

# Business Insurance

Reporting Weekly on Corporate Risk, Employees Benefit and Managed Health Care News / \$4

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## SEC levels fraud charges against ex-Pace American CEO

WASHINGTON—The former chief executive officer of an insurance holding company is facing civil fraud charges filed by the Securities and Exchange Commission.

The SEC last week filed suit against Donald H. Pace, former CEO of Pace American Group Inc., the publicly traded parent of American Bonding Co., a now-defunct surety insurer.

Mr. Pace was fired by Pace American's board in 1994 and was later allied with a group of dissident shareholders who briefly  
*See Updates on next page*

## Insurance funds flow to campaigns

By MICHAEL PRINCE

The insurance industry is going with the flow—of power, that is—when it comes to campaign contributions. While maintaining its position as a leading political con-

tributor, the insurance industry has followed the surge of other business groups shifting money away from Democrats and toward Republicans after their 1994 takeover of Congress.

During the 1995-1996 election cycle, the insurance industry was the third most generous industry, providing \$14.5 million to candidates and the parties, of an estimated \$1.6 billion in overall giving, according to figures compiled by the Washington-based Center for Responsive Politics from Federal Election Commission records as of Oct. 1, which generally cover the period from January 1995 through June 30.

The industry's contributions include \$7.2 million from PACs, \$6.5 million in "soft money" to the political parties and \$800,000 directly to presidential campaigns. Soft money is money given to the political parties or to political election-related efforts but not directly to individual candidates, so the regulations and limits governing contributions to candidates do not apply. The political parties, however, can use it in ways that indirectly support candidates.

Only law firms, with \$16.4 million in contributions, and the securities industry, with \$15.2 million in giving, exceeded the insurance industry.

The insurance industry's generosity, however, was not evenly spread. Republicans received 73% of this largess, amounting to \$10.6 million, compared with \$3.9 million to Democrats.

One factor stood above all in tilting toward  
*See Campaign on page 50*

## Health plans nearing deadline for ESRD claims

By JERRY GEISEL

WASHINGTON—Time is running out for health plan administrators to recover payments made to providers for claims of clients' former employees with end stage renal disease that Medicare—not COBRA plans—should have paid.

The Health Care Financing Administration, the federal agency that administers Medicare, is ending on April 1 a three-year-old special program in which it waived the normal filing deadline for medical claims that providers—based on an incorrect interpretation of law by federal regulators—sent to employers for payment rather than Medicare.

No one knows exactly how much in claims employers mistakenly paid for former employees with ESRD before late 1993 when HCFA—in the wake of court decisions—reversed itself and said employers could terminate COBRA coverage for former employees who became entitled to Medicare because of ESRD.

But conservatively, tens of millions of dollars are involved. One small third-party claims administrator—Benefit Plan Services Inc. of High Point, N.C.—alone has recovered \$40,000 in mistaken payments from a kidney dialysis center on behalf of three self-insured employers.

Employers' recovery of mistaken COBRA medical claims payments from providers—chiefly kidney dialysis centers—isn't easy in practice. First, employers or their plan administrators have to request a refund from providers and explain the claims situation. Then providers have to file a claim with Medicare by April 1, and could choose to wait until they are reimbursed before refunding money to employers.

In addition, HCFA says it lacks the authority to force providers to reimburse employer plans for claims Medicare and not employer COBRA programs should have initially paid.

In the end, it may take the threat of legal action to get providers to refund the mistaken claims payments, plan administrators and attorneys say.

"You need a lot of persistence," said Alan Peters, a vp with Benefit Plan Services, who battled with a dialysis center for about 16 months before recovering mistaken claims payments for several clients.

*See ESRD on page 46*

**PACing a political punch**  
Here's what the top insurance industry political action committees contributed between Jan. 1, 1995 and June 30, 1996.

PAC	Total	Dems	GOP
National Assn. of Life Underwriters	\$755,250	\$221,500	\$533,750
Independent Insurance Agents of America	471,506	134,288	337,218
American Council of Life Insurance	372,859	51,500	321,359
AFLAC Inc.	323,450	93,500	229,950
Blue Cross & Blue Shield Assn.	254,625	78,775	175,850
Massachusetts Mutual Life Insurance Co.	223,810	54,100	169,710
Metropolitan Life Insurance Co.	219,365	94,102	116,263
National Assn. of Independent Insurers	200,465	7,624	192,841
USAA Group	192,500	20,500	172,000
CIGNA Corp.	180,550	24,000	156,550

Sources: Center for Responsive Politics, Federal Election Commission  
GRAPHIC BY ADAM DOI

## CGL policyholders win in Oregon Court

By DAVE LENCKUS

SALEM, Ore.—An Oregon Supreme Court ruling that the comprehensive general liability policy's pollution exclusion does not bar coverage for unexpected and unintended gradual pollution augurs more coverage victories for policyholders, a policyholder attorney says.

The Oregon court is the third state supreme court to rule in favor of policyholders after reviewing the full drafting and regulatory history of the so-called absolute pollution exclusion introduced in 1986, said policyholder attorney Steven J. Dolmanisth, a part-

ner with Anderson Kill & Olick P.C. in New York, which filed an amicus brief in the case.

**Delaware upholds owned-property exclusion for cleanups .....Page 48**  
**Court applies New Jersey law to Pfizer's out-of-state cleanups .....Page 49**

An insurer attorney, though, contends the Oregon court sidestepped the absolute pollution exclusion's drafting and regulatory history. Instead, it focused squarely on how to interpret language in the pre-1986 exclusion that does not bar coverage for "sudden and accidental" pollution,

said the attorney, Edward Zampino, a partner with Harwood Lloyd of Hackensack, N.J. Harwood Lloyd also filed an amicus brief in the case.

With the Oregon ruling, policyholders hold a 10-9 edge in state supreme court decisions when those courts have considered whether the exclusion's "sudden and accidental" wording provides coverage for unexpected and unintended gradual pollution, according to Anderson Kill.

But, in New Jersey's ruling, which Anderson Kill calls a policyholder victory, the court ruled sudden means abrupt—as insurers contend. The  
*See Oregon on page 48*

## Digital completing managed care shift

By ROBERT KAZEL

MAYNARD, Mass.—Digital Equipment Corp. in 1998 will stop offering two traditional indemnity plans as an option to virtually all of its 58,000 U.S. employees.

The Maynard, Mass.-based computer technology manufacturer will instead rely on the network of health maintenance organizations and point-of-service plans that it has built over the last several years, said Fran Bastien, the company's U.S. health/welfare benefits manager. After the company's fall 1997 open-enrollment period is over, Mr. Bastien predicts only 300 of Digital's workers—those who have no access to a POS plan in their area—will continue to be covered under a self-insured indemnity plan.

Digital's movement to managed care has saved the company about \$100 million over the past five years: \$4 million in 1991, \$12 million in 1992, \$20 million in 1993, \$28 million in 1994, and \$36 million in 1995, he said.

The self-insured company currently spends more than \$200 million a year on health insurance-related costs.

"We're going to declare success," he said. "Our strategy worked."

Digital's strategy to move employees into managed care has been complex, but to many workers the choice has become simple as the company has hiked the cost of indemnity coverage.

While employees this year are paying about \$84 monthly per family for HMO coverage and

\$120 to \$140 monthly for POS coverage, the relatively few who remained in the indemnity plan are paying a whopping \$688 monthly if they have a POS alternative. Indemnity plan members who have continued to pay these fees either are high users of the plan or "for some reason have not understood the educational materials we have sent out to them over the years," Mr. Bastien said.

A challenge for Digital in the year ahead will be to communicate to the remaining members of the indemnity plans who have remained there by choice, explaining the potential advantages of managed care and notifying them of the impending unavailability of their plan, he said.

Large price increases in indemnity coverage in  
*See Digital on page 49*

1996

Employee Benefits Communication Awards

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## Updates

### SEC sues former Pace CEO

Continued from previous page

took over the company and ousted the board (BI, Aug. 1, 1994). American Bonding was ordered into rehabilitation in 1995 and Pace American is now largely inactive.

The SEC charges that Mr. Pace failed to disclose that he received more than \$480,000 in commissions and fees on American Bonding business; misled Pace American's auditors on a number of issues, including the adequacy of American Bonding's reserves; and filed a fraudulent SEC form after he was fired claiming that he had no plans to effect a change in Pace American's management.

In an interview, Mr. Pace denied the charges—some of which were leveled in a 1994 report to Pace American's general counsel—calling them "fiction and fantasy."

The SEC separately filed an administrative complaint against former Pace American Chief Financial Officer Greg S. Kaplan, who was also fired by the board in 1994.

Without admitting or denying charges that he approved materially misstated financial reports, Mr. Kaplan signed a consent order agreeing not to violate SEC rules in the future.

### DuPont sanction overturned

ATLANTA—A federal appeals court, saying E.I. du Pont de Nemours & Co. Inc. was denied its constitutional protections, has overturned a \$115 million sanction against the company arising from litigation of its Benlate DF fungicide.

The decision by the 11th U.S. Circuit Court of Appeals overturned the decision of Judge Robert Elliot of the Middle District of Georgia that imposed the fine on the Wilmington, Del.-based chemical giant because of the company's violation of his order to turn over to plaintiffs testing data for Benlate during their suit in the Georgia court (BI, Aug. 28, 1995).

Plaintiffs in that suit claimed Benlate contained a toxic herbicide that killed or injured plants. The suit was settled for \$4.3 million.

Under the lower court ruling, DuPont could have reduced the fine to \$14 million by placing ads in leading newspapers acknowledging its wrongdoing. The company chose to appeal the ruling instead.

In overturning the lower court fine, the appeals court did not say DuPont complied with the lower court's order, only that the fine was more in the nature of a criminal sanction in a civil proceeding saying, "We have little trouble concluding that the sanctions the district court imposed were overwhelmingly punitive—and thus criminal—in nature."

"Even though DuPont and its counsel may very well have engaged in criminal acts, we must reverse the contempt order because the district court did not afford DuPont the procedural protections the Constitution requires for the imposition of criminal contempt sanctions," the court further stated.

In a written statement, the company called the ruling "gratifying."

### First Flight 800 suit filed

NEW YORK—The first lawsuit filed by a passenger's son against Trans World Airlines Inc. and The Boeing Co. last week claims that a "mechanical, structural and/or electrical failure" caused the explosion on board Flight 800 July 17.

Although federal investigators have yet to establish the cause of the Boeing 747's destruction, which killed 230 people, the suit filed in U.S. District Court for the Eastern District of New York says mechanical failure caused a limited explosion that led to a chain reaction of structural failures and fires, "causing the plane to break up in mid-air."

The burning vapors would have accounted for eyewitnesses seeing a streak of light heading toward the aircraft, which was "mistaken for a missile," the lawsuit states.

If it is proved a bomb caused the disaster, however, then the suit would charge TWA with willful misconduct for failing to have the proper security measures in place to prevent a bomb getting on board. Proof of willful misconduct would quash the Warsaw Convention's \$75,000 per passenger liability limitation on international flights.

The plaintiff, Eric C. Johnson of Virginia, is seeking compensatory and punitive damages of up to \$50 million for the death of his father, Leonard James Johnson. Eric Johnson's attorney, Lee Kreindler of Kreindler & Kreindler in New York, also filed other similar plaintiffs' lawsuits against TWA late last week and will continue to do so throughout the United States over the coming months. Mr. Kreindler also represented plaintiffs in the 1988 Pan Am Flight 103 disaster, in which willful misconduct was proved.

St. Louis-based TWA finds it "most unusual" that a plaintiff who has no evidence "has cracked a mystery" that no one else has been able to solve, said a spokesman.

Meanwhile, TWA's Chief Executive Officer and President Jeffrey Erickson said he will resign in January. The spokesman said Mr. Erickson's departure is not linked to the disaster.

A spokesman for Seattle-based Boeing said the company cannot comment on litigation. "We will continue to work with the NTSB to help us determine how and why the accident occurred," he said.

### IRS raises benefit limits

WASHINGTON—Employers in 1997 will be able to consider the first \$160,000 of employees' compensation on which to base pension benefits and contributions, up from the 1996 compensation limit of \$150,000, the Internal Revenue Service announced last week.

In addition, the maximum annual benefit that can be funded through a qualified defined benefit plan will increase to \$125,000 from \$120,000. However, the maximum annual contribution that can be made to a defined contribution plan remains unchanged at \$30,000 per employee, while the maximum salary deferral to 401(k) plans also is unchanged at \$9,500. These changes in the maximum limits are based on formulas set in various federal laws.

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# Conversation cited as proof of EMLICO's liquidation plans

By DOUGLAS McLEOD

BOSTON—A dinner-hour conversation between friends at a Bermuda restaurant has triggered a new flurry of legal filings in the battle over Electric Mutual Liability Insurance Co.'s controversial redomestication.

Affidavits filed with the Massachusetts Insurance Division last week describe a conversation earlier this month in which a Bermuda captive manager told a friend

at a Hamilton hotel pub that his company was approached by EMLICO representatives about two years ago to discuss the insurer's runoff and eventual liquidation.

The captive manager was Colin M. Alexander, senior vp with Mutual Risk Management Ltd., and his friend was a partner of Lovell White Durrant, a law firm representing Kemper Reinsurance Co. in its effort to reverse EMLICO's 1995 move to Bermuda.

Kemper Re submitted the affi-

davits of two Lovell White partners last week as part of its effort to convince Massachusetts regulators to reopen hearings into the circumstances of EMLICO's redomestication.

EMLICO, a longtime General Electric Co. liability insurer, declared itself insolvent by more than \$500 million shortly after arriving in Bermuda (BI, Dec. 11, 1995). Several reinsurers have since charged that EMLICO knew

See EMLICO on page 51

## Confed to cover U.S. claims in full

By GAVIN SOUTER

LANSING, Mich.—Confederation Life Insurance Co.'s rehabilitation plan calls for paying benefits to U.S. policyholders in full, even though the assets of its U.S. unit are about \$1 billion shy of its liabilities.

The rehabilitation plan was confirmed by a Michigan state court last week.

The rehabilitators hope to bridge the gap between the \$5.1 billion in assets and the \$6.2 billion in liabilities through a series

of measures, including reinsurance contracts for the policies and contributions from the Canadian operations of Confed. The Canadian and U.S. operations of Confed have been separated to avoid cross-border litigation.

Confed (U.S.) also is suing 27 former directors and officers of Confed, Harris Trust & Savings Bank and Ernst & Young L.L.P. for \$600 million that allegedly was removed from trusts.

The plan was originally filed by Michigan Insurance Commissioner D. Joseph Olson in July but was

confirmed in the Ingham County Circuit Court last Wednesday. Mr. Olson is the rehabilitator for Confed (U.S.), which is domiciled in Michigan.

"Confirmation of the plan is good news for all policyholders and payees. The plan provides a mechanism for preserving insurance benefits to the greatest extent possible," according to a letter sent by Confed (U.S.) to policyholders.

Much of the plan is contingent on the rehabilitator successfully

See Confed on page 50

## Negotiating risk management borders

By MEG FLETCHER

CHARLESTON, S.C.—Creating "borderless" risk management at home and abroad may require implementing several new and different strategies.

In the United States, one important strategy is establishing "a master risk management steering committee" as an integral part of each organization, said Bruce Zaccanti, a manager in Arthur Andersen L.L.P.'s property/casualty insurance industry consulting practice in Chicago.

The committee should consist of representatives of key organizational divisions within the compa-

ny—such as operations, human resources and treasury—to help broaden understanding and support for risk management pro-



grams, he said.

Establishing an organized forum to educate them about basic risk management concepts and glean their insights about how they apply to different areas of operations will provide an inte-

grated approach to assessing risks a company faces.

The aim is to make risk management "an ongoing effort," so it becomes the job of every corporate executive to assess risk, avoid or reduce risk to an acceptable level, analyze any gaps that might create exposures and act to reduce them and thereby improve the company's operations.

Mr. Zaccanti was one of several speakers who discussed "Borderless Risk Management," the theme of Liberty Mutual Insurance Co.'s Risk Management Forum Oct. 13-15 in Charleston, S.C.

He previously received the 1995

See Strategy on page 39

## IIE syndicate headed for liquidation

CHICAGO—First Oak Brook Corp. Syndicate Inc. appears headed for liquidation, after a Cook County Circuit Court last week approved state regulators' request to file such a petition.

The Oak Brook, Ill.-based syndicate of the Illinois Insurance Exchange was previously under court-ordered conservation, though the IIE has declared it insolvent (BI, Oct. 14).

If syndicate owners don't respond, the court is expected to enter a default judgment Nov. 4 and cancel policies

effective Dec. 4, said Richard Darling, chief operating officer of the state Insurance Department's Office of the Special Deputy Receiver in Chicago.

State regulators now estimate that the IIE's second-largest syndicate, which wrote \$34.8 million in gross premium in 1995, is insolvent by more than \$1 million.

However, the syndicate apparently has not processed paperwork since mid-May and faces at least \$13.5 million in unpaid obligations, including

claims, Mr. Darling said.

The syndicate's uncalculated assets include several affiliated companies that have been placed into voluntary receivership. The only exception is Western Specialty Insurance Co., an Illinois affiliate that is still able to write coverage. However, its assets eventually may be used to pay any outstanding claims, he said.

A syndicate spokesman could not be reached for comment.

—By Meg Fletcher

## Inside

• HCFA, not employers, is responsible for the mess over paying for end-stage renal disease treatment, this week's editorial says. **PAGE 8**

• More risk managers plan to purchase EPL coverage, a Liberty Mutual Insurance Co. survey shows. **PAGE 40**

• More corporate entities are taking control of Lloyd's of London syndicates. **PAGE 41**

• A New Jersey judge rules that New Jersey laws are applicable in pollution coverage litigation over sites outside the state. **PAGE 49**

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# Employee Benefits Communication Awards

Multi-Subject Booklet



**Best of Show:**  
Texaco Inc.

Single-Subject Booklet



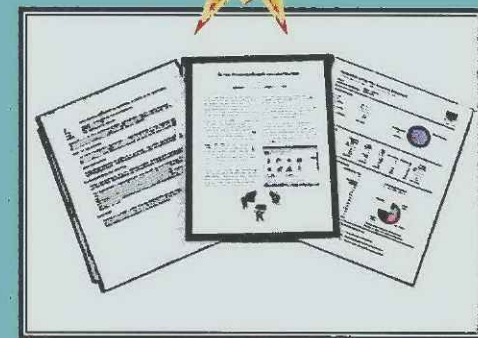
**Best of Show:**  
The Boeing Co.  
**Awards of Excellence:**  
AT&T Corp., Tribune Co.

Special Projects Print Comm.



**Best of Show:**  
LSG/Sky Chefs

Special Projects Innovative Comm.



**Best of Show:**  
PeopleSoft Inc.

The *Business Insurance* Employee Benefits Communication Awards recognize creative and effective efforts to communicate benefit plans to employees.

One hundred twenty-two U.S. and Canadian companies submitted entries in eight categories to the 24th annual competition. Seventeen companies won awards.

Among the innovative steps employee benefits managers are taking to communicate with diverse workforces and empower employees with access to their benefits information is greater use of the Internet. A story of what benefit managers are accomplishing on the Information Superhighway begins on page 4.

Profiles of the award-winning entries begin on page 12.

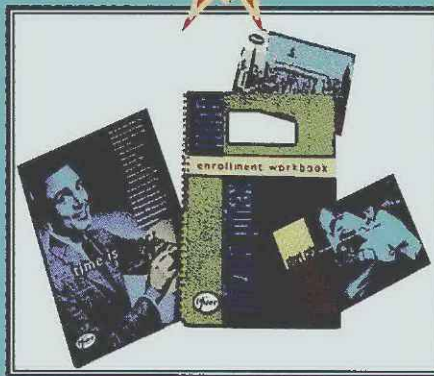
Many of the 15 judges, experts in the fields of benefits management, human resources or advertising, lauded the winners for focused and concise messages livened up with attention-getting graphics. See story on page 32.

Audio-Visual



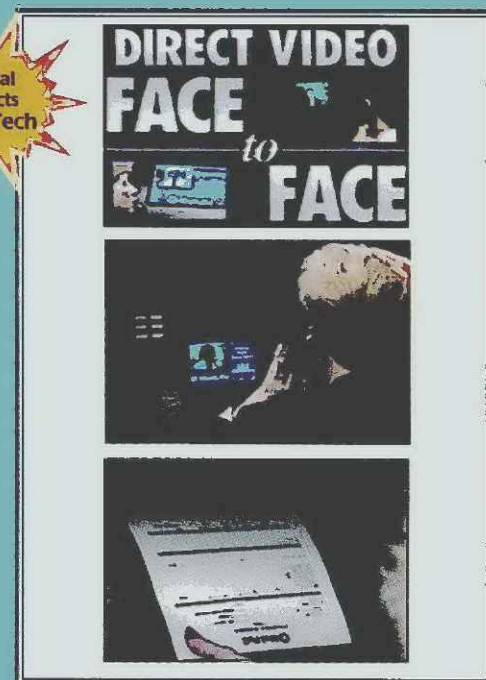
**Best of Show:**  
Oracle Systems Corp.  
**Award of Excellence:**  
GEICO Automobile Insurance Co.

Total Benefits Program



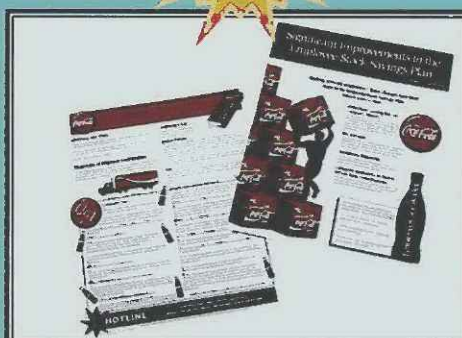
**Best of Show:**  
Pfizer Inc.  
**Awards of Excellence:**  
Capital One Financial Corp.,  
Viacom Inc.

Special Projects High-Tech



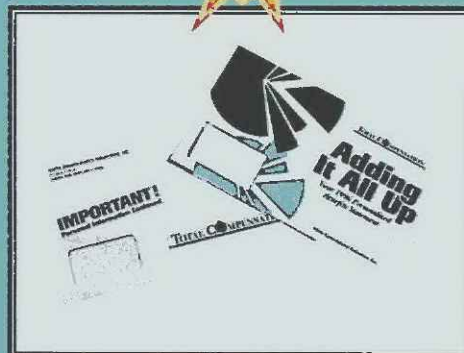
**Best of Show:**  
Community Hospitals of Indianapolis

Newsletter



**Best of Show:**  
Coca-Cola Beverages Ltd.

Personalized



**Best of Show:**  
White Consolidated Industries Inc.  
**Award of Excellence:**  
MGM Grand Hotel Inc.

Multi-Media



**Best of Show:**  
Ralston Purina Co.  
**Award of Excellence:**  
The Home Depot Inc.

# Learning about benefits in cyberspace

By JOANNE WOJCIK

More and more benefits departments are hitching a ride on the information superhighway now that improvements in Internet technology are making it easier to traverse the World Wide Web.

Most employers are taking their time in the slow lane by using the medium primarily to provide general benefits information to their employees.

But a few innovators are going full-speed ahead establishing interactive sites with hypertext links to the home pages of 401(k) fund managers, preferred provider network directories and other vendors providing benefits-related services to their companies.

Other employers are using off-the-shelf communications software to assemble personalized benefit statements, which often are being delivered via the paperless environment of the Internet.

Despite the attraction of this latest technological innovation, however, experts point out that the Internet is only one of several communication channels for employee benefits.

"There's always been new technology. It's just that over time it gets more sophisticated," observed Bill

Zabit, president of Sausalito, Calif.-based employee benefit communication firm Zabit & Associates Inc.

"Everyone is anxious to discover the 'magic elixir' for making employee benefit communications easier," he said.

But the medium is not the message.

"It doesn't matter how flashy or high-tech the delivery is. We don't

**'We don't get the message across by using a specific medium. People must believe the message,' says Bill Zabit.**

get the message across by using a specific medium. People must believe the message is pertinent. It's the self-interest principle," Mr. Zabit said.

"Over time, the Internet will become a viable alternative, but it'll still be just one tool in the benefit communications toolbox," he predicted.

