 are not the only syndicates posting huge losses or closing.

For example, marine syndicate 185, managed by Claremount Underwriting Agency Ltd., also will stop writing, further cutting capacity in the retrocessional market.

The syndicate, which had a stamp capacity of more than 50 million pounds (\$98.8 million), is closing because of a lack of support from Lloyd's members, said Claremount Chairman John Oakes.

Syndicate 185, which was a major player in the marine LMX market, was hit badly by claims from the July 1988 Piper Alpha oil rig disaster, as well as by other catastrophe claims. The syndicate is expected to post a loss of at least 23.3 million pounds (\$46 million) for the 1988 underwriting year, which represents 50% of the syndicate's 1988 capacity of 46.77 million pounds (\$92.4 million), according to its annual report.

The syndicate already this year has had to make a cash call on members of more than 10 million pounds (\$19.8 million) to help pay for the 1988 losses, even though the 1988 underwriting year has not yet been closed under Lloyd's three-year accounting system.

Lloyd's syndicates are not the only ones pulling out of the LMX market.

For example, CIGNA Corp. announced without warning earlier this month that it planned to withdraw entirely from the London reinsurance market (*BI*, Nov. 12).

Meanwhile, the turmoil and restructuring in the London insurance marketplace is not confined to the LMX market. Rising reinsurance costs, increasing expenses and low primary insurance rates all are contributing to restructuring throughout Lloyd's.

For instance, many small syndicates are merging with other syndicates in order to maintain their trading viability.

The tightening of the reinsurance market, together with rising costs and stagnant primary insurance rates, is leading many syndicates to reassess their positions, said Mr. Gray, managing director of Pulbrook and Anton.

Alydar claim

Continued from page 2

the race track by finishing second to Affirmed in all three Triple Crown races in 1978 by a combined margin of just two lengths.

But Alydar compiled an even more successful record in the breeding shed and was considered the world's leading sire at the time of his death and the third-leading sire—in terms of purses won by his offspring—in thoroughbred history.

Alydar "was a prolific sire of

For example, Pulbrook and Anton earlier this year announced the merger of three marine syndicates for strategic reasons.

Syndicates 264, 334 and 522, managed by Anton and Pulbrook, will be merged on Jan. 1 into one syndicate with a total stamp capacity of about 70 million pounds (\$138.3 million).

"The creation of a larger, stronger unit will enable (the syndicates) more efficiently and cost-effectively to underwrite for the future," said Mr. Gray, pointing out that a "better resourced syndicate will be more able to reject business offered where the terms make it unacceptably risky for the names."

The group also has been able to reduce expenses by, for example, reducing staff numbers.

Among other recent syndicate consolidations:

- Non-marine excess-of-loss reinsurance syndicate 197 is merging with non-marine syndicate 561, and marine syndicate 726 is merging with marine syndicate 566. All four syndicates are managed by Bankside Syndicates Ltd.

- Non-marine syndicate 1118 is merging with non-marine syndicate 512. Both syndicates are managed by London Wall Managing Agency Ltd.

- Marine syndicate 421 is merging with marine syndicate 418. Both are managed by Merrett Underwriting Agency Management Ltd.

- Syndicate 660, managed by Birrell Smith Underwriting Agencies Ltd., is closing following a defection of members. The syndicate's 1990 underwriting year likely will be reinsured into syndicate 190, managed by Three Quays Underwriting Management Ltd. (*BI*, Oct. 1).

Meanwhile, Mr. Gray anticipates that the radical restructuring currently under way in the Lloyd's market leading to bigger and fewer syndicates, together with the shrinking capacity in the retrocessional market, will eventually lead to a hardening of primary insurance rates.

"I think that the changes in syndicates and the retrocessional market is inevitably going to increase direct rates but it's painfully slow in coming about," he said.

Others agree that the changes could lead to an overall tightening in the London market.

"I think the market is going to change dramatically. There's a growing feeling, and at the moment it has never been so strong, that there will be a change in the market," said Ron Pateman, chairman of Lloyd's agency R.M. Pateman Underwriting Agencies Ltd.

The change will be partly "due to the reinsurance market drying up. There already has been a dramatic change in the market this week with the closure of CIGNA Re (U.K.)," he observed, noting that CIGNA Re was an influential player in the London retrocessional market.

"I think that people have got their backs to the wall with increased costs, etc., and some are more frightened than others with regard to the future," he said.

Many agencies, such as the Pateman agency, are closing or merging their smaller syndicates.

Syndicate 1091, which was started in 1988 by Pateman with a 10 million pound (\$19.8 million) stamp capacity, is being closed "because in today's market it is just too small to be viable," said Mr. Pateman.

"There are a number of syndicates

good horses. He sired a lot of . . . winners and people were prepared to pay fancy prices to get their mares covered by him," said Lloyd's of London bloodstock underwriter Stephen Chappell.