Still, employees may be more interested in learning about their benefit programs if the information is

conveyed in a more interactive environment.

"The way it's presented can be more engaging, just like color brochures are more enticing than plain paper or color videos vs. black and white," suggested Curtiss Butler, director of new media for Buck Consultants Inc. in New York.

But he agreed that while the use of Web technology will certainly increase in employee benefits communication, "the best solution will ultimately be some sort of integration of technology with other media—multimedia in the sense that if you can get access to the same information whether you dial it up on the phone or call it up with a modem on your PC."

Indeed, the key to effective communications is making sure everyone gets the message, regardless of how or when.

"People want information when they want it, not when we give it to them," said Mr. Zabit.

Pleasanton, Calif.-based PeopleSoft Inc. has been using its internal "Intranet" and an off-the-shelf electronic mail program called Lotus Notes to deliver benefits information to employees since May.

"We try to do more in a paperless fashion because it's faster and cheaper," explained Steve Zaroti,

chief information officer for the software developer.

In addition, "we empower the employee by giving access to them when they want it. It's like the ATM in banking. We're trying to provide benefits information as easily as currency," he said.

This year, PeopleSoft's flexible benefits plan enrollment will be conducted online.

After opening up the company home page, employees can "click" their mouses on "radio buttons" to make their choices for life insurance, long-term disability and health plan coverages, among other things.

They also can select "Benefits Book" and get the summary plan description online, according to Mr. Zaroti.

The program also will offer hypertext links to a database of fund prospectuses that employees can read before making 401(k) plan investment decisions.

However, employees still must make investment choices using the interactive voice response system developed with consultant Coopers & Lybrand L.L.P. and fund manager Charles Schwab Corp.

"But that's a candidate to put online down the road," Mr. Zaroti said.

Quarterly statements are already being sent electronically by fund managers to employees via Lotus Notes without stopping in the em-

See **Technology** on page 6

## Lynch joins sales staff

NEW YORK—Roger Lynch has joined the *Business Insurance* sales staff in New York, an-



Mr. Lynch

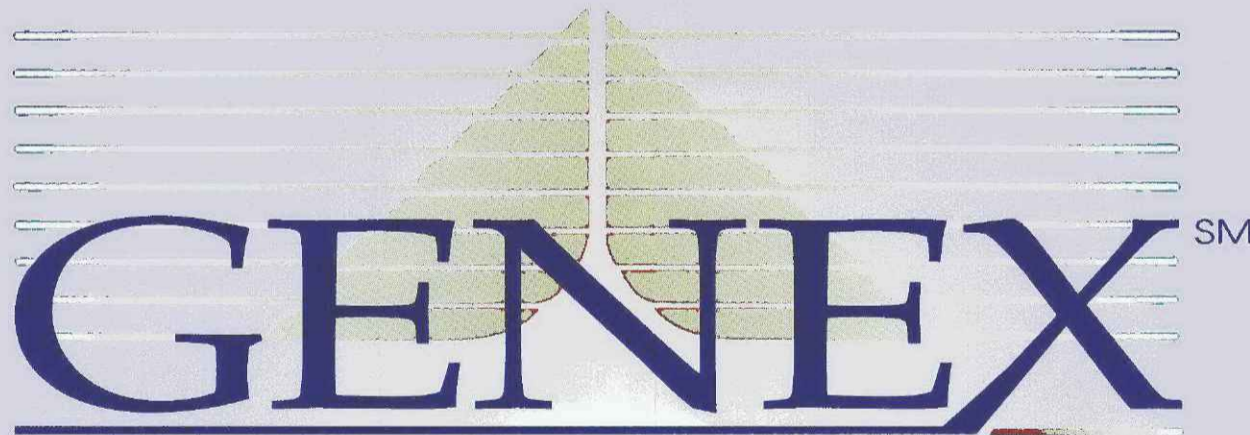
nounced Advertising Sales Director Martin J. Ross III. As a district manager, Mr. Lynch will handle accounts in New Jersey, New York's Long Island and certain accounts in New York City. He replaces James Patten, who resigned.

Mr. Lynch, 26, previously worked in the corporate affairs department and commercial banking department of Credit Suisse in New York.

He has a bachelor of arts degree in communications from Denison University in Granville, Ohio.

Mr. Lynch can be reached at 212-210-0136.

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**It  
begins  
with 2 people.**

THEIR BUSINESS TAKES OFF, A  
FACTORY IS BUILT. SOON A SECOND,  
THEN A THIRD. DEMAND SPREADS, GLOBAL  
GROWTH OPPORTUNITIES ARE SEEN. BUSINESS  
ALLIANCES ARE FORMED, NEW FACILITIES CONSTRUCTED. TO  
ARRANGE PROPERTY AND CASUALTY COVERAGES, LOSS CONTROL, FIRE  
ENGINEERING, EMPLOYEE BENEFITS, AND TO COORDINATE CLAIM HANDLING  
AND UNDERWRITING, THIS BUSINESS RELIES ON AN EXPERT, WAUSAU INSURANCE.

**The business insurance experts.**



# Technology

Continued from page 4  
ployee benefits department.

And employees who want the information in hard-copy form can always print it out from their desktop PCs.

"We want to be paperless, but if an employee wants paper, they can get all they want," said Mr. Zaroti. "We call it paper birth control—don't create the paper in the first place."

The use of technology has enabled PeopleSoft to handle all of the benefits administration and communication for some 1,200 employees in 15 countries with just three employees.

"With electronic administration, we can leverage people more effectively," Mr. Zaroti said.

Minneapolis-based Network Management Services, a company that specializes in developing benefits administration programs for Fortune

500 benefits purchasers and purchasing alliances operating in multisite, multivendor environments, recently rolled out an online directory of benefit plan information for Xerox Corp.

PlanSelect, launched Oct. 1, provides benefit plan information across hundreds of health plans offered by Xerox to its employees nationwide.

Although the site is on an Internet Web server at NMS headquarters in Minneapolis, password protection limits access to Xerox employees only.

Approximately 2,000 of Xerox's 45,000 employees connected to the Web site on its first day of operation, according to Brenda Shipley, director of sales and marketing at NMS.

Even though not all employees—particularly those in a manufacturing environment—are connected to the Internet, the medium can still be used to get printed materials to these people, experts point out.

For example, several of Zabit &

Associates' clients are combining the use of Web browsers and desktop



The Internet is becoming an important benefits communication tool.

publishing software to publish personalized benefits booklets and statements on laser printers.

So far the most complex document Zabit & Associates has published using this method of "variable laser printing" is a booklet explaining estate planning issues to executives at San Francisco-based Transamerica Corp.

Zabit & Associates also is working with CIGNA Corp. to develop plan-specific 401(k) booklets for employers.

Some software vendors are using Internet technology as a tool to make benefits administration easier.

Employers with 25 to 2,000 employees can administer their employee benefits via the Internet with a software program created by Bluffton, S.C.-based Employeease.

While Employeease owns the software, which is housed on its Internet Web server, employers can upload employee benefits and human resources information in a secure environment, explained John J. Nail, the company's president and chief executive officer.

utive officer.

Employers can use the program to complete monthly invoices for all lines of coverage, generate enrollment forms for any line of coverage and personalize annual benefit statements for employees, among other things.

"Our mantra is to deliver Fortune 1000 functionality to small and medium-sized companies in a cost-effective manner," Mr. Nail said. "In simple terms, we automate the paper."

Rather than bearing the development cost of a large, proprietary system, employers just pay an initial sign-up charge and then a per-month per-employee access fee.

"Instead of being borne by one employer, the development cost of a large system effectively is spread across many employers," Mr. Nail said. "We're making it a shared resource."

And to make sure that each employer's information is secure and separate from the others, Employeease has included firewalls in the program: Those who access the system also must have digital identification numbers, and passwords can be used to limit human resource employees' access to certain information.

The system is not designed for direct employee access, however.

While many employers are just now entering the Internet environment, the fast-evolving Web technology is sure to create even more benefits-related applications, experts predict.

"Those companies that are just publishing information have only gone about a quarter of the way toward what needs to be done," said Mr. Butler of Buck Consultants. "It just isn't enough to give people the information."

For example, after explaining how diversified investments work in a 401(k) plan, the benefit communications system should then play a "game" with employees showing them how they work, he suggested.

"You need to add a tutorial, interactivity," Mr. Butler said. "The advantage of the Internet is that it's not just for information delivery, it's providing decision support tools."

Faster Web browsers already are making it possible for PC-based employee benefit communication systems to tap into the home page of insurers and health plan administrators so that employees can select primary care physicians online.

"We're advising employers not to 'own' the data, but rather to make links to it," Mr. Butler said. "Let the providers put their list on the Internet and then we'll create a search engine" so employees can select a doctor by ZIP code, name, specialty or hospital affiliation.

"The real notion of this thing is a benefits ATM machine," he said, referring to the automated teller machines that have inundated the consumer banking world.

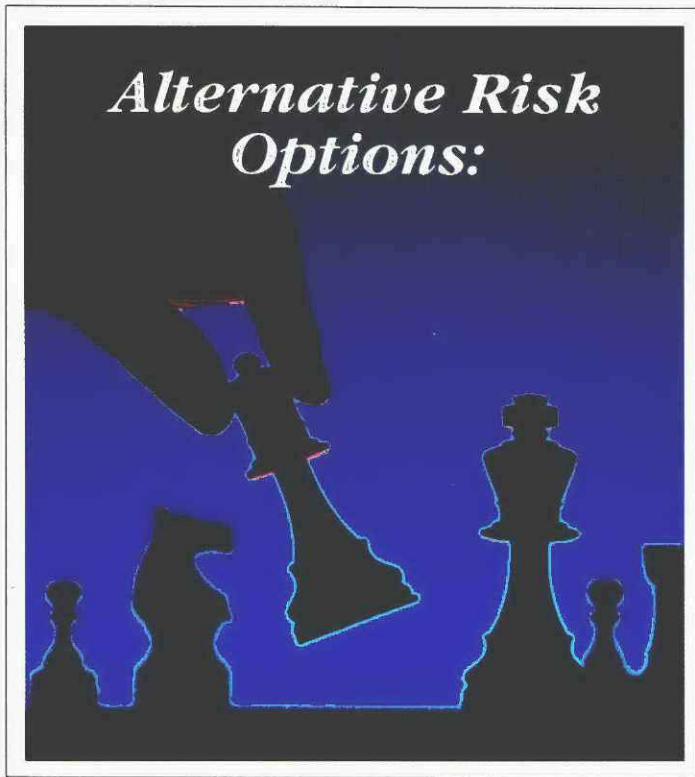
"Imagine a system where employees are doing 401(k) calculations or document searches at the same time," he mused.

Then employees not only could print out personalized financial forecasts, but also could collect pertinent advice from other online sources at the same time.

Unfortunately, the technology to conduct such sophisticated online transactions is still in the developmental stages.

Writing "transactional" software is much more difficult than writing programs to simply retrieve files, which is primarily what today's generation of Web browsers do, Mr. Butler explained.

What's also needed is a good software engine to link all the databases on various platforms to create a single point-of-entry, he added.



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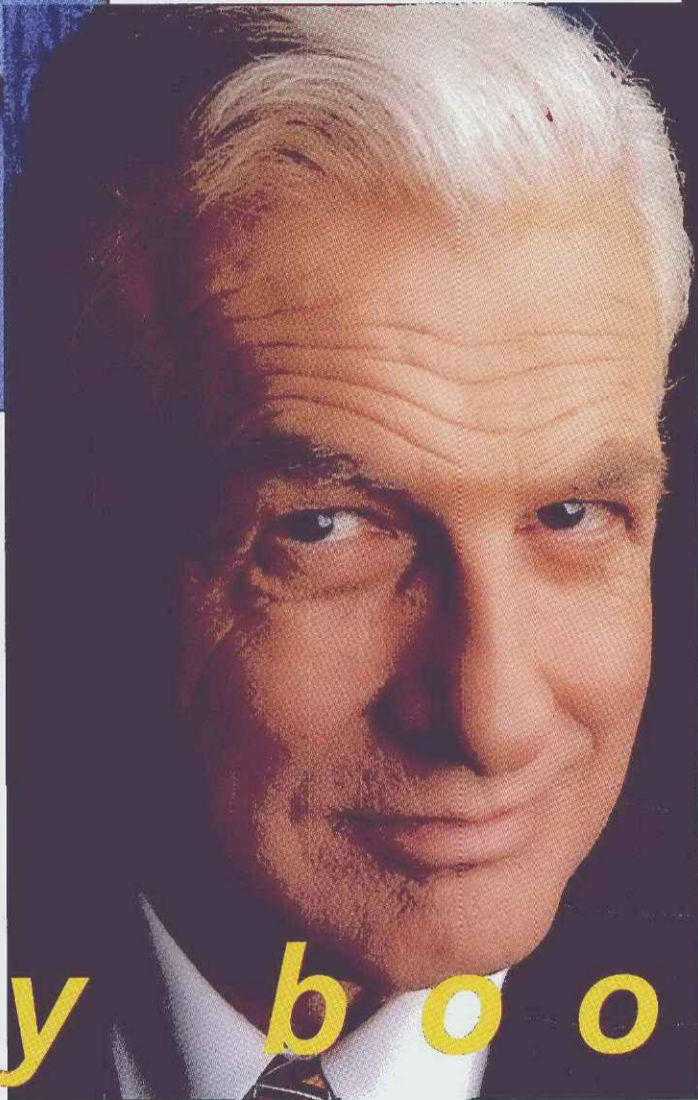
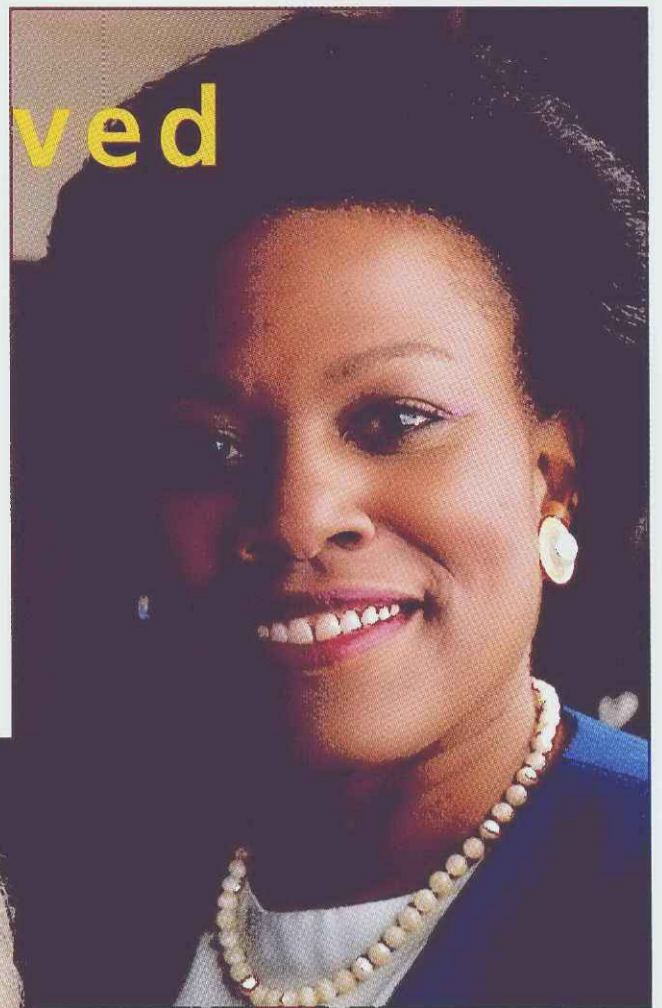
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## Opinions

## Employers deserve treat, not trick

THE HEALTH CARE Financing Administration is still trying to stick employers with the tab for claims that the Medicare program—not private health plans—should have paid.

Those claims are for treatment of end-stage renal disease, a costly kidney ailment. HCFA in recent years has been thwarted in efforts to shift Medicare's mandated coverage for such treatment to employers. Until those efforts were blocked by the courts, private plans paid tens of millions of dollars for treatment that Medicare should have covered.

Now HCFA is cutting short—unreasonably so, we think—the time in which employers can attempt to recover their funds.

The bills at issue are for COBRA continuation coverage of ESRD claims. Congress in 1973 made Medicare the primary payer for people of any age with ESRD. But, in attempting to trim the costs of that federal health care program, Congress in the past few years has shifted some of that cost to employers. Specifically, employers were made the primary payers for 18 months for individuals with ESRD under 65, the normal Medicare eligibility age. After that 18-month period—or when an individual turned 65—Medicare would assume responsibility.

HCFA interpreted that 18-month responsibility to reside with the employer, even if the individual no longer worked for the company and was only receiving health care coverage under COBRA.

Employers, insurers and plan administrators challenged that interpretation and won, arguing they are not obligated to provide COBRA coverage to individuals eligible for Medicare, as ESRD claimants are.

HCFA relented and employers then were faced with the task of recovering the money they had already spent.

To date, HCFA has done little to help employers recover these funds from the Medicare program. We understand HCFA has no statutory authority to directly provide refunds to employers, because the money was collected by the providers, not Medicare. But this is something that Congress could and should change because it would make the process far simpler for employers.

Currently, employers must negotiate with the providers that treated individuals with ESRD. This process entails submitting a bill for the claim to the provider—typically for treatment several years prior. The provider then must seek reimbursement from



"JUST FIND A PROVIDER TO KISS YOU, DEARY! HEE!!!"

HCFA and may withhold payment from the employer until it gets its check from the government.

And this presumes that providers are willing to engage in this dance with employers in the first place. Many are unfamiliar with the legal wrangling behind the billing dispute. Others may be understandably reluctant to return funds to private payers, when Uncle Sam will give them only a fraction of those dollars in return.

And now HCFA says time's up for the collection process, because the program interferes with "efficient program administration."

We think that's unfair to employers that already have been victimized once by HCFA's policy.

What can employers do? The first step is to notify providers that employers will be pursuing claims that should have been paid by Medicare, not COBRA coverage. Next, employers should lobby their representatives in Congress to urge HCFA to immediately lift its deadline. And, companies should seek changes in the law so that when the federal agency's errors cost employers money, HCFA is the one to make them whole.

We agree with HCFA that this whole situation is an impediment to "efficient program administration," but it created the mess and it—not employers—should have to clear it up.

## Letters

## Don't overlook pro-policyholder pollution rulings

To the editor: On Sept. 26, the Oregon Supreme Court held that the standard ISO "sudden and accidental" pollution clause does not bar coverage of gradual pollution that was unexpected and unintended by the insured.

The Oregon decision brings to 10 the number of state supreme courts that have interpreted the pollution exclusion in a manner consistent with the insurance industry's original explanation of the intended scope of the exclusion when it was submitted to state regulators in 1970. The other states adopting

this view are New Jersey, Georgia, South Carolina, West Virginia, Indiana, Illinois, Wisconsin, Colorado and Washington. In addition, New Hampshire and Vermont regulators refused to approve the pollution exclusion for use in those states, which brings the count to 12 states in which the qualified pollution exclusion is ineffective to bar coverage for gradual but unintentional pollution under historical CGL policies.

On the other side of the ledger, nine state supreme courts have held that the pollution exclusion bars coverage for gradual pollution (Massachusetts, Maryland, North Carolina, Florida, Alabama, Oklahoma, Ohio, Michigan and Minnesota). While insurance industry polemicists regularly attempt to stack the deck by including states like Delaware, New York and Iowa in their list of pro-insurer states, the fact is that the high courts of those states have never addressed the "sudden" prong on the pollution exclusion in any published opinion.

Unfortunately, the subscribers of *Business Insurance* would never know that the majority of state supreme courts continue to reject

the insurance industry's expansive view of the pollution exclusion clause. When the Alabama Supreme Court recently construed the pollution exclusion in a manner favorable to insurers, the decision was prominently featured in *Business Insurance*, along with the usual distorted "lists" of "recent trends" prepared by insurer attorneys (*BI*, Sept. 9).

Yet when the Oregon Supreme Court decided a few weeks later that the pollution exclusion is not a significant restriction on coverage, the decision received no play at all. The subscribers of *Business Insurance* would be better served if it occasionally gave equal time to pollution exclusion decisions favorable to policyholders and relied on sources other than litigation counsel retained by the insurance industry.

William F. Greaney  
Covington & Burling  
Washington

■ *Editor's note: While Mr. Greaney's letter was being drafted, Business Insurance's report on the Oregon decision was in the works and can now be found on page 1.*

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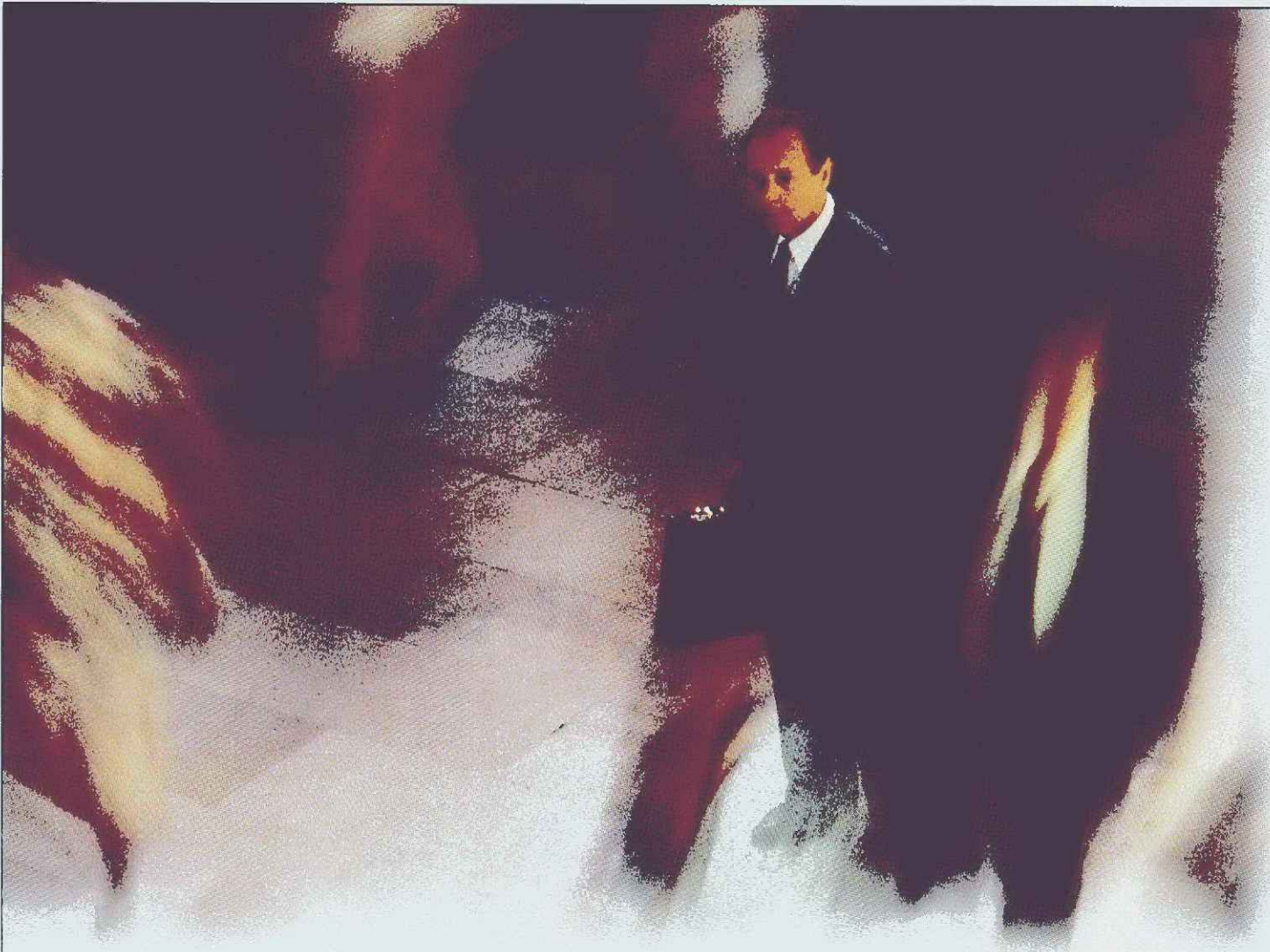
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# Benefit communications at home on the Texaco range

By MICHAEL BRADFORD

N.Y.-based Texaco.  
And the nature of the oil business

WHITE PLAINS, N.Y.—Texaco Inc. employees no longer roam the range looking for answers to their employee benefits questions now that the oil company has corralled its benefits communications into one south Texas facility.

The oil giant's benefits communication responsibilities until 1995 rested heavily in the hands of human resources representatives stationed throughout the United States. They were responsible for providing answers to benefits questions for about 15,000 workers in 429 locations.

"The employee went to the human resources person, who tried to find the right answer," explained Belinda B. Bewkes, manager-benefit plans development at White Plains,



means that some of those 429 locations are oil rigs in remote areas where no human resources reps were available to answer queries on benefits.

The process was too cumbersome and inefficient, Texaco eventually realized, and human resources was relieved of the benefits communication burden as part of a plan to centralize the process.

Moving communications under one roof led Texaco to create its Employee Benefits Service Center in Bellaire, Texas. Already in place at that location near Houston was the oil company's benefit plan administration facility.

In 1994, a few months before human resources gave up its communication duties, Texaco set about designing a program that would deliver accurate, easy-to-update mate-

rial quickly to the hands of workers.

The program that resulted was a set of four "event-oriented" packages that allow benefits personnel at the center to quickly dispatch benefits information to workers across the country, as needed. The packages are titled "As a New Employee," "After One Year," "Leaving the Company" and "Into Retirement."

There are two versions of each package; one details benefit plans for non-union employees, and the other is designed for union workers.

The booklets won the Best of Show award for multisubject booklets in the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

A fifth package, "If You Become Disabled," was recently developed and added to the program.

"We knew that in order to serve



employees, (benefits staffers) had to be able to yank things off the wall," and get it in the mail right away, Ms. Bewkes explained. "They don't have time to collate packages" every time someone needs benefits information, she added.

Texaco also wanted to provide employees with consistent and up-to-date information without overwhelming them. That's why the information was put together in packages that center on separate events.

She explained that a three-person in-house team wrote the packets using information from Texaco's summary plan descriptions.

Most of the work on the four packages was handled internally, using personal computers equipped with WordPerfect and Interleaf software. No outside consultants were used to write the information or design the materials.

Lone Star Graphics in New York designed the folders that contain the benefit information and handled the initial printing and collating.

Much of the work was done from August 1994 until the first printing of the four packets in December, Ms. Bewkes said. "The biggest crunch was in October and November," she noted, just before the printing date.

Texaco has since moved the printing into its internal print shop and now handles all production of the four packages and the design and printing of the recently developed packet on disability benefits. The move helped hold down costs, which ran about \$90,000 for the first printing and shipping of the four packages.

Each package is designed so that employees can first get a quick summary of the benefits and other information by reading a brochure tucked into one of the inside pockets. One side of the package contains a booklet that provides more detailed information, and the other side holds all the forms needed for enrollment or benefits requests.

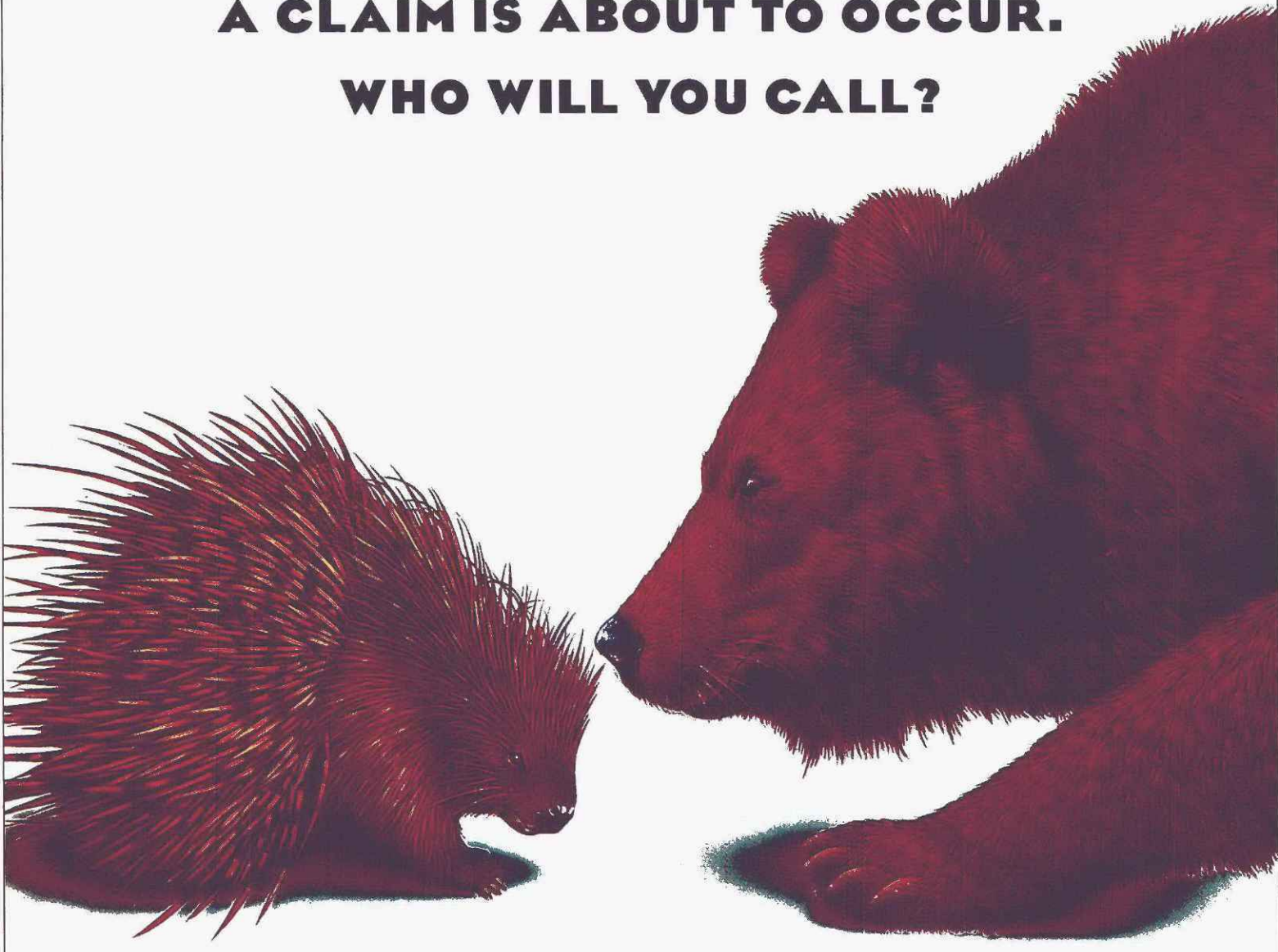
The package employees receive after one year also contains investment software prepared by consultant Hewitt Associates L.L.C. and customized to the Texaco investment alternatives. The Vanguard Group contributed a booklet that is inserted in the packet to provide basic information on investing and risk and includes performance information on the Vanguard funds employees can choose among.

Producing the packages on in-house computer equipment means the information is easy to update, Ms. Bewkes pointed out. "Probably once a quarter, there are one or two packages that need some kind of updating."

While Texaco has no formal way of measuring the effectiveness of the packages, the response from employees has been "very positive," Ms. Bewkes said. "They often say it's nice to get everything in a package, that it's very helpful to have everything in one place."

Still, employees aren't as impressed as they might have once been, she said. "Employees' expectations are much higher than they were 20 years ago. This might have bowled someone over 20 years ago," but employees today expect well-designed and complete information in communications material, Ms. Bewkes noted.

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# Newsletter leaves no doubt about the real thing

By MICHAEL PRINCE

TORONTO—It doesn't just say Coke. It screams Coke.

From the pyramid of Coca-Cola cases on the front to the trademarked bottles dancing on the back, the newsletter announcing Coca-Cola Canada's improvements to its employee stock savings plan leaves the reader with no doubt who produced it: Coca-Cola.

It's hard to look at Coca-Cola's newsletter and miss the point. They are emblazoned—in the Coke colors of course—across all four pages of the glossy, tabloid-sized newsletter: Coca-Cola. Employee stock savings plan. New.

"We wanted something that was easy, fun to read and could double as a poster," said Diane McElroy, a

partner at William M. Mercer Inc. in Toronto, who helped plan and create the newsletter for Coca-Cola Beverages Ltd., Coca-Cola's Canadian bottler. They wanted something "with a sense of presence," she added.

The biggest challenge was getting the attention of the 3,700 employees, Ms. McElroy said. This was accomplished, she said, by making the newsletter larger—the size of a tabloid newspaper—rather than standard size paper.

It also got the attention of judges, winning Best of Show in the benefits newsletter category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

"By putting it in a tabloid style, where people are used to reading



headlines, we felt people would read it," said John Chiarelli, the director of compensation and benefits

for Toronto-based Coca-Cola Beverages. "It's like picking up a newspaper and hitting the highlights."

Past experience told him standard announcements were not effective. With this, however, "the color stands out, the graphics stand out and the headlines stand out."

The theme of the newsletter was building for the future by investing in Coca-Cola stock. A pyramid of cases of Coke with a silhouette of a person carrying a case up the pyramid on the front of the newsletter symbolizes this building, Ms. McElroy said.

It is building for the future that Coke is hoping its employees will do under the revised plan. The newsletter announced three changes to the stock purchase plan reflecting the results of company



interviews with employees on what they considered shortcomings in their existing plan. These changes include:

- Immediate vesting for all company shares purchased instead of waiting four years.
- Tax deductibility for contributions.
- Opening the plan to all employees instead of waiting a year after starting with Coke.

In addition, the company continued its 50% matching contributions.

To emphasize these points, the newsletter prominently displayed them on the front while the next three pages provided more details in precise yet easy-to-read wording that boiled the intricate world of stock plans into understandable language. The designers stuck to the goal of keeping it short, with bullet-style points so people would read it "rather than throw it in a drawer and ignore it," Mr. Chiarelli said.

Another technique used to increase readership: mailing it to employees' homes. This not only prevented it from drowning in the sea of papers on employees' desks but allowed their family members to read about the new program and encourage participation, Mr. Chiarelli said.

And the Coca-Cola symbols plastered throughout were not there simply to take up space. Their purpose was to tell employees they can be owners of this company by signing up for the stock program. "Participation in the program was participation in the organization," Mr. Chiarelli said.

Another challenge facing the company was time. Although months were spent in focus groups of employees looking into ways to improve the program, Ms. McElroy and Mr. Chiarelli got only a month to complete the project.

"That's quite a turnaround," Mr. Chiarelli said. The deadline forced them to work nights and weekends to hone the look and text. Focus groups of employees also examined the design and provided feedback. "It involved a lot of participation among various ranks in the organization," Mr. Chiarelli said.

Initially the newsletter was to be the first part of the company's announcement of improvements to the employee stock purchase plan. After it was distributed, however, the company canceled the planned video presentation at its annual meeting because the newsletter had been so successful, Ms. McElroy said.

The proof is in the pudding—or in the bottle. For years, participation in Coke's stock plan hovered around 36%, Mr. Chiarelli said. Six months after the newsletter went out it stands at 52%. "To get that kind of jump in six months is really good," he said.

Not only are more employees participating, but they have more knowledge of the plan. Employee calls to human resources asking questions about the plan have dropped, and the toll-free number announced in the newsletter to answer questions and provide updated information has been well received.

"There's been an incredible response," Mr. Chiarelli said. **BI**

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# Pfizer Inc. chauffeurs employees on benefits enrollment autobahn

By ROBERT KAZEL

NEW YORK—If the benefits enrollment process has all the charm of a long, bumper-to-bumper traffic jam for many companies, Pfizer Inc. showed its employees how to merge into the express lanes and speed ahead.

The New York-based pharmaceutical manufacturer won Best of Show in the 1996 *Business Insurance* Employee Benefits Communication Awards competition for a newly revamped enrollment system that stressed simplicity and ease.

For the company's 16,000 U.S.



employees at 31 locations, improved enrollment procedures meant less effort in modifying or renewing their benefits menus, and more efficient communications tools meant employees understood what they were expected to do.

In some cases last year, Pfizer employers needed to do nothing at enrollment time. The company introduced new enrollment "shortcuts," the easiest of which was named automatic enrollment. Employees who wanted to take advantage of it could retain their existing medical, dental and long-term disability insurance, and certain other coverages, by

simply doing nothing, knowing their insurance would stay the same for 1996.

But employees who wanted to choose health care or dependent care for family or accidental death and dismemberment for spouses needed to use "express enrollment" by calling a telephone enrollment line and punching the correct button.

More extensive changes to benefits choices could still be done over the telephone, as in the past, though it took more time to enter various benefit selections.

"We look for ways to innovate, to streamline, to communicate with employees in the most flexible way possible. We tried to simplify things," said Elizabeth Borzomati, Pfizer benefits manager. She compared making the benefits communication process speedier and efficient with Pfizer making drugs easier to take: "The



simpler the process the better," she said, "like taking a drug once a day instead of three times a day."

For those employees not fully familiar with their benefits, such as new employees, Pfizer published a newly redesigned enrollment workbook spelling out the details of the medical and dental plans, health care and dependent care accounts, long-term disability, life insurance and accidental death and dismemberment insurance.

The language is clear and conversational, with numerous key terms defined in the margins in colored boxes. In addition, many charts are used to convey general numerical information about plan payment levels and benefit maximums.

Even though full of information, the book was significantly streamlined compared with past years, Ms. Borzomati said, because a single worksheet in the book's front pocket was personalized for each employee and summarized everything that worker needed to know about his or her coverage.

In previous years, it was much harder to read the guide because employees' individual data was actually collated and bound into the book proper, forcing workers to search through all its pages, she said. Now, those who wish to save time can read only the worksheet.

The book also contains the "1996 OptionFinder," an IBM-compatible computer diskette. The disk helps employees calculate their flexible benefit allowance, compare out-of-pocket costs under various medical and dental options, keep a tally of what's been spent in flex benefits, and estimate health care expenses and tax savings.

The workbook is straightforward in tone, neatly arranged with subject tabs, and is occasionally illustrated by nostalgic "retro" photographs reminiscent of the 1950s.

The photos, which also appeared on reminder cards placed on cafeteria tables and fliers and posters around work sites, generally were obtained at low cost from stock photo agencies but added a "hot look" to what otherwise might have been a colorless campaign, said Monica Jerussi, a principal of Fort Lee, N.J.-based Kwasha Lipton L.L.C. The consultant collaborated on the communications campaign and a series of employee focus groups in April 1995.

The guide, she said, became instantly popular with Pfizer employees.

"Employees hold on to this (the booklet) during the year," Ms. Jerussi said. "They refer to it. This is just a lot more user-friendly."

The numbers also point to a less congested benefits freeway. Kwasha Lipton reports that 40% of workers used the express or automatic enrollment methods last year, and that average enrollment time dipped from five minutes to about three minutes. In addition, calls to a company benefits hot line decreased despite the several important changes in enrollment procedures. **BI**

## Finally, politicians have done something to fix healthcare



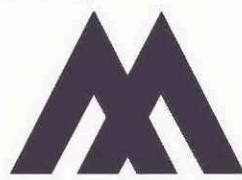
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## Capital One gets credit for brand-new program

FALLS CHURCH, Va.—An employer's benefits program may change slightly from year to year, but a wholesale rebirth of both company and benefits is unusual.

Rare also is a communications program that goes to great lengths to explain what's new about its benefits and encourage employees to rally behind the changes.

At Falls Church, Va.-based Capital One Finance Corp. nearly two years ago, the prospect of embarking on a new beginning in the benefits department was challenging. The company had spun off from Signet Bank and needed to come up with its own benefit program by January 1996.

"We wanted to show (workers) and establish a new, exciting identity for Capital One," said Dennis H. Liberson, senior vp for human resources. "We really started with a clean sheet of paper and said, 'What kind of benefits do we want to provide?' That's a rare opportunity in business."

Pursuing that opportunity led to an Award of Excellence in the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

The credit card giant's first step was to do focus groups in the spring of 1995, asking some of its 3,800 workers in 10 locations what they wanted in their upcoming benefits packages. With few exceptions, workers said they wanted more time off, a more flexible way to use that time, and more help in saving and investing their money, Mr. Liberson said.

When the company put together its new benefits program, a full-scale communications barrage was begun in October 1995.

This campaign was intended to in-

still enthusiasm about the new benefits and to show them their suggestions had been incorporated into the "AdvantageOne Plan," the new name for employee benefits program.

The new benefits were important to keep retention of current employees high and to attract new workers seeking good benefits, and a visible communications program was needed to publicize the many changes, Mr. Liberson said.

New benefits included three weeks of vacation for all full-time employees after a year of service, a faster vesting schedule for the employee savings plan, and an improved child care program.

Capital One sent out at least 15 separate pieces of employee benefits promotions between October 1995 and March 1996. These included postcards, posters, a videotape for use by employee groups, brochures, newsletters and a magnet listing important benefits telephone numbers.

Last May, all employees received a survey asking for further input on benefits.

The spiral-bound benefits guidebook distributed last year was easy-to-read, thumb-indexed and made generous use of summary boxes and simple worksheets. The posters and postcards were flashy and eye-catching.

"They wanted to create communication that grabbed people's attention quickly and didn't look like your standard benefits communication," said Kathy Collura, a communications consultant with Hewitt Associates L.L.C. in Atlanta who advised Capital One on its communication campaign.

—By Robert Kazel

## Ralston Purina top dog with retirement effort

By DEBORAH SHALOWITZ COWANS

ST. LOUIS—Retirement planning requires the perseverance of the Energizer bunny and is as critical for employees as Kitty Litter is for cats.

To help employees plan for their retirement, Ralston Purina Co., maker of Energizer batteries, pet foods and other consumer products,

about retirement planning. Also, Ralston Purina's employee stock ownership plan will expire at the end of 1998, and "at that time, we would anticipate there will be some changes to the (savings) plan," she added.

Ms. Hoffman said the plan's future design has not been determined yet.

Ralston Purina spent \$400,000 on the educational campaign. A lot of the cost stemmed from the workshops Price Waterhouse L.L.P. consultants conducted, Ms. Hoffman noted.

Ralston Purina has 8,561 employees in 43 locations.

The "Retirement Income Maximizer" campaign uses a mountain climbing theme in all the materials.

The theme enabled the company to teach employees that retirement is a four-step process requiring planning and the right tools, explained Mark Ward, a communications manager for Price Waterhouse in Chicago, which consulted with Ralston Purina on the campaign. The theme reminds employees they are "actually reaching toward a goal" and "climbing toward something," he said.

A personalized retirement income report was mailed last April to each employee's home.

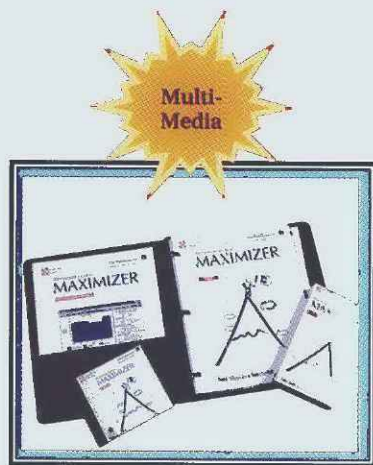
The eight-page bound booklet told each employee his or her savings plan balance and projected the worker's future Social Security income and pension plan balance under the company's defined benefit plan.

Each page of the booklet has at least two colors, and most pages feature either a chart or a graph incorporating more colors.

The workbook each employee received at the seminars was a three-ring binder with 54 pages, all using at least two colors.

The text contains numerous multi-colored graphs and charts, as well as sketches of mountains, climbing gear and climbers.

Chapter headings carry through the mountain climbing theme: Introduction: Scaling Down the Process; Step 1: Analyzing Your Situation; Step 2: Getting a Grip—Refining Your Assumptions; Step 3: Continu-



earlier this year undertook a major educational campaign.

Ralston Purina's "Retirement Income Maximizer" includes a personalized report for each employee, summarizing their current retirement savings and projecting future retirement benefits, a workbook on planning for retirement and financial modeling software.

To launch the campaign, Ralston Purina offered three-hour seminars conducted by consultants and loaned employees unable to attend a seminar a video on financial planning.

These efforts earned the St. Louis-based company a Best of Show award in the multimedia program category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

Judy Hoffman, manager of benefits planning and communication, noted that two employee surveys the company conducted last year "indicated a strong desire on the part of the employees for more information"

## Home Depot uses flashy tools to build interest in new 401(k) savings plan

ATLANTA—Humor, modern colors and bold design are the foundation of The Home Depot Inc.'s program to communicate to employees a new 401(k) savings plan called FutureBuilder.

Before this year, Home Depot's only retirement benefits were an employee stock ownership plan and an employee stock purchase plan.

Beginning April 1, however, the Atlanta-based retail home improvement chain began offering some 55,000 eligible employees a 401(k) savings plan with a 50% company match, up to 5% of annual pay. Employees have a choice of six investment funds, including a company stock fund.

To generate excitement for the new plan, Home Depot began holding meetings with employees in January and distributed a FutureBuilder highlights brochure.

The brochure, like all other printed materials in the program, uses pumpkin as its predominant color. Ileana Connally, director of benefits, explained that orange is Home Depot's traditional color; all stores are painted orange, store interiors

are decorated with orange, workers wear orange aprons and the logo is orange. Using pumpkin in the printed materials "gave us the opportunity to keep the tradition but change it so people saw something new," she added.

The printed materials incorporate other deep, modern colors, such as eggplant, forest green, gold, lavender, rust, raspberry and black.

In early February, Home Depot mailed a postcard announcing the plan to employees' homes. Two weeks later another postcard was distributed with workers' paychecks, and at the end of the month employees, received a savings plan enrollment kit during small group meetings.

The enrollment kit included an enrollment instruction sheet, a fund prospectus, a fund performance sheet, a personalized enrollment form and a savings estimator wheel that allows workers to calculate their short- and long-term savings based on different salary and savings levels.

Home Depot, which has 425 locations, also showed a humorous 14-

ing to Climb—Implementing Your Plan to Meet Your Goals; and Step 4: Checking Your Footing—Monitoring Your Investments.

The workbook is filled with practical advice on actually doing calculations.

It features a case study of a hypothetical married couple, Ralph Purina who works for Ralston Purina, and Rachel Purina who works for another company. Each chapter uses the Purinas' situation to illustrate the material.

Financial modeling software was distributed to employees upon request after the seminars. The software enables employees to use a personal computer to do the calculations and projections.

Ralston Purina also produced a video covering highlights of the seminar for new hires and employees unable to attend one of the retirement planning seminars. The 42-minute video also has a few lighthearted touches.

For example, the video begins with a black-and-white nightmare scene in which a straight-laced accountant-type tosses reams of paper into a pile as he talks to five employees about all the laws and regulations addressing retirement and savings plans.

Then a man, named Max, appears dressed in a dark suit, white shirt and red tie wearing a backpack. "You don't have to climb a mountain of paperwork" to do adequate retirement planning, he says, as the video switches to full color.

For the rest of the video Max stands a few inches tall next to the workbook on a table the five employees are sitting around. Max discusses the content of the workbook and answers occasional questions from the employees.

One section of the video contains a takeoff on the television program "Wheel of Fortune"; Max spins a wheel of investments to explain different investment categories. **B**

## Viacom units paramount in blockbuster benefits campaign

NEW YORK—Welcome to Viacom Inc.'s 1996 employee benefit communication revue, ladies and gentlemen. Our stars: MTV's Ren and Stimpy, Mr. Scott and Dr. "Bones" McCoy from "Star Trek," and Forrest Gump. And this year's extra special guest: Mighty Mouse.

If all this sounds like a bizarre and eclectic TV show rather than a campaign to inform 35,000 employees of their benefits, that is because Viacom itself is a collection of companies dedicated to churning out entertainment the way other companies produce soap or gaskets.

Viacom took an Award of Excellence in the total benefits program category in the 1996 *Business Insurance* Employee Benefits Communication Awards competition. The company's benefits guides, enrollment guides, brochures and investment kits all prove that benefit materials can, in fact, generate amusement instead of confusion.