His stud fee at one time reached about \$400,000 a covering, though the rate had dropped to about \$200,000, racing sources say. Still, based on 40 successful coverings a year, Alydar would have earned \$8 million a year in the breeding shed.

which have packed up or are on the verge of packing up," he noted.

Non-marine syndicate 1129, managed by Wendover Underwriting Agency Ltd., also is being forced to close because it is too small to operate profitably in the current market, said Mr. Sladen.

The catastrophe excess-of-loss reinsurance syndicate, which had a capacity of 3.4 million pounds (\$6.7 million) for 1990, wanted to increase its capacity for next year to 5 million pounds (\$9.9 million) "in order to become more viable," said Mr. Sladen.

"Unfortunately we couldn't achieve (an increase in capacity) and we decided because of the expenses of running the syndicate it would be unviable to continue trading," he pointed out.

The liabilities of syndicate 1129 will be run off through sister syndicate 744, he said.

Syndicate 1129 was started in 1989 "at the worst moment with the benefit of hindsight," said Mr. Sladen, referring to the catastrophes that have hit the non-marine market since 1989.

As a result, the syndicate already has had to make a cash call of 20% of its 1989 capacity, he said.

Meanwhile, Lloyd's continues to be troubled by underwriting losses stemming from the late 1970s and early 1980s.

This month, one of Lloyd's oldest and most established marine syndicates announced it is being forced to close because of the problems attached to past underwriting years.

Syndicate 707, managed by H.G. Chester & Co. Ltd., is closing because of "lack of support" for the 1991 underwriting year, said Chester Chairman Richard Martin.

The syndicate still hasn't closed its 1982 underwriting year because of uncertainties surrounding the liabilities from previous underwriting years, particularly potential U.S. pollution claims, Mr. Martin said.

This summer the syndicate made a cash call of 4.8 million pounds (\$9.5 million), representing 46.5% of the syndicate's 1982 stamp capacity of 10.4 million pounds (\$20.5 million), he said. "That knocked confidence and led to heavy resignations (from the syndicate) by members' agents," he noted.

The Council of Lloyd's is continuing to examine how to deal with past underwriting years that cannot be closed because of uncertainties, said Lloyd's Chief Executive Alan Lord earlier this month.

Meanwhile, to bolster confidence in Lloyd's security, the council plans to boost Lloyd's Central Fund to 1 billion pounds (\$1.98 billion) in the mid-1990s from the current 385 million pounds (\$760.4 million).

Money from the Central Fund is released when members are unable to pay syndicate losses.

Lloyd's will finance the increase in the Central Fund through an increase in members' contributions to the fund to 0.6% of members' gross allocated underwriting capacity from 0.35% of their capacity.

However, cost savings and increased efficiency measures implemented by Lloyd's during the last three years has enabled Lloyd's to reduce members' annual subscriptions to Lloyd's to 0.5% from 0.75% of members' capacity. As a result, members' combined subscription and Central Fund contribution rates will remain at 1.1% of capacity. ■

Many were willing to pay the price because Alydar's offspring subsequently fetched high prices at auction and were successful on the track. Investors, for example, paid nearly \$10 million for 21 Alydar fillies and colts at last summer's Keeneland thoroughbred sales in Lexington.

And among Alydar's offspring were Alysheba, which won more money than any other thoroughbred, and Easy Goer, winner of the 1989 Belmont Stakes. ■

Update

Court awards child \$78 million

Continued from page 2

Children's Memorial Hospital "has a self-insured program with excess coverage," a spokeswoman said. But, "because of the recent failures in the London insurance industry and the complexity of the Blake verdict, we don't yet know the impact of the verdict on our program."

She declined to say whether the hospital's coverage was written by H.S. Weavers (Underwriting) Agencies Ltd. or provide other details. An attorney for Ravenswood Hospital did not return calls.

AIG libel threat draws response

NEW YORK—Responding to a threatened libel suit, Public Citizen said last week it did not intend to imply in a recent report that American International Group Inc. is threatened with insolvency.

The consumer group "did not suggest or intend to imply that AIG's financial condition is such that it is in danger of becoming insolvent, nor did we intend to cast doubt upon AIG's ability to meet its obligations," said Public Citizen President Joan Claybrook in a Nov. 15 letter to AIG Chairman Maurice R. Greenberg.

But, Public Citizen said the letter was not a retraction of its conclusion that AIG would be at risk in a severe economic downturn. AIG was one of five insurance groups Public Citizen identified as "at risk" in a severe economic downturn (*BI*, Oct. 22).

Ms. Claybrook's letter was a response to a letter from Floyd Abrams, a New York libel attorney representing AIG, Public Citizen confirmed.

AIG complained that the report contained errors and threatened to sue Public Citizen unless it retracted its conclusion (*BI*, Oct. 29).

AIG, which released the letter, would not comment.

The other insurers Public Citizen said were at risk were Hartford Insurance Group, Aetna Life & Casualty Co., Liberty Mutual Insurance Co. and USF&G Corp. But, Public Citizen later admitted it erred in its tests of Hartford and Aetna and retracted its conclusions about them.