At the time the benefits campaign was designed, Viacom was emerging as a bigger and more diverse company after its 1994 acquisitions of movie-maker Paramount Pictures Corp. and video rental giant Blockbuster Entertainment Group.

In addition, Viacom is comprised of five other business units: Viacom Corporate, Paramount Theme Parks, publisher Simon & Schuster, and cable companies MTV Networks and Showtime Networks.

Top administrators wanted to send the message that Viacom was a single corporation but still made of distinct parts, said Marguerite Heilman, vp-employee benefits.

Viacom undertook a fact-finding

campaign that culminated with the colorful printed materials but that began with discussions with hundreds of employees.

More than 100 workers from human resources were trained to go out into the employee population and hold informal meetings and gather ideas about benefits; more than 1,000 employee meetings were held during the course of the year, Ms. Heilman said. In addition, a multidivisional team of about 50 employees worked together to plan benefits implementation and help design the benefits guides.

To call attention to important changes in plan design, the benefits materials that emerged were filled with playful illustrations gleaned from the artistic treasuries of Viacom's constituent companies.

The cartoons and photos generally illustrated the text, whether they were a snapshot of the Addams Family symbolizing family health care, a toothy Lucille Ball and a giant toothbrush for dental plan features, or a photo montage of a caught fish and a passport denoting retirement.

The benefits campaign was especially important to Viacom because it was the first big communications project aimed at workers by the post-merger "new Viacom" said Cynthia Phon, an associate at benefit consulting firm Towers Perrin in New York, which managed the project.

The unorthodoxy of some of the materials did not interfere with the smoothness of the benefits enrollment process, she said, with virtually 100% of workers enrolling by telephone by the deadline.

—By Robert Kazel



# This hospital equipment for employees, not patients

By SALLY ROBERTS

INDIANAPOLIS—When Metropolitan Life Insurance Co. showcased its benefit information kiosk to its customer advisory board in 1991, Marty DuRall, team leader-human resources for Community Hospitals of Indianapolis immediately said, "This will be the communications tool of the future."



Community Hospitals soon became Met Life's first pilot project to implement the communication technology in its three hospital locations.

"We see it as a valuable mode of communications. However, we didn't know if our employees would use it or not," recalled Ms. DuRall. "Some adapted to it very quickly, whereas other are starting to adapt now."

Initially installed in November 1993, the three benefits information kiosks offer Community Hospitals' 5,000 employees a variety of benefits information in a private, convenient, comfortable atmosphere.

Each kiosk offers video conferencing technology that allows employees to talk face-to-face with a benefits expert who can explain benefit plans as well as answer questions.

It also "is open 24-hours a day, seven days a week, giving employees much better access" to their benefits and retirement information, Ms. DuRall said.

Hospital employees can access the kiosk in a location easily accessible to them at their convenience and obtain information about Met Life's tax-sheltered annuities, its automobile and homeowners policies and its universal life product, for example, Ms. DuRall said. Community Hospitals also offer employees personalized benefit information, benefit statements, retirement estimates, job transfer information and employee opinion surveys.

The hospital currently is installing a job posting application offering employees' access to positions open internally, Ms. DuRall added.

"We're real excited about all the potential applications" on the kiosk, she said. It can offer everything from corporate videos to employee e-mail to selling products and services, she said.

Community Hospitals' Benefits Information Center won Best of Show for high technology communication in the special project category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

Now in its third year of testing at Community Hospitals, Ms. DuRall is faced with deciding if the hospitals will buy the kiosks.

"Right now, other vendors are not delivering their products on the kiosk" because it is a pilot project between Met Life and the hospital, Ms. DuRall said. "If we're really going to push this as the major mode of communicating benefits, we need to push other vendors on to the kiosk."

"We're discussing the pros, cons and cost" and will make a decision by the end of October, she said.

"I believe we will go forward, but I can't say it affirmatively," she said. "We've received very positive feedback from employees."

The cost of the kiosks, for which Met Life received a government patent, have come down considerably, said Jim Valentino, senior corporate marketing for Met Life, who is working with Community Hospitals on the pilot project. In 1993 when the kiosks were first integrated, they cost up to \$60,000 each, he said. The cost is down to about \$20,000 today.

Each employer must decide whether

to share this cost with its employees.

While Met Life has yet to roll out the kiosks on a nationwide basis, the pilot project at Community Hospitals is allowing the insurer to understand and learn all the issues that accompany this kind of technology.

For example, it was not only critical to learn how the technology works, but what it takes to make employees use the kiosk, what design is most advantageous what product information to provide and how to set up the customer service back office, Mr. Valentino explained.

To implement the kiosk effectively, it requires the convergence of such departments and issues as product information, legal, technology, licensing, advertising and marketing, he said. "It's critical that employees find out what they need when they want it, not when the employer wants to communicate it," Mr. Valentino said.

Technology today enables employers to communicate benefits at the convenience and control of the employee, he said.

As important is the need to access a knowledgeable person to discuss ben-




efit questions. That is where video conferencing technology within Met Life's kiosk comes into play.

Not only do employees and benefit professionals see and talk to each other through the kiosk, they are both looking at the same information on the screen, added Terry Malone, project leader at Met Life.

*Continued on next page*

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# Calendar serves chefs monthly health tips

By SALLY ROBERTS

ARLINGTON, Texas—To communicate basic information to airline chefs about how to stay healthy, LSG/SKY Chefs cooked up a visual feast.

The main course was a "HealthSmart Calendar," which features 12 months of information and tips on health and wellness. The wall calendar is illustrated with a handful of black and white photographs depicting the 1950s, because that era evokes family

values and traditions. The months also feature colorful backgrounds portraying modern times, in which improved technology allows people to take care of themselves and families better than ever before.

The communication effort, which cost the airline caterer a total of \$47,000, was carefully prepared by benefit and communication specialists.

LSG/SKY Chefs' 11,000-person workforce is made up of mostly non-English-speaking airline chefs with an average sixth-grade

education.

Because of this, "we needed a very visual" communication piece that relied heavily on graphics and photos, not words, to send a message, said Cheryl Flynn, vp-compensation and benefits for Arlington, Texas-based LSG/SKY Chefs.

Indeed, a calendar, rather than a brochure or payroll stuffer, is a more effective way to communicate and promote a healthy lifestyle to LSG/SKY Chefs' workforce, according to Laurie

Korinek, a principal with PartnerSource Inc. who assisted LSG/SKY Chefs with the project.

While the employees need wellness communication, "they don't read much," Ms. Korinek said. With an attractive calendar, however, it is more likely they will read the information because they "can hang the calendar up month after month and have the entire month to read it."

LSG/SKY Chefs' calendar won a Best of Show award for print communication in the special project category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.



In addition to "literacy issues," LSG/SKY Chefs also has a very culturally diverse workforce, noted Doris Taylor, corporate manager of health promotion and wellness for LSG/SKY Chefs.

"We tried to break down the literacy level by making sure we related the words to the pictures," she said. And to recognize the company's cultural diversity, each of the 1950s black and white photos used in the calendar represents a variety of age groups and cultural backgrounds.

For instance, February was "Heart Health Month" and features a black and white photo of a nurse and doctor listening to the heartbeat of a baby while the baby's mother looks on. Each of the characters is black, and the picture is surrounded by a bright red background with drawn hearts.

Complementing the picture and graphics, the calendar page not only shows important dates during the month, but also gives employees reminders to see their primary care doctors for regular checkups, to get their blood pressure and cholesterol checked, and for warning signs to recognize if a heart problem exists.

Getting cholesterol checked may seem obvious, "but it is not so obvious for someone that just came over from the Philippines," Ms. Korinek said.

In July, the calendar reminded employees of LSG/SKY Chefs' employee assistance program. The black and white photo depicts a white homemaker with an exasperated look on her face while ironing. "Overwhelmed?" it asks. "Call the EAP."

The page then tells employees about their EAP benefits and gives the toll-free number for them to call.

"We had lots of fun rejecting pictures and trying to find pictures with various cultures and age groups," Ms. Taylor said.

Ms. Flynn said that with each new monthly theme, the company also sends out additional promotional material to help highlight

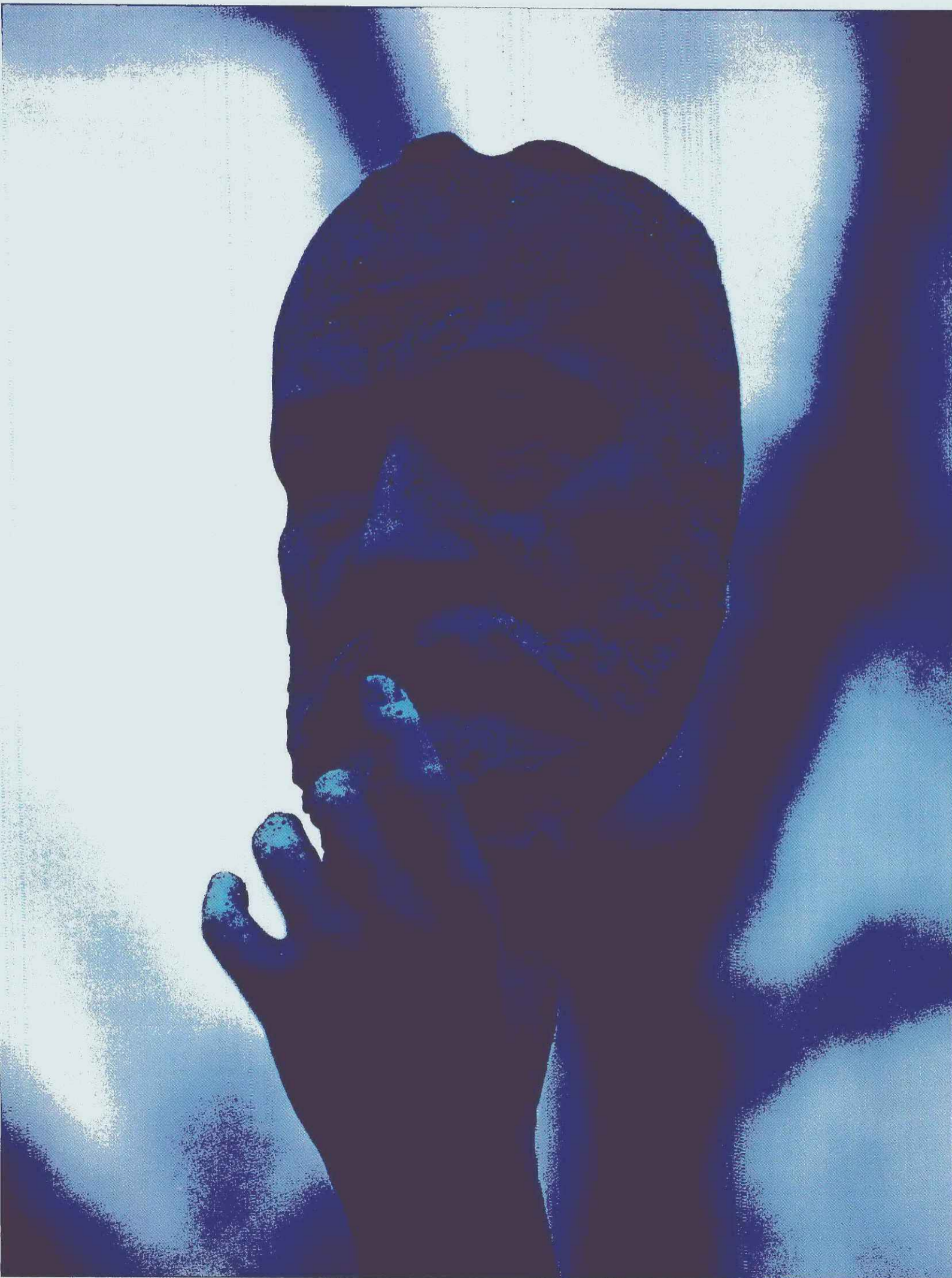
See Chefs on next page

Continued from previous page

Video conferencing also is beneficial because "the expert can see if an employee is perplexed," Mr. Valentino said. The expert can print out the information for the employee and tell him or her to go home, think it over and meet back at the kiosk the next day at a specific time, for example.

The kiosk also allows employees to bring spouses in to decide on a benefit or retirement plan, Ms. Malone added.

The kiosks do not replace phones and paper, Mr. Valentino said. "It works in conjunction with them" and allows employees to stay in control of their benefits information. **BI**



# Chefs

Continued from previous page  
the month's theme.

The company wants to get across that "health care is an important issue to us, to them and to their families," she said.

The 1996 calendar—the second one LSG/SKY Chefs has produced—is based on last year's calendar, and a similar 1997 calendar is now in production.

"We will continue to take the wellness approach," Ms. Taylor said of the 1997 calendar's theme.

However, after reviewing information from employees' health risk appraisals, "we found out employees are not engaging in exercise at the rate they need to. There also are nutritional issues," she said. "So the theme will be aligned toward those issues."

In addition, "we'd like the calendar

to become more interactive," Ms. Taylor said.

One suggestion being considered is attaching coupons to the calendar that may, for example, be used to offset an employee's co-payment on a visit to his or her primary care physician for a physical, Ms. Flynn said.

Focus groups at LSG/SKY Chefs revealed the calendar has been a success: Ninety percent of the employees who received the calendar put it up; 80% read the content; and 50% made a lifestyle change after reading it. **BI**

Employee  
Benefits  
Communication  
Awards

# Software company provides workforce 401(k) information over intranet

PLEASANTON, Calif.—With a mostly remote workforce that is growing by an average of 125 employees a month, PeopleSoft Inc. turned to cyberspace to address its benefits communication needs.

Starting last May, employees of the Pleasanton, Calif.-based software manufacturer began accessing 401(k) plan information via a home page on the company's intranet, PeopleSoft's internal computer network.

Beginning next year, employees also will be enrolling in the company's benefits program over a new benefit intranet application, said Wendy Mitchell, PeopleSoft's benefit manager.

"A majority of our workforce travels, so it's hard to hold employee meetings," Ms. Mitchell said. And with an expanding workforce—currently about 1,200—it is difficult to educate all the new employees every month.

But with the new intranet site, employees can go online any time, any day, and access quarterly statements, investment fund information and 401(k) plan summaries.

Employees also can estimate how much they are saving in taxes by contributing to the 401(k) plan and perform other modeling features.

Employees now are accessing "more in-depth information about their 401(k) plan than we can give

them in person," added Holly Schafer, PeopleSoft's human resource information systems manager.

The online site and interactive statement system, which cost PeopleSoft \$30,000, do not replace PeopleSoft's existing interactive voice response system, though.

In fact, any 401(k) fund transactions or rollovers have to be made on the voice response system. The intranet site does not currently have that capability, but it could be added in the future.

PeopleSoft's 401(k) site and interactive statements won an Award of Excellence for innovative communication in the special project category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

Special  
Projects  
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Comm.



The whole approach behind the online site is "push and pull" communications, said Kathleen A. Collins, senior consultant and head of the communications group at Coopers & Lybrand L.L.P. in San Francisco. She assisted PeopleSoft in the project.

PeopleSoft "pushes" the interactive quarterly 401(k) statements to employees, and from those employees can "pull" additional information off the online site.

The quarterly statements "capture an employee's interest," Ms. Collins said.

By using pie charts and other graphics in the statements, employees more easily can understand their personal fund choices. And with the hypertext links included at the bottom of the statement, employees can easily access more information on the company's intranet that will answer any questions triggered by the statement.

The new site also is saving PeopleSoft money and helping it achieve its goal of working in a paperless environment.

With the new intranet benefits page under development, for example, all provider information is stored on the site, eliminating the need to supply employees with provider directories.

"Provider directories cost \$30,000" to produce, Ms. Schafer said. "I can't imagine the money we're saving" by storing that information on the benefits page, she said.

The online sites also contribute to PeopleSoft's goal of becoming paperless.

When employees go to enroll in their benefits program in January, for example, their information will be downloaded directly into the department's database, "so no paper ever exchanges hands," Ms. Mitchell said.

—By Sally Roberts

## The Best of 1996

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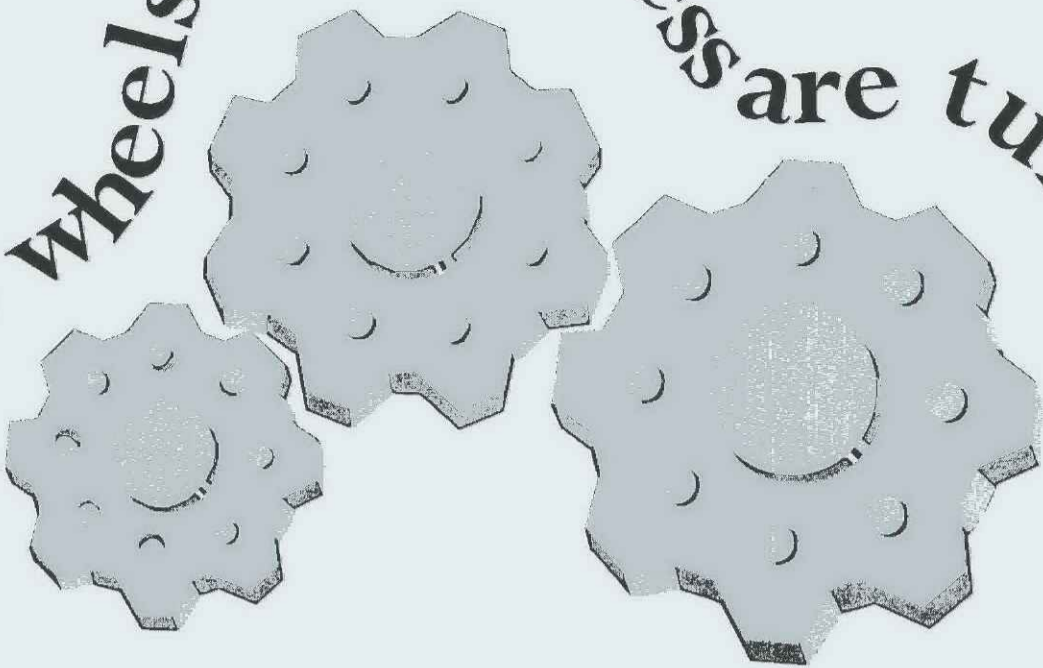
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- #1 Lowest Cost Of Drugs
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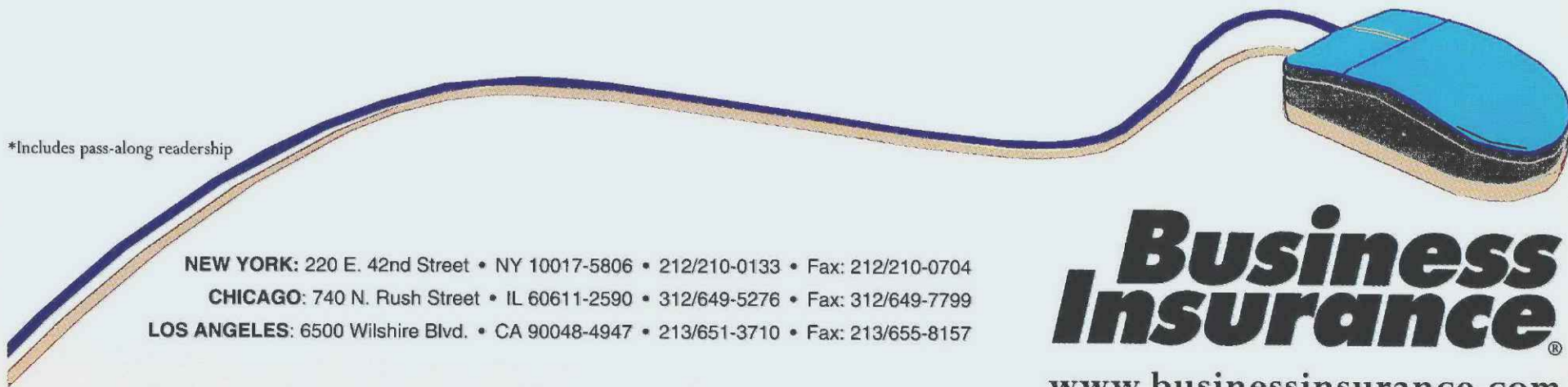
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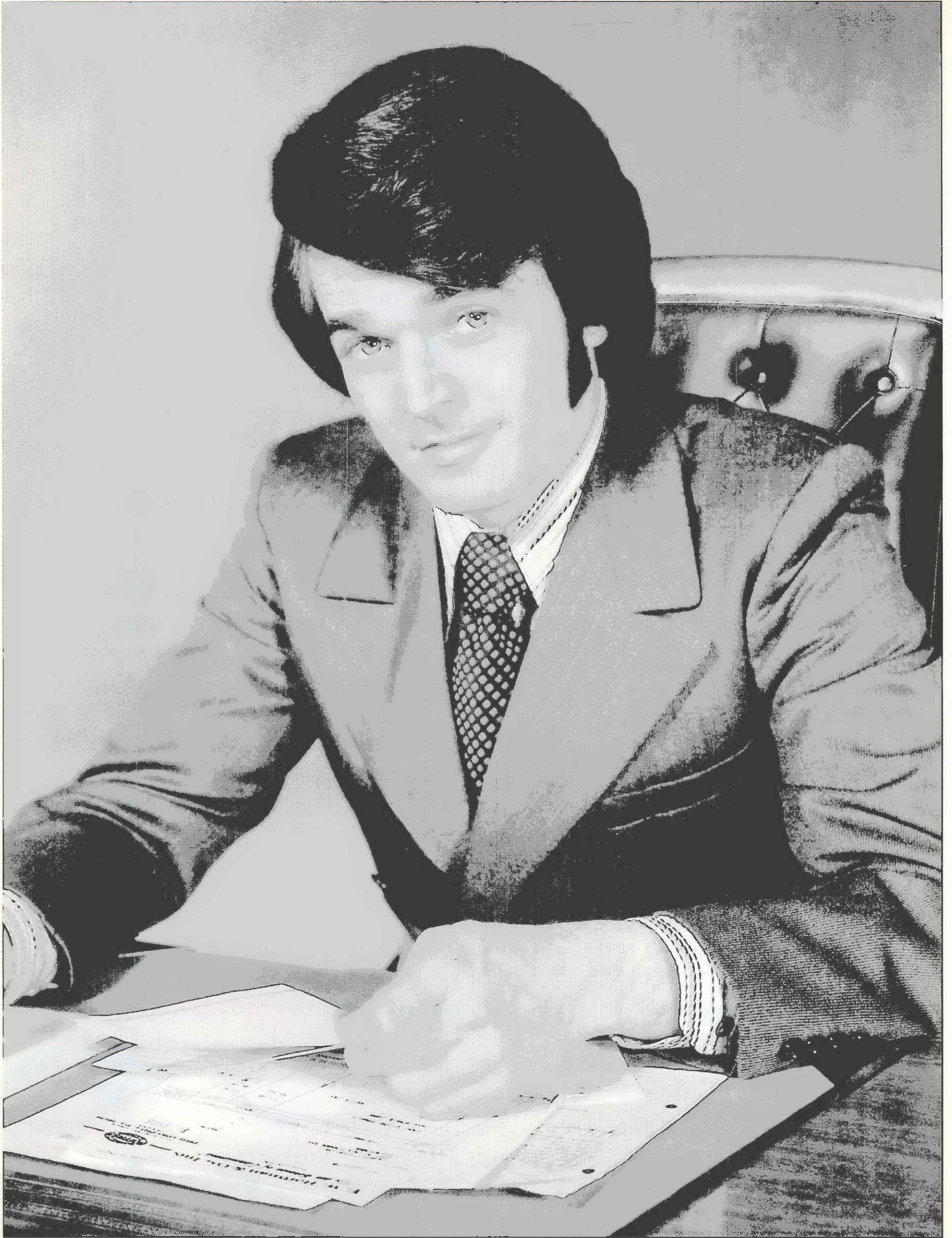
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**\$100,000,000**  
Senior Revolving Credit Facility  
for General Corporate Purposes,  
Including Commission Financing  
*for*  
Western National Corporation  
*The undersigned agent, structured  
and arranged this facility.*  
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**FIRST  
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Senior Secured Credit Facilities  
for the Acquisition of CCP Insurance, Inc.  
and General Corporate Purposes  
*by*  
Conseco, Inc.  
*The undersigned acted as documentation  
agent for this transaction.*  
First Union Capital Markets Corp.

**FIRST  
UNION**

**\$1,000,000,000**  
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to pay loss claims in the event of  
a windstorm  
*for*  
The Florida Windstorm  
Underwriting Association  
*The undersigned acted as a  
Co-Arranger for this transaction.*  
First Union Capital Markets Corp.

**FIRST  
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**\$25,000,000**  
Interest Rate Cap  
*for*  
The Liberty Corporation  
*The undersigned originated and  
structured this transaction.*  
First Union National Bank  
of North Carolina

**FIRST  
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**\$10,000,000**  
Equity Commitment  
*for*  
a Life, Accident and Health  
Acquisition Partnership  
*by*  
Knightsbridge Capital Fund I, L.P.  
*The undersigned participated  
in this transaction.*  
First Union Corporation

**FIRST  
UNION**

# Health plan booklet takes off for Boeing

By **RODD ZOLKOS**

SEATTLE—Though savings was much on their minds in encouraging employees to move to managed care, officials of The Boeing Co. also wanted to ensure those employees understood the new options and saw them as quality alternatives.

Single  
Subject  
Booklet



By spelling out the various options in an easy-to-use enrollment kit—including plan comparisons set out in chart form—Boeing succeeded in all those goals and earned a Best of Show award in the single subject booklet category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

According to Lyn Siep, manager of employee benefit communications for Seattle-based Boeing, before the most recent health plan enrollment, about 85% of Boeing workers participated in a traditional medical plan.

"That plan was very costly" for the company, Ms. Siep said. "The cost had jumped about 250% in eight years."

"Boeing wanted to move some of that 85% into more cost-effective plans," she said. "Of course, the challenge that we faced was that the workers were very happy with that very rich plan."

"One of the things I think Boeing did want to accomplish was to shift the population to managed care," said Shirley Robertson, a managing consultant with A. Foster Higgins & Co. Inc. in Seattle who worked with Boeing on the health plan enrollment package. "But they wanted to make sure their employees and their families were very well-informed of what that entailed."

The enrollment package was intended to be "very friendly, very informative and very educational," Ms. Robertson said, to assure people "that the program they were getting was a good program, that it wasn't a take-away but that there were choices to be made."

As part of that effort, the package explains the basics of the managed care program and includes a decision planner that gives employees a vehicle for examining what may be key health care considerations in their lives and how the "Coordinated Care," as Boeing refers to the managed care option, would apply to those considerations.

"The idea was to show people that this was a way to have community-based, integrated health care and show them the advantages of that kind of care," Ms. Robertson said. At the same time, the package was meant to make them aware that if they wanted a system that provided maximum

choice, they could still have the indemnity plan.

Another factor in developing the package is that the Boeing health plan population, which includes about 121,000 employees and retirees across the United States and overseas, "is pretty well varied," with both large numbers of hourly assembly workers and large numbers of engineers.

Consequently, the package had to be designed to accommodate both those who wanted just the most essential information provided in the most straightforward fashion possible, and those who really wanted to be able to research various details of the health plan options.

"That's where the chart that really compared the plans came in," Ms. Robertson said.

While the overall package seems large, "It was designed for everyone from people who wanted to spend five minutes with it and knew exactly what they wanted to do to people who wanted to spread it out on their dining room table and check out the various options with their spouse," said Ms. Siep.

Every information package includes a provider directory. In assembling that directory, Boeing sought to present the information provided by the various networks in as consistent a format as possible.

The company also made the directory available on the World Wide Web in a fashion that allows a plan participant to look for a particular doctor and see the various plans that include that doctor.

Elements within the enrollment kits varied with the employee's job classification and location. The result was 34 different enrollment kits using various combinations of 77 different communications pieces.

Boeing also offered employees a financial incentive to make the switch to a managed care plan. The company provided a taxable \$600 cash incentive if they changed plans this year, and will provide \$400 in 1997 if they stay with the plan and \$200 in 1998 for workers that remain in the managed care program.

Ms. Siep said Boeing has heard from many other companies interested in that approach.

The \$3 million effort also marked the first time Boeing asked all its plan participants to re-enroll in the health plan, even those opting to remain in the traditional medical and dental plans. "So of course a major goal was getting everybody to do it," Ms. Robertson said.

Employees could enroll either by phone or in writing, and in fact 95% of the plan participants enrolled through the telephone system. "We just wanted them to enroll, but since we went to the trouble of creating a telephone enrollment program, we wanted people to use it," the consultant said.

Ms. Siep said the results of the enrollment package far exceeded what the company might have anticipated.

"We were overwhelmed by the success," she said. "Slightly more than 50% of the employee population chose one of the new plans. We had no idea what to expect, but we were overwhelmed with the result." **B**

Employee  
Benefits  
Communication  
Awards

## AT&T connects with health reference book

BASKING RIDGE, N.J.—When Basking Ridge, N.J.-based AT&T sought to create a new health plan reference book, the goals were to create something that would be clear, informative and usable.

By providing information both in narrative fashion and charts, assembling it in tabbed sections and presenting all the information in a "layered" fashion, the company's 66-page volume accomplishes that goal.

In fact, the booklet, an Award of Excellence winner in the single-subject booklet category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition, gives valuable information before readers open it.

A banner wrapped around the

booklet provides a quick overview of any basic plan changes in the program covering AT&T's Communications Workers of America and International Brotherhood of Electrical Workers employees at 42 point-of-service network sites nationwide.

In addition to presenting coverage descriptions in a clear format with an emphasis on plain English rather than "benefit-ese," the booklet's "layering" approach makes that information easily accessible.

"AT&T has a very large union population, and that's what the book really was for," said Donna Jones, manager of health and insurance in AT&T's corporate benefits office in Morristown, N.J. "It was to further educate our occupational employees on managed care."

It's structured so that a reader can get as deeply into a subject as desired—obtaining a quick answer to a specific question, reading the stand-alone section on the larger topic or reading the entire booklet.

"Not everybody reads a reference book from cover to cover," Ms. Jones said.

Brief explanations at the beginning of each section present a quick overview of critical concepts in the section, while charts, lists and highlighted blocks of information present key facts in a variety of ways.

In developing the new books, AT&T worked with its insurers in an effort

to make employees feel as though they'd been prepared by a health insurance company rather than a telecommunications giant.

"We're trying to make our educational materials look and feel like they're coming from the insurance company rather than AT&T," Ms. Jones said.

At the same time, AT&T had been collecting specific information on areas of the health plan that workers were struggling with, so company officials felt strongly about being closely involved in producing the initial round of books to ensure those problem areas were adequately addressed.

"For the future now the insurance companies will take over that process," Ms. Jones said.

The company also worked closely with employee unions' delegates on the book's design, "so they really felt it was part their book."

New York-based ASA Communications Inc. assisted AT&T in developing the booklet.

Alan Turetz, an executive vp at ASA, suggested that the reference books' layered structure was driven by their purpose.

"Employees use this as a reference document," he said. "You typically don't sit down to read these unless you need medical care. So you want to have detailed information and you want it to be user-friendly."

—By Rodd Zolkos

## Investment education pays off for Tribune Co.

CHICAGO—On one level, Tribune Co.'s goal for its "Planning for the Future" investor education effort was increasing participation in the company's voluntary savings incentive plan.

In a broader sense, though, the company hoped to simply make its employees better investors.

"Our goal was really to increase participation but also to educate people on financial matters," said Sheryl B. Favia, director of compensation, benefits and human resources information systems at Chicago-based Tribune Co. "With the changing of the (Department of Labor) position on investor education we really thought it was a time to go and educate our people on investment instruments."

In addition to voluntary employee meetings to discuss investing and the savings plan, Tribune Co. prepared an educational kit that included an explanation of the importance of savings and basic investment concepts, definitions of investment terms and an explanation of the Tribune savings incentive program.

The package, an Award of Excellence winner in the single-subject booklet category of the 1996 *Business*

*Insurance* Employee Benefits Communication Awards competition, also included a "Five Step Investment Program" that features a "risk quiz" that allows a participant to measure his or her risk tolerance to help shape investment strategy.

And a "2-Minute Retirement Savings Planner" contained in the package illustrated just how employees' savings could grow over time.

"Adult education theory shows if you have the people whose behavior you're trying to modify actually participate—not just reading a book—they're more likely to learn," said Shellie Unger, a principal with The Vanguard Group in Malvern, Pa., who worked with Tribune Co. on the project.

"We felt that the only way to really accomplish this was to really get out there in people's faces with very user-friendly materials," Ms. Favia said.

With employees at 30 locations across the country in operations including not just newspapers but broadcasting, entertainment, book publishing and education, Tribune Co. has a varied culture among its 9,000 employees. But Ms. Favia said

she thinks the investor education package hit the right level.

"There was something in it for everybody in terms of a starting point for developing their own personal portfolio. Even if they're not in the plan, we hope people will use it," she said.

On the basis of savings plan participation, "Planning for the Future," which cost \$150,000 including consulting fees, production, distribution and mailing costs, clearly succeeded. Prior to the communication effort, the plan had "pretty low participation," Ms. Favia said, of about 60% of eligible employees.

As of July 1 that participation rate had grown to 68% of the 7,300-plus eligible Tribune employees, and Ms. Favia said she expects that growth to continue.

And she said there are also signs that the program succeeded in its goal of educating employees on investments. "We felt that it really helped people understand risk," she said. It also helped Tribune Co. employees understand that "being too conservative could be risky."

—By Rodd Zolkos

## Untested talent benefits Oracle

By **JOANNE WOJCIK**

REDWOOD CITY, Calif.—More than 100 stars were born when Oracle Systems Corp. held auditions for its employee benefits video.

In fact, the talent was so great that all the Oracle employees who responded to the casting call got starring roles in the production of "Play a Part in Your Benefits."

"We thought, 'How are we going to get employees excited about something like benefits?'" recounted Aldy Duffield, benefits manager of the database software development company.

The film was made to educate Oracle's 6,000 employees about changes made to ORACLEflex, the company's flexible benefits plan.

"But we had a limited budget and didn't want to spend it on professional

actors. So this was a great way to entice employees to participate," Ms. Duffield explained.

Audio  
Visual



Oracle spent just \$55,000 on the project, which won Best of Show in the audio-visual category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

Since then, the video has also won a "Cindy," or Cinema-in-Industry award, in the San Diego Assn. of Visual Communicators competition, according to Bill Zabit, president of Zabit & Associates Inc. of Sausalito, Calif. Oracle hired Zabit & Associates, an employee benefit communications consulting firm, to produce the project.

Oracle's benefits department advertised its "casting call" in fall 1995 with posters and fliers strategically placed throughout the company's Redwood City, Calif., headquarters. Those who auditioned were promised free T-

See Oracle on next page

# Oracle

Continued from previous page shirts and the opportunity to win prizes.

The response was overwhelming. "Over 100 employees took the time to do it," said Ms. Duffield.

And some employees were so inspired by the opportunity to become "stars" that they lent their own creativity to the project.

For example, Programmer David Des Roches wrote and performed a song about the exploits of Oracle Chief Executive Officer Larry Ellison to the tune of Jim Croce's "Bad, Bad, Leroy Brown."

Siddhartha Agarwal, a tech support consultant, never broke character while in the role of "401(k) man" despite the director's continuous assertion during the filming that his audition was to be last.

"That's the problem," he said. "Everyone always puts off thinking about retirement."

"He really took his role to heart," said Ms. Duffield.

After Mr. Des Roches' piano performance, the video cuts to a disclaimer: "Over 100 Oracle employees participated in the making of this video. Nothing like this has ever been attempted before... Now we know why."

The next scene opens with two di-

rectors discussing how they will creatively tell the Oracle benefits story without any real "talent."

They lament: "It's not happy, it's not sad, it's..."

"It's employee benefits, and it's a story that has to be told," interjects Oracle Benefits Director Elizabeth Grover in a deadpan voice.

The video then takes the viewer backstage.

As one director asks the other "Who's up next?" the camera closes in on groups of employee-actors wearing minimalist costumes of masks and printed T-shirts.

The 16-minute program is consistently lively and moves with the fast pace of a rock video.

"I represent group legal," says one actress wearing a rubber shark nose to a puzzled director.

"Don't you get it?" a group of actors responds.

Lugubrious music introduces the actor portraying "Accidental Death and Dismemberment" who is appropriately attired in black.

A couple of giggling piglets describe the companies' flexible spending accounts like Tweedledum and Tweedledee.

Throughout the video, characters encouraged viewers to "Read the Book"—referring to the company's employee benefits manual—in a manner reminiscent of the government advertisements for its free "Consumer



Information Catalog" from Pueblo, Colo., on television several years ago.

"The challenge was in the scripting," explained Mr. Zabit. "We wanted everybody who came to the audition to be in the film."

In addition to Oracle's local "talent," 12 Zabit & Associates employees, led by Creative Assistant Jennifer Kramer, worked on the film.

At the screening in May 1996, awards were handed out to best actor, actress and so on, with the top prizes including a video camera and an all-expenses-paid trip to "Hollywood"—of course.

"You really felt like you were a movie star with makeup and costume," said Ms. Duffield, who herself played one of the "rapping" doctors in the video.

"I was the EPO rapper," she said, referring to the scene in which employees dressed as doctors explain the difference between the various health plan options using a "rap" written by Mr. Zabit. **BI**

## Video drives home strategies for solid investments

WASHINGTON—The purchase of GEICO Automobile Insurance Co. by Berkshire Hathaway put employees of the Washington-based insurer at a financial crossroads.

Because the merger made it necessary to terminate GEICO's employee stock ownership plan, employees had to decide what to do with their shares: transfer them into a new savings plan, roll them into an individual retirement account or cash out.

In an effort to encourage employees to keep this perceived "windfall" in the company retirement plan, GEICO and its investment plan manager, The Vanguard Group in Malvern, Pa., produced an informational video introducing a new lineup of 13 investment options. The video and written materials were provided as part of Vanguard's management service to GEICO.

Punctuated with comical black-and-white film clips from silent movies, "Road to Riches" uses the automobile road trip as a metaphor to explain the various investment "routes" and their risks.

The video, which begins with a personal message from GEICO Chairman Olza "Tony" Nicely, also uses colorful charts and illustrations to explain asset allocation and describe the five steps to wise investing, encouraging employees to diversify their holdings.

"We had a few different concepts to work with, and the 'Road to Riches' was chosen because the audience was mostly field reps adjusting auto insurance claims," explained Sheila Flood, GEICO's senior benefits analyst.

The video was shown to GEICO's 6,000 employees at eight locations,

and individual copies were sent to field representatives who did not report to company offices.

The video, which won the Award of Excellence in the 1996 *Business Insurance* Employee Benefits Communication Awards competition, effectively captured audience interest and heightened investment awareness, Ms. Flood said.

"It's doing the job it was created to do," said Jean Hughes, the producer at The Vanguard Group.

However, more GEICO employees withdrew their funds from the plan than had been hoped. But when the employees making withdrawals were surveyed informally about their reasoning, most said they were doing it for understandable economic reasons, such as the purchase of a home.

"For a lot of them, this was the first time they had enough cash available for a down payment," Ms. Hughes explained.

While the withdrawal rate was higher than expected, more employees have decided to participate by making tax-deferred contributions to the plan, Ms. Flood pointed out.

"Participation is inching up from the low to mid-70% to the high 70%," she said.

In addition, asset allocation shifted, with more employees investing in stocks and mutual funds than in fixed interest instruments, she added.

Vanguard produced the video for GEICO as part of its retirement plan management service. The project used stock footage and local voice-over talent and came in just under its \$15,000 budget, according to Ms. Hughes.

—By Joanne Wojcik

## Appliance maker's statement solid

By ROBERTO CENICEROS

CLEVELAND—Attracting and keeping qualified employees, especially ones willing to relocate abroad, can be a challenging task.

So White Consolidated Industries Inc. spruced up its image by creating materials to make employees and potential hires more aware of the company's benefit offerings, said Richard Chesnik, vp of benefits and employment law for the Cleveland-based company. WCI's business units manu-

pendence, Ohio, who helped WCI develop its benefits information materials.

"From a content point of view we tried to use straightforward dialogue and no confusing tables or formulas in communicating the information," Mr. Evans said.

WCI's total compensation report contains employer and employee contribution information on pensions, workers compensation and disability, life and health insurance, tuition reimbursement, the employee assistance program, employee rebates for the purchase of company products and more.

"This is part of a total compensation communications campaign," said Hewitt's Mr. Evans. "The overall look ties together other pieces (employees) have received, again with simplicity being what we have been striving for."

WCI first embarked on becoming "an employer of choice" in 1993 when upper management changes occurred, Mr. Chesnik said. The company first created a new summary plan description that was presented to workers in a binder. Additionally, WCI distributed separate consumer guides explaining how employees can use their benefits to meet specific needs.

"And the third piece of it was to communicate the value of the benefits to employees, and that is what the personalized communication piece intended to do," Mr. Chesnik explained. "It was to show the employees how much the company actually spent on each one of those benefits. They didn't have any clue we were spending that much money on their benefits."

The company also is following up with a separate pension statement and semi-monthly newsletters on benefit topics such as 401(k) investing.

"It's really a whole coordinated effort to get (employees) to have a common identity in the United States," Mr. Chesnik said. In the past, WCI units individually distributed benefit information, and many employees know the name of the business unit they work for, but not WCI's name or influence.

Now WCI's communications pieces reveal that the benefits are provided by WCI. Yet that message is kept brief

so it does not interfere with the main goal of establishing how much those offerings contribute to total compensation, Mr. Evans said.

The overall goal has been to make the company more attractive so it can meet its human resource needs, Mr. Chesnik said. Besides staffing its own facilities, WCI also helps its parent company, Stockholm, Sweden-based AB Electrolux, recruit workers for its international operations.

"We get those mandates all the time," Mr. Chesnik said. "If we buy a business in Brazil or (AB Electrolux does), then they say, 'Hey, can you find someone to help us run it.' So we have to have a much bigger presence in the United States. That is one of the reasons we are taking this direction."

"If you go to some business school and you are trying to get someone who is willing to relocate to Asia the competition for them is really tough," he said.

WCI spent \$62,000 to develop and create the total personal compensation reports sent to employees, Mr. Chesnik said. But much of that included one-time costs. He expects similar statements sent out in the future will cost about \$10,000.

WCI's employees approve of the report format. Attached to it is a postcard-sized questionnaire mailed back by 8% of employees who received the compensation statement, Mr. Chesnik said.

Nearly 100% of those respondents said the report was easy or very easy to read. Nearly 90% thought it provided enough information with many of the other 10% stating they needed more information about their pensions. But Mr. Chesnik notes that additional pension information is contained in a followup communication project.

Additionally, while 74% of respondents said they considered their benefits extremely valuable before reading the statement, 86% found them extremely valuable after reading it, Mr. Chesnik said.

Mr. Chesnik said it took about two months to gather all the information necessary for the compensation report, because much of the individual employee data was stored on different computers at various units. **BI**



facture consumer goods under the brand names Frigidaire, Tappan, Westinghouse, Eureka, Weed Eater and others.

In the process of improving the available information about its offerings, WCI won Best of Show in the personalized correspondence category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition. The award was for the company's first total compensation report, printed on crisp, white paper with green-and-blue print and a title of "Adding It All Up."

A simple pie chart on the cover of WCI's foldout report shows that in 1995, the company paid employees nearly \$614.4 million while providing another \$177 million in benefits.

The personal compensation report was mailed to 4,500 non-union, salaried employees working at 36 locations.

The beauty of the compensation report is in its simplicity, said Matt Evans, a Hewitt Associates L.L.C. communication consultant in Inde-

## Statement shows off employees who do more than look good

LAS VEGAS—Most film buffs would recognize the sepia-tone photograph adorning the cover of a personalized compensation report given to MGM Grand Hotel Inc. employees.

It's a photograph of John and Lionel Barrymore along with Joan Crawford on the set from the 1932 movie classic "Grand Hotel."

But what about the Hollywood-type glamour shots throughout the rest of the four-page benefit statement? Could the two hunks leaning back-to-back be from some television rescue show? What about the "Celebrity Perks" page with the photo of two women gazing into camera lights as they lean close to some guy with leading-man looks? Are they stars from some stage production?

Nope. MGM Grand Hotel employees in Las Vegas know the photo subjects as co-workers. Or, in the hotel's parlance they are "cast members" who distinguished themselves at work and in the community.

The two hunks are from the hotel's property maintenance department. They helped construct an MGM Grand entry into a "snowbox" derby contest to raise money for a YMCA. The leading man-type is a hotel supervisor who learned sign language and Spanish to better communicate with employees. The two women leaning in close are among stewards who together wash 15,000 plates a day.

The goal was to create a report that reinforces the idea that MGM Grand's employees are its star performers, said Lynn Holt, MGM's manager of communications and co-creator of the statement.

Additionally, the report motif fits with the early, glamour days of Holly-

wood theme the hotel has been converting to after shedding a Wizard of Oz theme.

"This has an elegant look, which is what the company is trying to do with the property itself," Mr. Holt said.

Mr. Holt created the statement along with Cynthia Kiser Murphey, senior vp of human resources. They didn't use an outside benefits consulting firm. Creating and printing the total compensation report cost \$9,300. It was mailed to about 7,200 employees.

The statement received an Award of Excellence in the personalized correspondence category of the 1996 *Business Insurance* Employee Benefits Communication Awards competition.

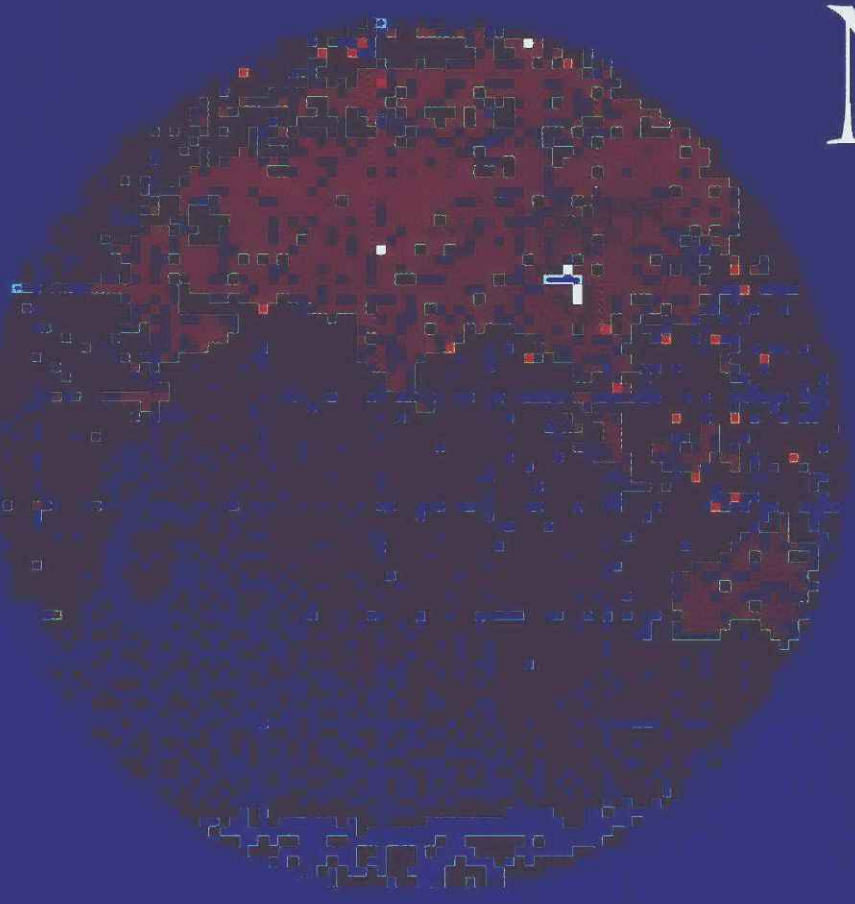
To create it, Ms. Kiser Murphey and Mr. Holt asked company supervisors to send them their stars. Then they gave specific instructions to an in-house photographer.

"We really wanted shots that felt like they were stars rather than just mug shots up against a wall or a typical portrait shot," Mr. Holt said.