Philippines storm losses

LONDON—Typhoon Mike—which killed approximately 200 people in the central and southern Philippines last week—could cost marine hull underwriters millions of dollars.

The storm reportedly destroyed 58 small craft, and the coverage may be reinsured with Lloyd's of London underwriters, sources say.

Lloyd's Intelligence—the market's intelligence network—believes that the storm destroyed no big ocean-going vessels.

Philippines President Corazon Aquino last week declared the island Cebu a disaster area and reportedly said the initial property damage estimates were \$5.5 million.

Major Filipino property insurers include Pioneer Insurance & Surety Corp. and FGU Insurance Corp.

Philadelphia Re to be replaced

PHILADELPHIA—Philadelphia Reinsurance Corp., a subsidiary of Amsterdam-based Netherlands Reinsurance Corp., will stop writing new and renewal business and will be replaced in the reinsurance market by a U.S. branch of its parent firm.

Netherlands Re decided to run off Philadelphia Re's business following A.M. Best Co.'s decision in July to lower its rating to B+ from A— because of concern over the security of its retrocessions, said Willem K. Dikland, Philadelphia Re president and chief executive officer.

Philadelphia Re will continue to service existing business. Mr. Dikland said that until the branch office is established, non-admitted Netherlands Re paper will be offered for treaty business, while an admitted carrier will be used for facultative property business. Philadelphia Re does not write casualty facultative business.

Philadelphia Re generated \$43.8 million in net premiums written in 1989 and posted a 123.9% combined ratio. Its surplus at year-end 1989 stood at \$61.4 million.

Briefly noted

The world's two largest reinsurers report huge losses from the series of **European windstorms** earlier this year. In its fiscal 1990 results, Munich Reinsurance Co. reported 1.1 billion deutsche marks (\$662.4 million at June 30 exchange rates) of storm losses. Swiss Reinsurance Co. reported 600 million Swiss francs (\$481.6 million at current exchange rates) of storm losses. . . . A Wyoming jury convicted **Robert Davis**, principal of Dallas-based Lloyd's U.S., of paying bribes to former Wyoming Insurance Commissioner Gordon Taylor Jr. for favorable regulatory treatment. Mr. Davis faces five years in jail and \$250,000 in fines on each of two bribery counts. Mr. Taylor and insurance executive Roy E. Thigpen III already have pleaded guilty to bribery charges (*BI*, Sept. 24; April 16). . . . U.S. District Judge Robert Parker in Tyler, Texas, ruled last week that he will extrapolate an award of \$122 million to 160 **asbestos injury claimants** to determine damages for a group of 2,300 claimants (*BI*, Oct. 22). This could result in final award of \$1.3 billion, attorneys say. . . . TVH Acquisition Corp., the investor group that has agreed to purchase **The Home Insurance Co.** in a \$970 million transaction, has "identified certain issues" during its due diligence activities that require further negotiation, says AmBase Corp., The Home's parent. AmBase said it expects to resolve the "pretty routine" issues by mid-December. . . . A Cook County Circuit Court judge has ruled that health maintenance organization **Complete Health Care Corp.** of Joliet, Ill., is insolvent and should be liquidated (*BI*, Oct. 29). . . . **BASF Corp.** has agreed to pay \$1.1 million in fines to the Occupational Safety and Health Administration for 133 safety and health violations related to a July explosion and fire at BASF's Cincinnati chemical plant that killed two employees and injured 71 others (*BI*, July 30). BASF admitted no wrongdoing. . . . In a **wrongful termination** case, a Los Angeles Superior Court jury ordered Lockheed Corp. to pay \$45.3 million—including \$30 million of punitive damages—to three employees it fired after they tried to warn management that the firm's C-5B aircraft was defective and unsafe. . . . California's governor has submitted the name of outgoing Insurance Commissioner **Roxani M. Gillespie** to the judicial evaluation panel of the California Bar Assn., a preliminary step to appointment to a judgeship.

Beware of rabbits.

If solutions could be pulled out of a hat, you could be sure of one thing. Everybody would have one.

That's particularly true with pensions. Where things have become so complex, few providers offer the full range of administration, record-keeping and investments needed to operate a successful 401(k) or retirement plan.

Which brings us to the CIGNA companies.

We have the nation's largest network of sales and service specialists whose sole responsibility is to fulfill retirement plan needs.

Which means our people can be more knowledgeable about your program.

And how it will be affected by changing financial conditions and regulations.

What's more, they work out of local offices, not ivory towers. So they're available when you need them. Bottom line: From plan design to implementation and ongoing management, we achieve the kind of results that have kept our client and asset retention rates consistently over 93%.

For information, write Group Pensions, Dept. RE, 1600 Arch St., Philadelphia, PA 19103. You'll discover we have a lot of answers in our briefcase. And absolutely nothing up our sleeve.

We get paid for results.SM 