Mr. Holt then scanned the photographs into a computer and worked in black and white along with a rich brown color to simulate a sepia-tone look that matches the "Grand Hotel" photograph on the front cover.

Generating employee interest is important in Las Vegas because the city's hotels and casinos compete aggressively for good workers, Mr. Holt said. So, besides listing financial benefit amounts, the compensation statement points out that MGM has the industry's only onsite medical center, a free parking garage and a seven-hour work day.

—By Roberto Cenicerros



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### 1995 DIRECTORIES

Issue Date	Directory
Feb 6	Third-Party Administrators
Feb 20	Utilization Review Providers & Case Managers
Mar 6	Benefit Information & Claims Systems
Mar 20	Risk Management Consultants
Apr 3	Prescription Benefit Managers
Apr 24	Captive Managers
May 29	Alternative Facilities
Jun 12	Property Loss Control Consultants
Jun 26	EAPs & Mental Health Networks
Jul 17	Agents & Brokers
Jul 31	Dependent Care Resource & Referral Services
Aug 14	401(k) Plan Administrators
Aug 28	Leading Reinsurers Worldwide
Sep 11	Surplus Lines Insurers & Wholesalers
Oct 2	Environmental Risk Management Consultants
Oct 9	Safety Consultants & Rehabilitation Services
Oct 23	Reinsurance Brokers
Nov 6	International Insurers & Benefit Networks
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### 1996 DIRECTORIES

Issue Date	Directory
Feb 5	Third-Party Administrators
Feb 19	Utilization Review Providers & Case Managers
Mar 4	Risk Management Consultants
Mar 18	Benefit Information & Claims Systems
Apr 22	Captive Managers
May 20	401(k) Plan Administrators
Jun 3	Alternative Risk Financing Facilities
Jun 24	EAPs & Dependent Care Resource and Referral Services
Jul 22	Agents & Brokers
Aug 5	Prescription Benefit Managers
Aug 19	Property Loss Control Consultants
Sep 2	Leading Reinsurers Worldwide
Sep 16	Surplus Lines Insurers & Wholesalers
Oct 14	Reinsurance Brokers
Oct 28	Benefit Communication Systems
Nov 4	Safety Consultants & Rehabilitation Services
Nov 11	Environmental Risk Management Consultants
Nov 18	International Insurers & Benefit Networks
Dec 2	Risk Management Information Systems
Dec 9	Employee Benefit Consultants
Dec '96	Managed Care Providers—HMOs & PPOs

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**Business  
Insurance**  
a publication of Crain Communications Inc

# Judges favored clear messages that held readers

By MICHAEL PRINCE

Honing the message to a point and keeping the reader interested are the keys to prize-winning communication efforts, according to the 15 judges of the 24th annual *Business Insurance* Employee Benefits Communication Awards.

With the growing mass of paper floating across people's desks, any benefit communication must convey the information quickly while also visually grabbing the reader, said the judges, who included experts in corporate communications, corporate benefits, marketing and promotion, and personnel.

The entries were judged on a scale of zero to 20 on five criteria: program objective, strategy, content, presentation and effectiveness.

Winning entries got directly to the point, said Linda Grainger, senior benefit analyst, communications for Kellogg Co. in Battle Creek, Mich.

"My favorites arranged technical infor-

mation in short, easily digestible bursts or bulleted lists," she said.

Top entries provided more than just words but also kept the reader interested, said Howard Sponseller, assistant human resources officer for Teachers Insurance and Annuity Assn. College Retirement Equities Fund in New York.

"If it's interesting to look at, if it's fun, if it holds and grabs your attention, it's more likely to be read and referred back to," he said. "If it's boring text they will just end up calling the benefits office and asking their questions that way."

Overall, the variety and quality of the entries struck the jury.

"I was very impressed with most of them that were entered," said Terese Rosenthal, assistant vp, corporate communications and advertising for American Re-Insurance Co. in Princeton, N.J. "They really showed a lot of consideration to the employees, and you could tell they put a lot of resources into developing them."

Other judges for the 1996 *Business Insur-*

*ance* Employee Benefits Communication Awards were:

- Stephanie Caloumenou, benefits manager for Trader Publishing Co. in Norfolk, Va.

- Ancrea Davis, HR communications manager for Intermountain Health Care in Salt Lake City.

- Gloria Debs, employee services manager for Sun Microsystems Inc. in Mountain View, Calif.

- Anne-Marie Doherty, manager, advertising and sales promotion for Liberty Mutual Group in Boston.

- Kevir McCullough, personnel manager for Crain Communications Inc. in New York.

- Michael Reiff, vp, compensation and benefits for Citibank in New York.

- Gerard Schmitt, senior vp for Cox Advertising in New York.

- Seymour Shelist of PGI in Chicago.

- Larry Small, director of education and training for Hospital Sisters Health System in Springfield, Ill.



- Karen Stral, corporate benefits manager for Tektronix Inc. in Beaverton, Ore.

- Rosalind Thompson, senior vp, human resources for Fabri-Centers of America Inc. in Hudson, Ohio.

- Christine Van Lenten of CVL Graphic Design in Boonton, N.J.

Award winners will be honored during a luncheon today at the Waldorf-Astoria Hotel in New York. **BI**



Stephanie Caloumenou



Andrea Davis



Gloria Debs



Linda Grainger



Terese Rosenthal



Gerald Schmitt



Larry Small



Howard Sponseller



Karen Stral

## Business Insurance directory of benefit communication systems

### A

#### Alexander & Alexander Consulting Group

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

**Interactive benefit systems since:** 1987.  
**Parent:** Alexander & Alexander Services Inc.

**Software products:**

- Nestegg.

**System type/cost:** Purchased.

**System requirements:** PC system, single user or network; operates in Windows.

**Customization optional.**

**First installation:** 1992.

**Benefits communicated:** Savings plans, pension plans, social security retirement benefits.

**Features:** Standard system provides personal information; modeling/projections; employee specific recommendations; reports via printer. Options available to add direct enrollment; option selection/adjustment; transfers among investment funds.

**Accessed through:** Employees' PC.

**User support:** User groups/meetings\*, onsite training\*, telephone assistance 10 hours per day.

**Staff:** 33 total, 30 professionals.

**Branch offices:** San Francisco and San Jose, Calif.; Atlanta; Chicago; Baltimore and Owings Mills, Md.; Newburyport, Mass.; Detroit; Minneapolis; St. Louis; Philadelphia.

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

**Contact:** Neil McCollum, 404-264-6109.

\* Included in system price.

### B

#### BeneSoft Inc.

41 Village Lane, Bethany, Conn. 06524; 203-393-0320; fax: 203-393-0325

**Interactive benefit systems since:** 1987.

**Software products:**

- Flexible Software.

**System type/cost:** Leased.

**System requirements:** PC system, network; operates in DOS or Windows.

**Customized system.**

**First installation:** 1987.

**Total installations:** 100.

**Benefits communicated:** Flexible benefits, flexible spending accounts.

**Features:** Standard system provides plan descriptions; personal information; direct enrollment; option selection/adjustment; reports via computer diskette, printer.

**Accessed through:** Telephone, employees' PC.

**User support:** User groups/meetings, onsite training\*, telephone assistance 12 hours per day\*, emergency pager number.

**Staff:** 22 total, 15 professionals.

**Branch offices:** Ann Arbor, Mich.; Beaverton, Ore.; Green Bay, Wis.

**Officers:** Faisal A. Saleh, president; Steve Froebel, vp.

**Contact:** Faisal A. Saleh.

\* Included in system price.

#### Blaze SSI Corp.

P.O. Box 333, Brielle, N.J. 08730; 908-223-5575; fax: 908-223-6683

**Interactive benefit systems since:** 1980.

**Software products:**

- Pendeas II - 401(k).

**System type/cost:** Leased: \$10,000 per year.

**System requirements:** PC system, single user or network; operates in DOS or Windows.

**Customization optional.**

**First installation:** 1987.

**Benefits communicated:** Pension plans. Options available for savings plans, health plans, workers comp benefits, flexible benefits and flexible spending accounts.

**Features:** Standard system provides plan descriptions; direct enrollment; modeling/projections; option selection/adjustment; details on investment alternatives; reports via computer diskette, electronic mail, printer and fax. Options available to add personal information; employee specific recommendations; transfers among investment funds.

**Accessed through:** Kiosk, employees' PC, benefit department kiosk.

**User support:** User groups/meetings\*, onsite training, telephone assistance eight hours per day\*, e-mail and fax support 24 hours per day\*.

**Staff:** 20 total, 10 professionals.

**Contact:** Carol Malone.

\* Included in system price.

#### Buck Consultants Inc.

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

**Interactive benefit systems since:** 1985.

**Software products:**

- Buck Voice Response.

**System type/cost:** Purchased; operated on a service bureau basis.

**System requirements:** Voice response unit (needed only if system is purchased). Online system.

**Customized system.**

**First installation:** 1989.

**Total installations:** 61.

**Benefits communicated:** Options available for savings plans, health plans, pension plans, flexible benefits, flexible spending accounts, health and welfare benefits.

**Features:** Options available to add plan descriptions; personal information; direct enrollment; modeling/projections; option selection/adjustment; health claims status; details on investment alternatives; transfers among investment funds; reports via computer diskette, printer, fax and mail; confirmation statements for all transactions.

**Accessed through:** Telephone.

**User support:** User groups/meetings\*, onsite training\*, telephone assistance 12 hours per day\*.

- The Buck Retirement Planner.

**System type/cost:** Purchased: \$18,000.

**System requirements:** PC system, single user; operates in Windows.

**Customization optional.**

**First installation:** 1993.

**Total installations:** Three.

**Benefits communicated:** Savings plans, pension plans, profit-sharing, social security.

**Features:** Standard system provides modeling/projections, individualized retirement planning, reports via printer. Options available to add plan descriptions, details on investment alternatives.

**Accessed through:** Kiosk, employees' PC, benefit department kiosk.

**User support:** User groups/meetings, onsite training.

- Buck Interactive PC System.

**System type/cost:** Purchased.

**System requirements:** PC system, network; operates in DOS or OS/2. Online system.

**Customized system.**

**First installation:** 1990.

**Total installations:** 19.

### C

#### CIGNA Retirement & Investment Services

350 Church St., P.O. Box 2975, Hartford, Conn. 06104; 800-997-6633; fax: 860-725-2052

**Interactive benefit systems since:** 1992.

**Parent:** CIGNA Corp.

**Software products:**

- AnswerLine.

**System type/cost:** Operated on a service bureau basis.

**System requirements:** Touch-Tone telephone. Online system. Interfaces with DC Facts or DCIS benefit systems.

**Customization optional.**

**First installation:** 1989.

**Total installations:** 2,870.

**Benefits communicated:** Savings plans, pension plans.

**Features:** Standard system provides personal information, direct enrollment; modeling/projections; employee specific recommendations; option selection/adjustment; details on investment alterna-

tives; transfers among investment funds, loan modeling and initiation, system usage reports. Options available to add plan descriptions.

**Accessed through:** Telephone.

**User support:** User groups/meetings\*, onsite training\*, telephone assistance 14 hours per day\*.

- CIGNA Retirement Planner.

**System type/cost:** Purchased.

**System requirements:** PC system, single user or network; operates in Windows.

**Customization optional.**

**First installation:** 1996.

**Benefits communicated:** Savings plans, pension plans, personal savings, IRAs, vested benefits from prior employer, profit sharing.

**Features:** Standard system provides personal information, modeling/projections, reports via printer, asset allocation, comparison of retirement income goal to projected benefits. Options available to add plan descriptions.

**Accessed through:** Kiosk, employees' PC, benefit department kiosk.

**User support:** AnswerLine: user groups/meetings\*, onsite training\*, telephone assistance 14 hours per day. CIGNA Retirement Planner: onsite training\*, telephone assistance eight hours per day\*.

**Branch offices:** 25 locations nationwide.

**Officers:** Byron Oliver, president; David Gerger, CFO; Douglas Klinger, senior vp-distribution/development; Andrea Arania, senior vp-operations/technology; Sherry Lombardi, senior vp-client services.

**Contact:** Douglas Klinger.

\* Included in system price.

### E

#### Employee Benefit Specialists Inc.

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

**Interactive benefit systems since:** 1993.

**Software products:**

- Flexline.

**System type/cost:** Operated on a service bureau basis for \$5 per month per participant.

Continued on page 34

Continued from page 32

**System requirements:** Touch tone phone system.

**Customization optional.**

**First installation:** 1993.

**Benefits communicated:** Options available for savings, health and pension plans, workers comp benefits, flexible benefits, flexible spending accounts, dental, life, long-term disability, vision and any employer-sponsored benefit.

**Features:** Options available to add plan descriptions, personal information, direct enrollment, modeling/projections, benefit option selection/adjustment, details on investment alternatives, reports via fax and mail.

**Accessed through:** Telephone.

**User support:** User groups/meetings\*, onsite training\*, telephone assistance eight hours per day\*, written communications\*.

**Staff:** Three total, all professionals.

**Clients:** 62 total, including 18 who added additional features to their interactive benefit communication system in 1995.

**Officers:** Joan Rhodes, Chimane Rhodes, Beth Juen.

The directory of employee benefit communication systems begins on page 32. Directory terms and methodology are explained on page 34.

**Contact:** Beth Juen, 800-229-7683.

\* Included in system price.

**Ernst & Young L.L.P.**

787 Seventh Ave., New York, N.Y. 10019; 212-733-3000; fax: 212-773-1655

**Interactive benefit systems since:** 1990.  
**Software products:**

■ E&Y Voice.

**System type/cost:** Purchased: \$75,000. Operated on a service bureau basis for \$75,000 plus expenses.

**System requirements:** PC system; single user or network; operates in OS/2 Warp.

Online system.

**Customized system.**

**First installation:** 1990.

**Total installations:** 30.

**Benefits communicated:** Options available for savings plans, health plans, pension plans, workers comp benefits, flexible benefits, flexible spending accounts, 401(k) loan modeling, auto fax back employment verification.

**Features:** Options available to add plan descriptions; personal information; direct enrollment; modeling/projections; employee specific recommendations; option selection/adjustment; health claims status; details on investment alternatives; transfers among investment funds; reports via printer, fax and mail.

**Accessed through:** Telephone.

**User support:** User groups/meetings, onsite training\*, telephone assistance eight hours per day.

**Staff:** Eight total, six professionals.

**Clients:** Six total, including two new clients and six who added additional features to their interactive benefit communication system in 1995.

**1995 gross revenues:** 70% software sales, 5% hardware sales, 10% software services, 5% hardware services, 10% user support.

**Contact:** Owen West, principal.

\* Included in system price.

# READER REPLY SERVICE

## PRODUCTS & SERVICES LISTING

Issue of October 28

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**Hewitt Associates L.L.C.**

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

**Interactive benefit systems since:** 1988.

**Software products:**

■ FutureSaver.

**System type/cost:** Purchased: \$25,000. **System requirements:** PC system, single user or network; operates in Windows.

**Customized system.**

**First installation:** 1989.

**Total installations:** 40.

**Benefits communicated:** Savings plans. Options available for pension plans.

**Features:** Standard system provides modeling/projections, details on investment alternatives, reports via printer. Options available to add plan descriptions, personal information.

**Accessed through:** Kiosk, employees' PCs, benefit department kiosk, home PC.

**User support:** Onsite training.

**Staff:** Nine total, eight professionals.

**Clients:** 30 total, including 28 new clients and two who added additional features to their interactive benefit communication system in 1995.

**Branch offices:** 31 locations nationwide.

**1995 gross revenues:** \$448.7 million total.

**Officers:** Dale L. Gifford, CEO; Gerald I. Wilson, chairman; James R. Rushin, director-business development; Christine A. Seltz, director-public relations; Michael L. Trahan, director-interactive communication services.

**Contact:** Mike Trahan or George Wilmes.



**Howard Johnson & Co.**

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

**Interactive benefit systems since:** 1983.

**Software products:**

■ Benquiry.

**System type/cost:** Operated on a service bureau basis for \$200 per month for first installation; \$100 per month for each additional installation.

**System requirements:** PC system, single user or network; operates in DOS or Windows. Online system.

**Customization optional.**

**First installation:** 1983.

**Total installations:** 140.

**Benefits communicated:** Savings plans, health plans, pension plans, workers comp benefits, flexible benefits, flexible spending accounts.

**Features:** Standard system provides plan descriptions; personal information; direct enrollment; modeling/projections; employee specific recommendations; option selection/adjustment; transfers

among investment funds; reports via computer diskette, electronic mail, printer, fax and mail; COBRA administration; Qualified Domestic Relations Order administration; event-based administration.

Continued on page 34

# Explanation of terms in this directory

The directory of employee benefit communication systems lists companies that produce and supply proprietary interactive computer-based systems to organizations for direct use by employees in response to their benefit communication needs.

Companies that deal in general utility software, hardware only, or software designed to be used by personnel departments, insurance companies or consultants are not included.

Listings begin with the company address, year the company began offering interactive benefit systems and parent company, if applicable.

Information on **software products** follows. **System type/price** is for a purchased system, unless noted that it is leased or operated on service bureau basis. Also noted is whether system hardware or employee access hardware is included in the price. System descriptions include the type of **computer and operating system** needed along with whether the communication system must be used in conjunction with a specific employee benefit information software product. **Year of first installation** and the **total installations** are given next. Features includes the **benefits and information provided** to employees through the system.

The next section lists whether the system is accessed through telephone, kiosks, PCs/terminals or some other method.

The types of **user support** available with the benefit communication system follows.

**Staff figures**, given in full-time equivalents for year-end 1995, include the total staff assigned to interactive employee benefit communication systems and how many are professional/technical.

The **clients** section lists the total number of interactive employee benefit communication systems installed, the number of new clients in 1995 and the number of clients who expanded existing systems in 1995.

Locations of **branch offices** and **1995 gross revenues** when provided are detailed next. Names and titles of **principal officers** and a **contact person** complete the listings.

The directory is published as an editorial service; there is no charge for companies to be included.

However, to be listed companies were required to complete a questionnaire provided by *Business Insurance*.

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



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# Business Insurance

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Issue Date: OCTOBER 28, 1996

Card Expiration: DECEMBER 23, 1996

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  - A  Mfg/Svcs
  - B  Association
  - C  Union
  - D  Government
  - E  Educational Inst
  - F  Ins Agent
  - G  Ins Broker
  - H  Ins/Reins Co
  - I  Consultant
  - J  Actry/Attorney
  - K  Adj/Apprs
  - L  TPA
  - M  Health care
  - N  Other
- Number of employees:
  - 1  150 or less
  - 2  151 - 499
  - 3  500 - 999
  - 4  1,000 - 4,999
  - 5  5,000 or more
  - 6  Unknown
- My title is best defined as:
  - A  Administrative Mgt
  - B  Financial Mgt
  - C  Risk Mgt
  - D  Benefits Mgt
  - E  Loss Prevention Mgt
  - F  Other
- My purchasing involvement for the requested products is to:
  - 1  recommend only
  - 2  specify
  - 3  approve
- Do you now receive a personally addressed copy of *Business Insurance*?
  - A  Yes
  - B  No, so please send subscription info

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **October 28, 1996** issue. Cards with more than 20 items circled will not be processed. This card expires **December 23, 1996**.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
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106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
121	122	123	124	125	126	127	128	129	130	131	132	133	134	135
136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

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Name \_\_\_\_\_

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### G&M Marine

A SERVICE OFFICE FOR AGENTS AND BROKERS

Continued from page 33

**Accessed through:** Telephone, kiosk, employees' PCs, benefit department kiosk, Internet.

**User support:** User groups/meetings, onsite training\*, telephone assistance 24 hours per day.

**Staff:** 180 total, 40 professionals.

**Branch offices:** Los Angeles; San Francisco; Washington; Atlanta; Chicago; Portland, Ore.; Seattle and Spokane, Wash.; London; Dublin, Ireland.

**Officers:** Howard J. Johnson, president/CEO; Nancy B. Greer, CFO; John R. Claus, director-Northwest Professional Center; Kent P. Backles, executive vp/director-consulting offices; Brendan O'Farrell, director-Howard Johnson & Co. (U.K.), Ltd.

**Contact:** Nancy M. Rizzuto.

\* Included in system price.

# K

### Kwasha Lipton L.L.C.

210C N. Central Road, Fort Lee, N.J. 07024; 201-592-1300; fax: 201-592-9075

**Software products:**

■ Benefits Web.

**System type/cost:** Operated on a service bureau basis.

**System requirements:** PC system, network; operates in Windows. Online system.

**Customization optional.**

**First installation:** 1996.

**Total installations:** One.

**Benefits communicated:** Options avail-

able for savings plans, health plans, pension plans, flexible benefits, flexible spending accounts.

**Features:** Options available to add plan descriptions; personal information; direct enrollment; modeling/projections; option selection/adjustment; details on investment alternatives; transfers among investment funds; reports via printer.

**Accessed through:** Kiosk, employees' PC.

■ Option Finder.

**System type/cost:** Leased. Operated on a service bureau basis.

**System requirements:** PC system; operates in Windows.

**Customized system.**

**Benefits communicated:** Options available for flexible benefits.

**Features:** Standard system provides modeling/projections; reports. Options available to add plan descriptions; personal information; direct enrollment; employee specific recommendations; option selection/adjustment; health claims status; details on investment alternatives; transfers among investment funds.

**Accessed through:** Employees' PC.

■ Personal Planner.

**System type/cost:** Purchased.

**System requirements:** PC system, single user; operates in Windows. Online system.

**Customization optional.**

**First installation:** 1993.

**Total installations:** One.

**Benefits communicated:** Savings plans, pension plans, social security, spouse's benefits and personal savings.

**Features:** Standard system provides modeling/projections.

**Accessed through:** Kiosk, employees' PC, benefit department kiosk.

■ Voice Response System.

**System type/cost:** Operated on a service bureau basis. Online system.

**Customization optional.**

**First installation:** 1989.

**Total installations:** 74.

**Benefits communicated:** Options available for savings plans, health plans, pension plans, flexible benefits and flexible spending accounts.

**Features:** Options available to add plan descriptions; personal information; direct enrollment; modeling/projections; option selection/adjustment; details on investment alternatives; transfers among investment funds; reports via mail.

**Accessed through:** Telephone.

**User support:** Benefits Web: user groups/meetings, onsite training, telephone assistance. Option Finder: user groups/meetings\*, onsite training\*, telephone assistance\*. Personal Planner: onsite training. Voice Response System: user groups/meetings\*, telephone assistance.

**Staff:** 20 total, all professionals.

**Clients:** 74 total, including 12 new clients and seven who added additional features to their interactive benefit communication system in 1995.

**Officers:** Bob Byrne, CEO; Jim Brickman, COO; Manuel Castells, CFO.

**Contact:** Sid Mendelson, principal.

\* Included in system price.

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**Accessed through:** Telephone, kiosk, employees' PC, benefit department kiosk, Internet.

**User support:** Onsite training, telephone assistance 24 hours per day, onsite support, consulting\*.

**Staff:** 84 total, 50 professionals.

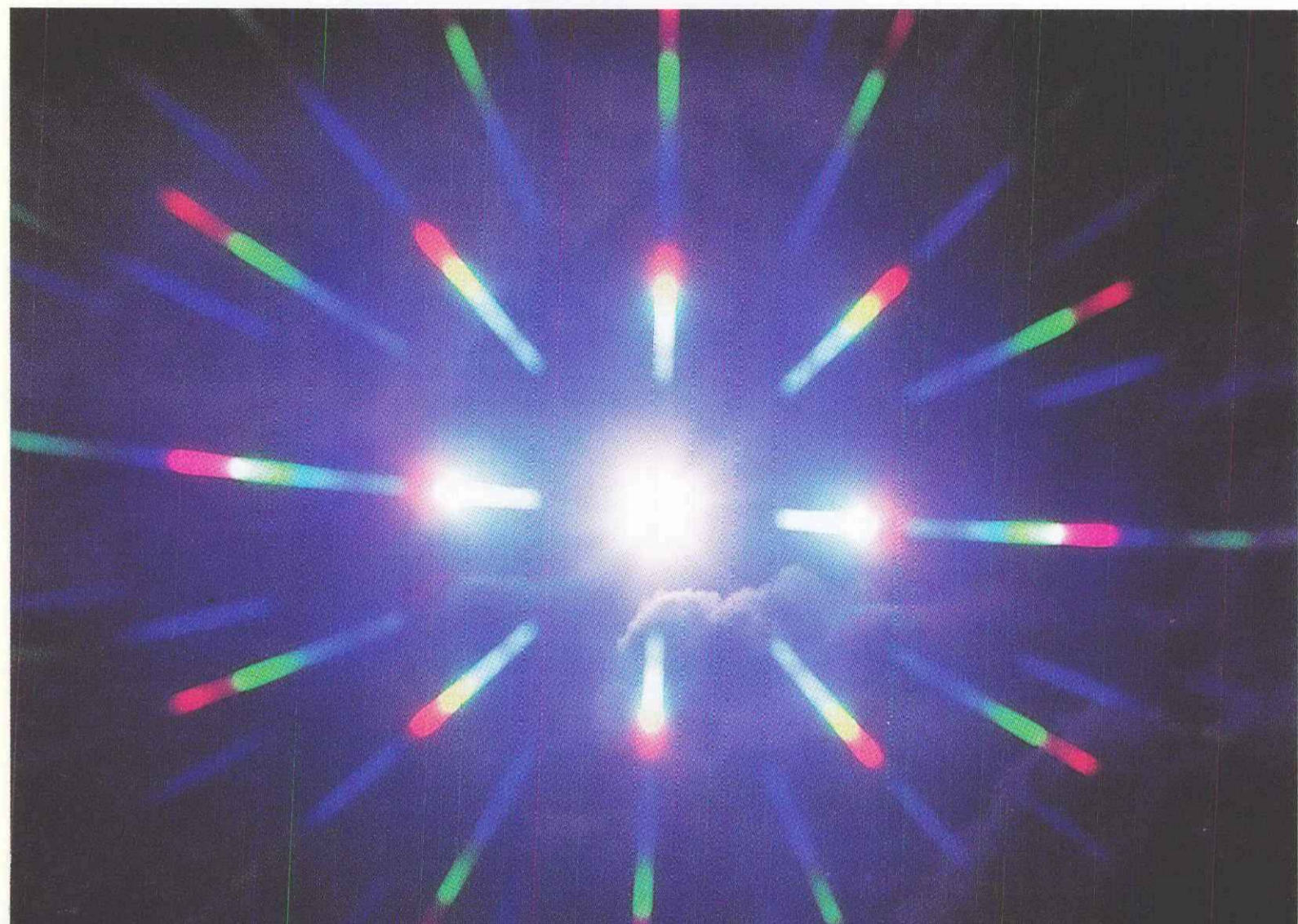
**Branch offices:** 41 locations nationwide.

**1995 gross revenues:** \$805 million total.

**Officers:** Timothy J. Lynch, chairman; Vikesh Mahendroo, president; Yves Roy, chief information officer.

**Contact:** H.L. (Jay) Marchant, principal, 847-317-7605.

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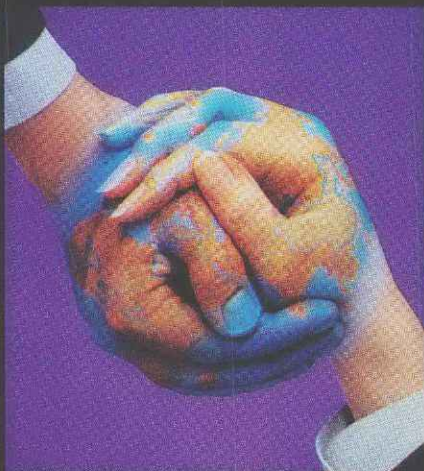
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Continued on page 36

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# Savings seen from integrated disability benefits

By MARK A. HOFMANN

Companies that integrate their disability programs and aggressively manage them incur only about half of the direct disability costs of those that don't, a new survey finds.

The survey, discussed in the report "Staying at Work: An Integrated Solution," was conducted by Watson Wyatt Worldwide and the employer-backed Washington Business Group on Health. Complete details of the study will be released later this year. The survey polled 241 employers, including companies, public entities and non-profit organizations, that collectively registered \$2 billion in direct disability costs in 1995.

Integrated disability management coordinates various disability programs, including workers compen-

sation, short- and long-term disability and related programs. The approach emphasizes prevention, rehabilitation, education and back-to-work programs.

"We asked what problems, if any, have you experienced coordinating and managing your disability programs. The top answers were: the lack of benchmarking data; the lack of internal control, i.e. interdepartmental coordination; and the lack of internal company buy-in/awareness," said Veronica Hellwig, a senior consultant in Watson Wyatt's Boston office. "People are saying 'We'd love to do an integrated program but here are the problems.'"

To deal with those problems, "the clear path ahead is to automate, integrate and educate," Ms. Hellwig said.

The survey found a direct correla-

tion between the scope of an employer's integrated disability program and its disability costs. Companies that do not integrate their

**To deal with problems, 'the clear path is to automate, integrate and educate,' says Veronica Hellwig.**

disability programs reported incurring annual direct disability costs of 5.4% of payroll, while those that did integrate these benefits reported incurring direct costs of only 2.7% of payroll.

"While not conclusive, the corre-

lations are intriguing and warrant further study," according to a report summarizing the results of the survey.

The survey also found employers split into three roughly equal groups regarding their attitudes toward integrated disability programs.

Thirty-five percent of the respondents said that they either had an integrated program in place or planned to do so within the next year. An additional 31% said that they were considering instituting a program but had no timetable. The remaining 34% had no plans for such a program.

Coordinating disability programs with a company's health care plan could reduce cost-shifting, the survey indicates. However, while 48% of the respondents said that they co-

ordinated their workers comp program with their health care plan, only 27% said they coordinated their health plan with their short- or long-term disability programs.

The survey was released Oct. 18 at the WBGH's 10th annual National Disability Management Conference in Washington.

For further information on the upcoming report, "Staying at Work: An Integrated Solution," please contact Andrew Sandor at Watson Wyatt Worldwide, 202-508-4693.

## RIMS polls members on designation

NEW YORK—The fate of a new professional designation for risk managers appears to be hanging in the balance of a survey being conducted by the Risk & Insurance Management Society Inc.

RIMS is counting responses to a questionnaire mailed to its membership of about 8,000 and others to gauge interest in the Fellow in Risk Management designation and two educational programs under consideration. The programs are the Executive Management Program and the Distance Learning-Master's Degree Program.

RIMS has set a Nov. 7 deadline for return of the questionnaires and as of last week had received about 940 responses. The society's Executive Council will meet shortly after the deadline to discuss whether to continue development of the FRM designation and the educational programs.

"With this questionnaire, we are trying to see if there is interest on the part of our members," said Fran Jordan, education manager at RIMS' New York headquarters. She noted that the forms also have been sent to non-members who belong to other groups like Public Risk Management Assn.

The questionnaires give a brief summary of the designation and the two programs and ask two questions about each: "Are you interested in this program?" and "Would you be willing to pursue this program within the next one to three years?"

RIMS had hoped to have the FRM program in place this year, but its rollout has been slower than expected (BI, April 15). The designation, based on the concept developed by Canadian risk managers and in place in that country, would require completion of 10 examinations and courses in law, business, insurance and finance.

The purpose of the FRM is to create a new educational standard for risk managers beyond the Associate in Risk Management and other designations already in place, Ms. Jordan pointed out.

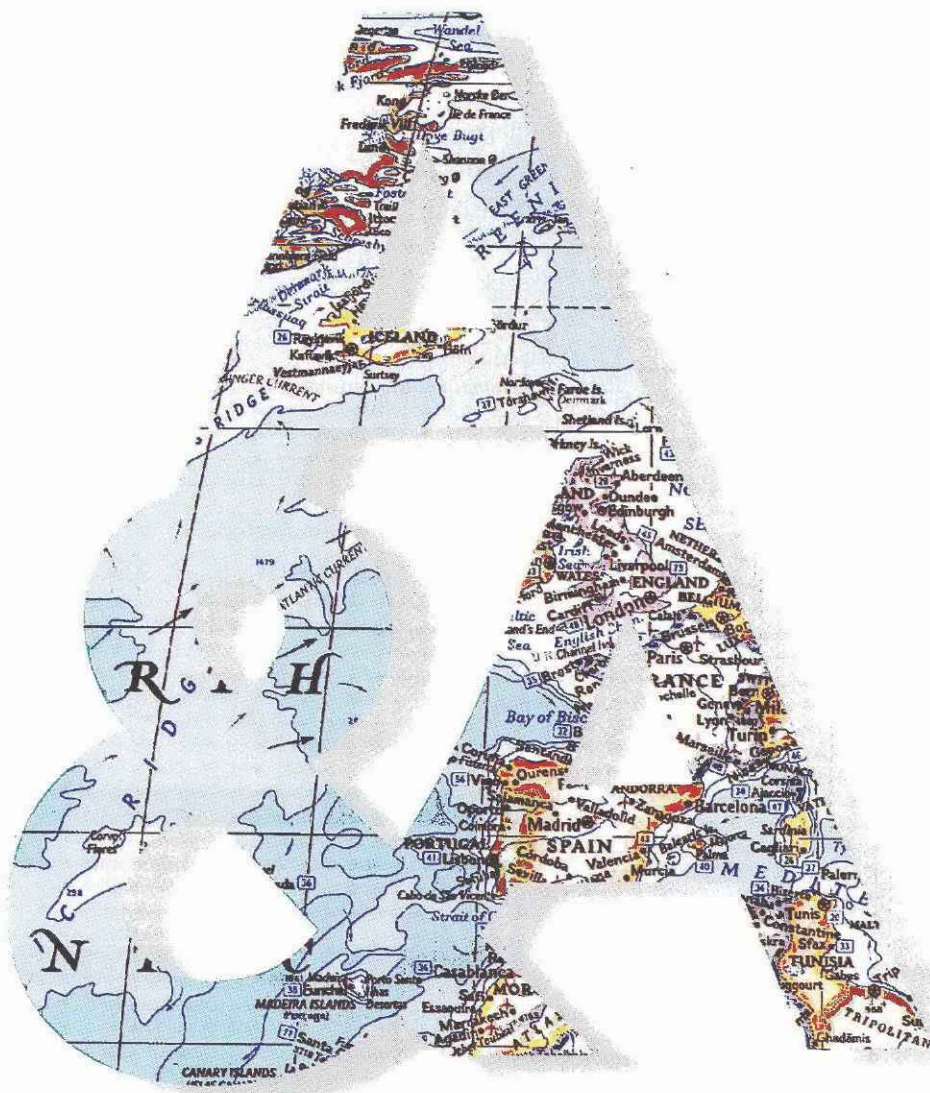
The Executive Management Program would be held at a "nationally recognized graduate school of business," according to the questionnaire. It would cover areas including "strategic risk management, public policy and decision theory."

The Distance Learning-Master's Degree Program would offer the opportunity to earn a master's degree in business administration with a concentration in risk management and minimal on-campus requirements.

"Those two are not really developed yet," Ms. Jordan said, and will get further consideration if the survey response indicates sufficient interest in the programs.

Copies of the questionnaire can be obtained from Ms. Jordan by calling 212-286-9292, ext. 229.

—By Michael Bradford



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# Strategy

*Continued from page 2*  
 Risk Management Honor Roll Award from *Business Insurance* as a representative of small companies for his innovative programs at Jupiter Mechanical Industries Inc. in Wheeling, Ill. That is one of the nation's largest commercial mechanical contractors.

To sell the idea of establishing such a steering committee, a risk manager should emphasize that it will "empower" other employees to identify and resolve risk management issues, Mr. Zaccanti said. In about 90% of all cases, someone in the organization knows the information to solve a company's problems but needs a conduit to get that information to the risk manager, he said.

In addition, establishing such a steering committee "can increase the visibility of the risk manager," Mr. Zaccanti said.

Information the group may want to consider can include total cost of risk, cost of risk for the previous year, cost of risk as a percentage of revenue, benchmarking cost of risk relative to competitors and projected costs for the fiscal year, he said.

Claim data analysis can include percentage of claim dollars, or claim counts, by claim type. It can also include a discussion about the sources and causes of claims and a brief description of the 10-15 largest claims the company has faced.

The committee also may want to consider a trended analysis of claims, such as the total claim dollars or claim counts by line of coverage for the previous year compared with the past four years by quarter.

Another important strategy for risk managers at large companies is to define risk management in a financial context.

Being able to express risk management concepts in financial terms—like impact on earnings per share—will help a risk manager get the attention of senior management, who often think in those concepts, said Timothy J. Bunt, vp of corporate risk management in the Newark, N.J., office of The Prudential Insurance Co. of America.

"You become more profitable within an organization," he said.

Creating borderless risk management in international operations may require implementing some new strategies, too.

One of the most effective strategies is to introduce global programs that cut across international borders where possible, according to three panelists who discussed international issues.

"It takes more time, but once established, the advantages far outweigh the disadvantages," said Dietmar Nowak, a member of the board of management for Gerling-Koern Allgemeine Versicherungs-AK in Cologne, Germany.

Advantages of establishing a global program, which usually emphasizes long-term relationships, can include faster and better communication, easier budgeting and greater continuity of operations, the speakers said.

In addition, "it's easier to adjust a loss with a global program," said Diana Kollin, Liberty Mutual's director of international claims in New York.

It's also easier to benchmark claims services, too, she said.

However, disadvantages of a global program may include complacency on the part of the insurer, broker or policyholder. That can allow costs to rise unnecessarily,

according to the panelists.

International programs also benefit from a global search for best practices and a commitment to implementing them, said Laura L. Markos, vp-risk management for Avery Dennison Corp. in Pasadena, Calif.

That focus offer helps sell a program to local affiliates in a global program, she said.

But it is also important to make sure international standards also meet local requirements, Mr. Nowak said.

The challenge of communicating internationally is lessened by the fact that English is used for most claims-related discussions, said Liberty Mutual's Ms. Kollin.

Also, problems related to multiple time zones can be pretty much overcome with the help of e-mails, voice mail and faxes as well as telephone discussions from home, she added. **BI**

# CFOs focus on risk management

## Lessons, cost pressures taught them, speaker says

CHARLESTON, S.C.—History, technology and costs have made chief financial officers care more about risk management than ever before, speakers say.

"Although the concept is viewed in various ways, CFOs agree that risk management has become a much larger part of their job in recent years," according to Roy J. Harris Jr., senior editor of Boston-based CFO Magazine.

"Indeed, it has become an instrument in the financial executive's evolution into a key corporate strategic player," Mr. Harris said.

However, a CFO perceives risk management as a much broader area than it was traditionally, he said at the recent Liberty Mutual Group conference for corporate risk managers. A

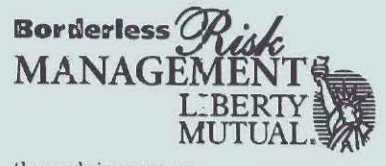
CFO adds responsibility for financial risks, such as general and pension-related investments, to the operational risks that were traditionally managed

Exxon Valdez and the Ford Pinto.

In addition "technology gives finance executives unprecedented access to, and control over, the information being processed by middle managers," he said.

Also, cost pressures have made boards of directors more aware of the need to analyze corporate financial exposures, the price CFOs are paying to reduce them and the value of alternatives like self-insurance, Mr. Harris said.


Lisa Dickson, vp-risk and loss control for Dallas-based Brinker International Inc, said a CFO for a restaurant conglomerate also needs to be concerned about "reputational risk." A restaurant's name "is its greatest asset" and




through insurance. CFOs are paying more attention to risk management these days for several reasons, Mr. Harris said.

"Historical lessons have taught the company-threatening dangers of under-appreciated risks, especially those magnified by product liability litigation," he said, citing examples including asbestos, tobacco, the

See CFOs on next page



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## CFOs

Continued from previous page  
it can be tarnished quickly, for example, by news reports that contaminated food made customers ill, she said.

The restaurant holding company owns and operates 600 restaurants in 48 states and 10 countries, including Chili's Grill & Bar, Romano's Macaroni Grill, On the Border Cafes, Cozymel's, Maggiano's Little Italy and Corner Bakery.

The best way to protect a restaurant's name is for all managers and employees to adopt a customer-service orientation that guides activities at all times. Should problems occur, though, it is also important to have a good crisis-management program, Ms. Dickson said.

—By Meg Fletcher

## More risk managers will buy EPL coverage, survey shows

By MEG FLETCHER

Risk managers are trying to keep pace with business growth and respond to changes within their organizations primarily by expanding their duties to cover emerging liabilities, according to a recent survey by Boston-based Liberty Mutual Group.

To help meet that priority, more than 50% of responding risk managers said they will consider purchasing employment practices liability coverage, which is up 10% from last year. They will also consider environmental and product liability programs.

Survey respondents consisted of

143 of the 250 risk managers who attended the fifth annual Liberty Mutual Risk Management Forum Oct. 13-15 in Charleston, S.C. Risk man-



agers' second main concern is strategic planning to integrate risk management activities inside and outside their organizations, according to the survey. Accomplishing that will entail workers compensation audits

next year, according to 40% of risk managers.

In addition, other risk managers plan to encourage integration through strategic projects that organize risk management activities inside a company, establishing risk management committees, benchmarking risk management with peer companies and providing risk management education inside their organizations.

Risk managers also want to:

- Improve loss prevention through, for example, creating safety incentive programs for employees, conducting ergonomic reviews and complying with Occupational Safety and Health Administration guidelines.

- Upgrade risk management information systems to expand internal data collection as well as establish links with external providers and refine the process of allocating risk.

- Consider alternative ways to finance risk, including finite risk, cash flow plans and captives. Thirty-eight percent indicate they will consider finite plans as an alternative risk finance method, up from 24% in Liberty Mutual's 1995 study.

- Develop litigation management programs.

- Focus on accelerating return-to-work programs for disabled employees through onsite rehabilitation, early case management and 24-hour disability programs.

- Purchase or expand international insurance programs.

- Address risk management issues associated with mergers and acquisitions, including merging risk management programs and assessing long-tail liabilities.

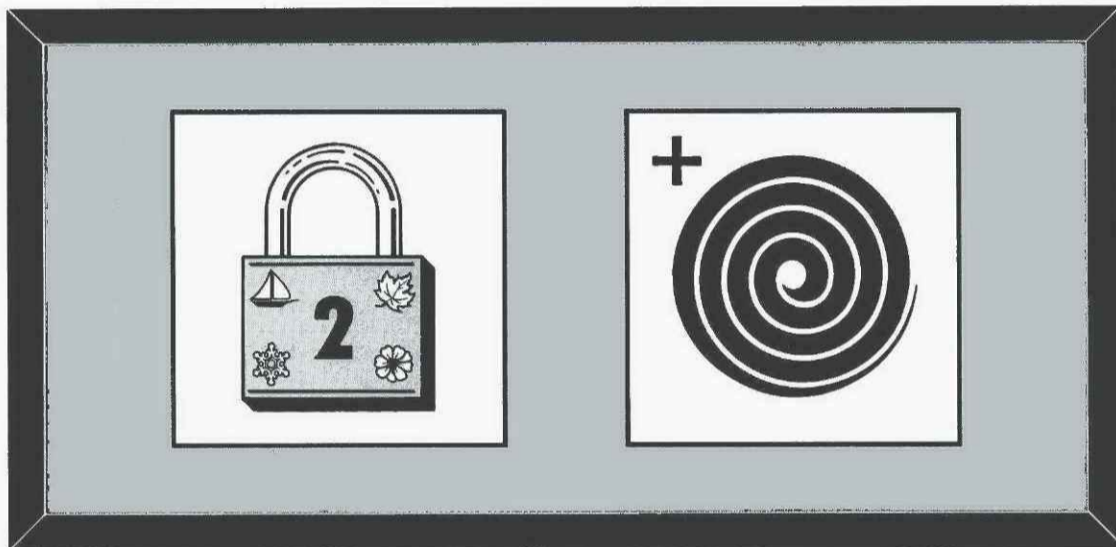
Implementing these additional goals will be challenging for the 50% of risk managers who expect their budgets to remain the same. It will be easier for the 38% of risk managers who expect their budgets to grow. In addition, 67% of risk managers predict employment levels will remain unchanged, while 25% expect their risk management staffs to grow.

Increased familiarity with technological developments like the Internet may help risk managers do more with the same level of resources.

Sixty percent of risk managers say they have "surf" the Internet in 1996, double the number in Liberty Mutual's study last year. In addition, 13% say they are ordering goods and services over the Internet, and 7% say they are participating in chat rooms.

"These results show the Internet is certainly becoming an important source of information for risk managers, with many using it for information gathering and e-mail," said John F. Ryan, Liberty Mutual's vp of commercial marketing. **BI**

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## Meeting draws 250

CHARLESTON, S.C.— Making risk management borderless was the theme of Liberty Mutual Group's recent fifth annual conference for corporate risk managers.

About 250 risk managers heard speakers and panelists discuss ways to break down barriers between operating divisions both within the United States and around the world, among other topics.

They also participated in a wide variety of smaller workshops, which included discussions about risk management information systems, the Internet, commercial auto programs and various types of liability exposures.

The conference was held Oct. 13-15 at the Charleston Place Hotel in Charleston, S.C.

Entertainment highlights included tours of the Boone Hall Plantation house and gardens as well as a re-enactment of a Civil War skirmish and a fireworks display.

Planning for Liberty Mutual's next fall conference is under way. For information, contact John F. Ryan, vp-commercial marketing, at 617-574-5842, or Tina Ziegler, manager of marketing services, 617-574-5727.

# INTERNATIONAL

## Syndicate ownership changing R&R opens door for corporate purchases of managing agencies

By STACY SHAPIRO

LONDON—Quicker than you can say "reconstruction and renewal," the ownership of Lloyd's of London syndicates is changing almost beyond recognition.

Since members accepted R&R, and syndicate runoff reinsurer Equitas Ltd. went on line in August, managing agencies have rushed to sell to the highest bidder. Twenty of the market's 63 agents are now controlled by outside corporate entities, including investment trusts and insurers, while another 21 such "alignments" are in the pipeline for 1997.

But the tallies change daily. Just last week, investment trust Angerstein Underwriting Trust P.L.C. announced it plans to acquire P.B. Coffey (Underwriting Agency) Ltd., which manages marine syndicate 902 with £37.5 million (\$59.9 million) in capacity this year.

The new corporate capital owners also are pledging to invest in the syndicates their managing agents control, possibly making the operation a mini-insurance company.

What was once a market of syndicates is looking more like a market of

mini-insurers. But if Lloyd's changes too dramatically, U.K. regulators may have to review the unique license the market has enjoyed.

Lloyd's now is seeing "the Big

**Lloyd's now is seeing 'the Big Bang' with outside investment streaming into the market, says Jonathan Spencer.**

"Bang" with outside investment streaming into the market, said Jonathan Spencer, director-insurance in the U.K. Department of Trade and Industry's insurance directorate, referring to the term used for the upheaval of the London Stock Exchange several years ago.

"As long as Lloyd's trades with a single license in the U.K.," the market must protect policyholders that have valid claims no matter what syndicates they use, he said at a seminar sponsored by the DYP Group last week on the future of Lloyd's. He said

the same would be true for the other jurisdictions worldwide in which Lloyd's has licenses.

"I therefore find it difficult to envisage a situation in which Lloyd's retains its single set of licenses here and internationally but removes any of the elements of the security chain which culminate in the Central Fund," warned Mr. Spencer.

The regulator can foresee a time, however, when Lloyd's syndicates are insurers regulated by the DTI, as are all other U.K. insurers, and "the Lloyd's franchise would disappear."

Next year, about a dozen insurers will control Lloyd's managing agents, including: the St. Paul Cos. Inc.; Mid Ocean Reinsurance Co. Ltd.; USF&G Corp.; Terra Nova (Bermuda) Holdings Ltd.; Capital Re Corp., which controls R.G.B. Underwriting Agencies Ltd.; and Australia's QBE Insurance Group Ltd., which has its own agency—QBE Underwriting Agency Ltd., with syndicate capacity of £38.5 million (\$61.5 million) next year.

Indeed, Bermuda-based ACE Ltd., set up in the 1980s when Lloyd's and others in London wouldn't write certain liability business, could become

See Lloyd's on next page

## Buying up Lloyd's

Corporate buyers of managing agents and their estimated capacity

Corporate buyer	Managing agency group	Total est'd 1997 syndicate capacity in pounds
ACE Ltd.	Ockham Holdings P.L.C.	£368.59 million
	Methuen Group Ltd.	384.07 million
AON/Strategic Partners	Claremount Underwriting Agency Ltd.	181.75 million
	Jago Managing Agency Ltd.	121.24 million
	Spreckley Villers Burnhope & Co. Ltd.	224.50 million
Chartwell Re Corp.	Archer Group Holdings P.L.C.	443.94 million
LIMIT	Bankside Syndicate Management Ltd.	425.54 million
	Janson Green Ltd.	325.00 million
Mid Ocean Reinsurance Co. Ltd.	Brockbank Group P.L.C.	521.45 million
St. Paul Cos. Inc.	Cassidy Davis Underwriting Ltd.	72.50 million
	Gravett & Tilling Underwriting Agencies Ltd.	157.95 million
Terra Nova (Bermuda) Holdings Ltd.	Octavian Syndicate Management Ltd.	279.00 million
Trident Partnership & Risk Capital Reinsurance Co.	Hiscox Holdings Ltd.*	369.90 million
	Venton Underwriting Agencies Ltd.	225.61 million

\*Minority shareholding  
Source: Lloyd's of London and Sedgwick Oakwood Underwriting Agents Ltd.

GRAPHIC BY ADAM DOI

## Opening of state-run Asian insurance markets welcomed

By KATE TILLEY

KUALA LUMPUR, Malaysia—Asian risk managers are excited to see state-run insurance markets freed up.

Sankara V. Mony, senior fellow at Singapore's Nanyang Business School at the Nanyang Technological University, told attendees at the Federation of Asian Pacific & African Risk Management Organizations Conference Oct. 2-4 in Kuala Lumpur that liberalization would see insurance prices driven down due to increased competi-

tion, and multinationals would gain access to lower-cost reinsurance accessed by their head offices.

Mr. Mony, who spent 38 years in the insurance industry as a company director in India and Kenya before becoming an academic, said international insurers and reinsurers are "not averse to continuation of tariffs" while they can concentrate on development in emerging economies where rates are steady.

But Mr. Mony said he believes tariffs, which are premiums set by

the government, need to be reduced in a phased manner and will eventually be taken away altogether.



Federation of Asian Pacific African Risk Management Organizations

Large clients would benefit, but some smaller and rural clients may lose out, as cross-subsidization would no longer be available.

Mr. Mony predicted new companies in emerging economies initially would have lower retention levels, providing some opportunities for "sound and visionary reinsurers."

He called on governments to provide plans for liberalization to be examined publicly.

There would be pressure to liberalize as major projects were launched with global capital, requiring cross-border placement of direct insurance.

T. Ramanan, FAPARMO president and risk manager with Hin-

dustan Unilever Ltd. in Bombay, India, called for more liberalization of Asian economies and insurance markets, saying the profession of risk management will not grow in closed economies.

And Mr. Ramanan said insurers have to be "persuaded to issue cover we want," rather than expecting risk managers to take what is offered.

In India, for example, the state monopoly means there is no competition between insurers, premiums are controlled, and insurers do not offer

See Markets on next page

### Global Briefs

France's leading export credit insurer, COFACE Group, has acquired a 50.1% stake in German credit insurer **Allgemeine Kreditversicherung**, or AKV, from the Rewe Group, Germany's second largest retailer. The Rewe Group will retain a 37.4% stake in AKV, and Munich Reinsurance Co. will maintain the 12.5% stake in AKV it owns. . . Standard & Poor's Corp. has assigned a first-time A+ claims-paying ability rating to the Spanish reinsurer **Mapfre Re Compania de Reaseguros S.A.** S&P said the rating reflects Mapfre Re's strong market presence as a subsidiary of the Mapfre Group, which not only gives it a stronghold in Spain, but a market presence in Latin America, Europe, and, to a lesser extent, the Far East and North America. . . Britain's **Loss Prevention Council**, a leading international authority on loss prevention and control, has appointed Julian Salt as the project leader of its Technical Development Group with responsibility for heading research into natural perils like windstorms, floods, subsidence and frost damage and their impact on property insurance. Mr. Salt previously worked for Shell Research in Amsterdam and on a number of projects involved in monitoring the U.N. Conference on Climate Change. . . **Angerstein Underwriting Trust P.L.C.**, a publicly traded investment trust formed three years ago to underwrite in the Lloyd's of London market on a limited liability basis, is acquiring P.B. Coffey, the managing agent for Lloyd's marine syndicate 902. The acquisition awaits Lloyd's approval but is expected to be completed within about a week. Syndicate 902 has been consistently profitable since it started operating in 1976, yielding an average return on capacity over the last five years of 10.9%. It has underwriting capacity of £37.5 million (\$59.9 million) for the 1996 account and writes a broad spread of marine business, being particularly strong in cargo, hull, liabilities and excess of loss. . . Troubled French insurer **Groupe GAN** has unveiled first-half losses to June 30, 1996, of 965 million francs (\$187.3 million), more than twice as large as the same time last year, when it posted losses of 387 million francs (\$75.1 million).

## Guatemalan stadium incident covered

By GAVIN SOUTER

GUATEMALA CITY—Eighty-two people were killed and more than 130 were injured during a crowd crush earlier this month at a World Cup qualifying game at the Mateo Flores Stadium in Guatemala City.

According to Guatemalan soccer officials, there is liability insurance in place to compensate the victims and their families.

The crush happened in a tunnel between an entrance gate and a seating area, according to Ramiro Guerra, a president of the Guatemala National Assn. of Soccer.

The stadium already was filled to capacity for a game between Guatemala and Costa Rica when spectators inside began to push back fans still trying to make it through the tunnel, crushing them against the walls and floor, Mr. Guerra said.

"The emergency gates were opened, but people were already dead in the tunnel," Mr. Guerra said.

In the ensuing panic, other

spectators tumbled down to lower levels of the stands, he said.

Fans with forged tickets may have pushed the stadium beyond its capacity, according to the Fed-

eration Internationale de Football Assn. in Zurich, Switzerland.

Under FIFA rules, liability insurance and security for World

See Soccer on page 45



An injured soccer fan is carried out of Mateo Flores Stadium in Guatemala City after a crowd crush killed 82 people and injured more than 130.

AP/WORLD WIDE PHOTOS

## INTERNATIONAL

## Lloyd's

Continued from previous page  
the largest corporate manager of Lloyd's capacity next year.

ACE already owns Methuen Group Ltd. and said recently it plans to buy seven of the nine Sturge syndicates held by Ockham Holdings P.L.C. (BI, Sept. 30). Together, these agencies will control about £752.7 million (\$1.20 billion) in capacity next year, including the market's two largest aviation syndicates, Lloyd's statistics show.

"Lloyd's is on the comeback," said Brian Dupersreault, chairman of ACE, which plans to operate the agencies like "an insurance entity."

ACE could streamline the agencies' backroom offices but allow underwriters to work independently, he said. Lloyd's underwriters always

have had an entrepreneurial flair and high visibility. "It's what I don't want to lose," Mr. Dupersreault said.

Next year, ACE also will contribute £115 million (\$183.7 million) of the capital of the Methuen syndicates, up from £25 million (\$39.9 million) this year.

Another corporate owner next year will be Stamford, Conn.-based Chartwell Re Corp., which has offered £36.3 million (\$58 million) to buy Lloyd's fourth-largest managing agency, Archer Group Holdings P.L.C. (BI, Oct. 21).

Archer manages 11 syndicates, which will have capacity of £443.9 million (\$709.1 million), Lloyd's statistics say.

Chartwell Re doesn't plan to become the largest capital provider of the Archer syndicates but will provide 7% of their capacity when the deal is completed and eventually meet

Lloyd's requirement to provide at least 15%, said Richard E. Cole, Chartwell Re's chairman and CEO.

Last week, Archer announced a new corporate syndicate—2741—would run parallel with marine syndicate 741 and whose capital will come from Global Capital Reinsurance Ltd. of Bermuda.

Steven J. Bensinger, president of Chartwell Re, said Lloyd's in the near future will have "quite disparate structures within it, which is fine (as) that can all work under the same umbrella."

So far, the second-largest corporate player for next year is London Insurance Market Investment Trust P.L.C., one of many investment trusts—including one involving Aon Corp.—buying into agents.

LIMIT's investment in Bankside Syndicate Management Ltd. and Janson Green Ltd., however, is more

strategic to prevent the investment vehicle from being vulnerable to "the rapid process of change in the capital structure of Lloyd's," said Managing Director Michael Carpenter.

LIMIT provides capacity this year of £610 million (\$974.5 million) to 95 syndicates managed by 34 agencies. Of this, only £18.5 million (\$29.6 million) went to Janson Green syndicates and £57 million (\$91.1 million) to Bankside.

Janson Green and Bankside will continue as "autonomous units" and will be floated on the London Stock Exchange in five to seven years, he said.

But some, including Detlef Steiner, CEO of Zurich Re, a unit of Zurich Insurance Group, don't see Lloyd's as a good investment. "They are doing business the way they did before, and I don't believe this system will be successful." **BI**

## Markets

Continued from previous page  
industrial all-risks coverage, catastrophe coverage, nor are higher deductibles available, and Indian corporations cannot establish captives.

Mr. Ramanan said China and India are "sleeping giants which have slept too long." Both are "awakening" and represent major markets for insurance and risk management.

Dato' Mohd Annuar Mohd Senawi, former executive chairman of Malaysia National Insurance Sdn. Bhd. and now chairman of two Kuala Lumpur-based corporations—Landmark Bhd. and Seni Jaya Corp. Bhd.—told the conference the Malaysian government decided last year to attract more foreign reinsurers to Malaysia to increase premium retention onshore.

He said the growth economies in Asia, plus flattening economies in Europe, make the region attractive.

Mr. Senawi said Malaysian insurers need to now develop their own reinsurance departments to write more reinsurance business for the region.

Ajit Nath Jha, chief executive officer and senior vp of Environment, Risk & Insurance Management with the Essar Group, an Indian corporation with shipping and oil exploration interests, said he supports liberalizing the Indian insurance market.

He said that since his department was established in 1994, he has developed "the 10 commandments of risk management," which include guidelines for loss prevention, precautionary measures and a system to review those measures, and the board has signed it.

He said Essar's deductible on most of its property/casualty policies, before the risk management department was established, had been as low as 5,000 rupees (\$140). "It costs me more than that to send a letter," he noted. Policy wordings and rates were the same, regardless of the risk.

Indian insurers did not understand risk management, so corporations "ended up paying more, and getting terms and conditions we didn't want."

Once he established a risk management department and implemented risk management and disaster management strategies, Mr. Jha said he decided to go directly to Lloyd's of London and other international insurers and reinsurers. Initially the premium was double for the property coverage for the company's oil and offshore gas risks.

"I thought I'd lose my job," he commented. However, once Mr. Jha presented all his loss statistics and demonstrated his programs in person to underwriters, he was able to obtain coverage at 280 million rupees (\$7.8 million), almost half the original quote of 700 million rupees (\$19.6 million).

"Underwriters are not fools; they asked for higher deductibles (for cheaper coverage), and I was confident that with the safety audits I had put in place, negligence claims would not occur."

Mr. Jha said the oil market has softened, and his loss record was good, so the premium is now down to 210 million rupees (\$5.9 million).

With liability risks insured through a P&I club, Mr. Jha has achieved a 40% premium reduction by demonstrating the safety systems in place.

Reg A. Bancroft, general manager (Pacific operations) for Royal Global Insurance Pty. Ltd., in Sydney, Australia, said the Asian nations, which now account for 20% of global premium, will account for 50% by 2020.

Rapid growth and deregulation present a favorable investment climate for insurers, he noted.

But he warned that they should not  
Continued on next page

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*Continued from previous page*  
adopt "a gold rush mentality."

Mr. Bancroft said overseas insurers with 2% of the Japanese market carried more than 50% of the losses from the Kobe earthquake (*BI*, Jan. 23, 1994; Jan. 30, 1994).

He questioned whether that was a reflection of the Japanese market's failure to meet customers' needs, or that by leaving larger, more difficult risks to foreign insurers "perhaps...they know something we don't."

Brian Roylett, chairman of the Sydney, Australia-based RiskCorp Consulting Group, which includes RiskCorp Aust. Pty. Ltd., and companies in New Zealand, China and Malaysia, told the conference risk management would not become accepted in China until the impetus came from reinsurers and joint venture partners.

Foreign investment in the Chinese insurers, through joint ventures, also would be a catalyst for introduction of effective risk management, he said.

The Chinese government issued five new insurer permits in January, and Mr. Bancroft predicted further market expansion.

William F. Ramonas, president of American Risk Consultants Corp. in Fort Lee, N.J., said South Korea is breaking down its tariff rates gradually over the next two years, as part of an insurance commodity price deregulation plan implemented by the Ministry of Finance in 1994.

"With price competition comes requirements and standards for reporting and assessing risk. This emphasis on loss control will pay sound dividends," Mr. Ramonas noted. **BI**

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## Workplace injuries rise in U.K.

By SARAH GODDARD

The number of fatal workplace injuries in the United Kingdom remains stable, though the number of non-fatal accidents is up over the prior year, new statistics published last week by the Health & Safety Commission indicate.

Although the figures are still subject to final ratification, preliminary HSC results indicate 272 fatalities among employees and self-employed individuals—unchanged from 1994's rate, said HSC Chairman Frank Davies. And preliminary figures for the number of non-employees who were killed as a result of workplace accidents fell to 90, compared with 104 in 1994.

But the underlying trend of injuries from workplace accidents—including employees, the self-employed and the public—requiring more than three days off work is deteriorating.

In 1994, 137,459 such injuries were reported to the HSC, compared with 142,218 last year, a rise of more than 3%.

And major injuries, such as burns or amputations, rose by almost 5%, to 30,996 in 1995 from 29,531 in 1994.

The increase in injuries is partly because more accidents are being reported, though Mr. Davies admitted the HSC estimates it is only informed of one-third of all injuries.

Asbestos-related deaths will continue to increase probably for the next 25 years, predicted the HSC. At their peak, between 1,300 and 3,300 deaths each year due to mesothelioma, a form of cancer linked to asbestos exposure, are expected, the HSC said. But claims for occupational deafness, work-related skin diseases and a repetitive motion injury called vibration white finger are falling.

The Health & Safety Executive is working to streamline and clarify health and safety regulations, said HSE Director General Jenny Bacon.

*"Health and Safety Commission Annual Report 1995/96" costs £16 (\$26), and "Health and Safety Statistics 1995/96" costs £13.50 (\$22). Both are available from HSE Books, PO Box 1999, Sudbury, Suffolk CO10 6FS, telephone: 44-1787-881165, fax: 44-1787-313995.*



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## INTERNATIONAL

# Satellite exec seeks more flexible insurers

## 1994 losses still influencing rates, despite better results in 1995, he claims

By KATE TILLEY

KUALA LUMPUR, Malaysia—Insurers must be more flexible and creative in underwriting satellites, or else risk losing ground to self-insurance mechanisms, a Malaysian satellite executive says.

Current satellite insurance rates are too high for the risk and reflect 1994 losses rather than 1995 and current conditions, he charged.

Abdul Halim Hamid, senior manager at Measat Satellite Services, a unit of Kuala Lumpur-based Binariang Sdn. Bhd., called for more "innovative insurance programs" in a paper presented at the first FAPARMO Conference Oct. 2-4 at the Kuala Lumpur Hilton.

Measat is about to launch the nation's second telecommunications satellite.

The orbiter, Measat-2, is due for launch Nov. 13 by Arianespace at the Guiana Space Center in Kourou, French Guiana.

Mr. Hamid said satellite insurers should take "different approaches" to in-orbit coverage and should insure mission-critical redundancies from failing before a launch.

He thinks insurers should take more individual approaches,

rather than setting their rates too far in advance and keeping them high because of failures by some launch vehicles, while other have better records.

And he said insurers should not predetermine the orbit rate before the launch phase had expired.

Razak Shakor, chairman and chief executive officer of Johnson



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& Higgins Insurance Brokers (M) Sdn. Bhd. in Kuala Lumpur, said Lloyd's of London's Marham syndicate was lead insurer for both the first Malaysian satellite, Measat-1, and the second.

Fifteen Malaysian insurers participated on the Measat program, providing a net line of \$1.5 million altogether among the 15 for both satellites as a package. Mr. Shakor said the line was "not big, but it's a start."

"We negotiated a package of insurances for both," said Mr. Shakor, who is Measat's broker and risk management adviser. Measat-1, launched Jan. 13, is now in orbit.

It cost more than \$100 million to build and launch, and Measat-2 has a similar value. Mr. Shakor would not disclose the rate Measat paid for the satellites' insurance coverage.

He said Measat chose Arianespace as launch provider because its success rate is good, noting that 76% of insured satellite losses occur in the launch phase.

The Measat satellites provide satellite television and mobile telephone services to Malaysia. Astro, Measat's satellite broadcast service, launched Oct. 1, provides direct broadcast services to subscribers who install a satellite dish in their homes or offices. Measat also provides Internet access, giving subscribers a free satellite-linked modem.

Measat's Mr. Hamid predicted that 1,000 satellites would be orbiting the earth by the year 2000, with launch failures increasing the demand on existing satellite capacity.

While noting the "satellite business is risky," Mr. Hamid said his company implemented a strategic risk management program to minimize its exposures.

Such loss prevention is critical because, apart from the asset loss if a satellite fails or is destroyed, consequential losses and extra expenses are "the most damaging

for both the short and long terms," he said.

Rebuilding a satellite can take 20 to 24 months, a time frame that could be commercially damaging to the broadcaster.

In addition to implementing its risk management program, Measat bought prelaunch, launch

**'Over the years, the space insurance market has been generally tolerable for underwriters,' Abdul Halim Hamid says.**

and in-orbit coverage.

J&H's Mr. Shakor said the process of securing coverage involved providing comprehensive briefing documents for underwriters, making presentations to underwriters, then further providing clarification and finally the preparation of policy wordings and placement.

"There's a lot of financial, technical and legal documentation, making it absolutely clear whose responsibility the satellite is at each stage," he said.

Mr. Hamid complained that the satellite insurance industry's poor 1994 underwriting results—losses

of about \$770 million vs. premiums of \$550 million—still are influencing rates in the market, despite a profitable 1995.

"But 1994 may have been an unusually bad year for the insurance market. Over the years, the space insurance market has been generally tolerable for underwriters," he said.

At current prices, many satellite operators consider insurance "a lousy bet," with rates higher than the risk warrants, according to Mr. Hamid.

Satellite owners will self-insure or manage the risk themselves if insurance rates continue to outweigh the risks, he warned.

J&H's Mr. Shakor said rates over the past year had varied from 12.5% to 27% of the insured value, depending on the launch vehicle used, the satellite itself, and other factors.

Underwriters use 1994 as an example of their exposure to losses, though satellite insurance, like other insurance markets, is cyclical, Mr. Shakor said. "They are trying to capitalize on a bad year," he said.

Ample capacity is another factor supporting a reduction in rates, according to Mr. Hamid.

Satellite insurance capacity is increasing, with \$550 million of capacity available this year, up from \$510 million in 1994, he said.

"With increasing market capacity, premiums should fall, especially when the capacity exceeds the typical insured value," he noted. **BI**

# Risk manager says peers need more qualifications

By KATE TILLEY

## Greater respect comes with better credentials: Ramanan

KUALA LUMPUR, Malaysia—Risk managers in Southeast Asia must improve their qualifications before they can expect to be taken

seriously in their organizations, one of their peers says.

Risk managers have become "too idealistic" and are failing to ad-

dress the reality of their jobs, said T. Ramanan, president of the Federation of Asian Pacific & African Risk Management Organizations,

and group controller, risk management for Hindustan Unilever Ltd. in Bombay, India. They should spend less time talking and more time managing risks, Mr. Ramanan said.

Professionals must gain formal



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risk management credentials, like the A.R.M. designation in the United States and qualifications offered in the United Kingdom and become "fully qualified in the actual nitty gritty of risk evaluation and assessment," Mr. Ramanan said at FAPARMO's conference earlier this month in Kuala Lumpur.

In India, for example, there are only 39 risk managers with qualifications like the Associate in Risk Management designation in the United States.

Until they have qualifications, risk managers will not be taken seriously, he warned. Many in top management still see them as no more than insurance buyers.

Mr. Ramanan said risk management should be taught in schools and universities worldwide as part of management education courses.

Risk managers also can learn from underwriters and should see them as "part of the risk management family," he said.

And consultants, Mr. Ramanan said, should be viewed as "opportunities, not threats."

While an internal auditor could "find out what went wrong," a consultant could examine a corporation's risks from "a step away," and then perhaps help prevent the

loss, Mr. Ramanan said.

Risk managers also should learn from other nations, and FAPARMO is a means by which Asian risk managers could share knowledge, he said.

Kevin W. Knight, immediate past chairman of the International Federation of Risk & Insurance Management Assns. said that while some activities could be outsourced profitably, there is always someone in an organization responsible for risk management and working with consultants.

"A consultant will never know the soul and mind of an organization. Risk management can't be left to outsiders, who see only the best side of an organization," said Mr. Knight, who also is risk manager for the Queensland Education Department in Brisbane.

As FAPARMO member countries increase trade and commercial interaction, it is essential that they also share risk management processes, he said.

Mr. Knight said FAPARMO's advancement of risk management in Southeast Asian countries faces three threats.

Those threats are:

- Self-interest and resistance to change among established groups and individuals in risk management positions.

- The attitude of too many senior executives whose primary concern is purchasing insurance.

- A parochial, isolationist attitude among many in business, which means they are ignorant of issues beyond their own business.

Mr. Knight told the conference that in addition to the seven founding associations of FAPARMO—Australia, India, Japan, Malaysia, the Philippines, Singapore and South Africa—organizations in Taiwan, Nigeria and South Korea also want to join, plus additional bodies in Australia, Japan and South Africa. **BI**

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# Beyond multinationals risk management reamains rare in developing countries

By KATE TILLEY

KUALA LUMPUR, Malaysia—Risk managers can provide vital expertise to companies in emerging economies, since many developing nations do not have sufficient understanding of the concept, the head of a risk management group says.

The term risk management frequently prompts "blank looks or the comment that you buy insurance," Tony Farmer, president of the Malaysian Assn. of Risk & Insurance Management, told the inaugural conference of the Federation of Asian Pacific & African

consultant, said many Asian companies do not employ risk managers, and there are few formal



Federation of Asian Pacific African Risk Management Organizations

risk management programs, other than in large multinational corporations.

Mr. Dyson said the Asian insurance markets are "perpetually soft," and there is little legal activity creating liability exposures

Bhd., in a workshop targeting risk managers in small corporations, pointed out that all businesses in Malaysia must comply with the 1994 Occupational Safety & Health Act, plus the 1965 Companies Act. He warned that jail is a potential penalty for breaches of 54 separate provisions of the Companies Act, which regulates businesses in Malaysia. The Occupational Safety & Health Act is aimed at securing the safety, health and welfare of workers.

Reynaldo A. de Dios, president of risk and insurance management consulting firm R.A. de Dios & Co. Inc., in Manila, Philippines, said Asian risk managers in the past adopted the attitude of "insuring everything at the cheapest possible cost." But as corporations see the need to assume greater risks, and adopt the axiom "prevention is better than cure," loss control and safety are becoming higher priorities.

Mr. de Dios said the Philippines probably was the first Asian nation to legislate for risk management in the government sector, with a 1978 mandate requiring departments to conduct inventories of exposures, analyze the risks, evaluate insurance policies and report on the advisability of establishing sinking funds to pay for uninsured losses. The law also required recommendations on risk management policies. **BI**

## The Asian insurance markets are 'perpetually soft,' and there is little legal activity creating liability exposures for business, says J. Alvin Dyson.

Risk Management Organizations Oct. 2-4 at the Kuala Lumpur Hilton.

Multinational companies with branches in Malaysia and other emerging economies are well-familiar with risk management. But the concept is unknown to some Malaysian companies, even though the nation is launching satellites (see story, page 44) and building the world's tallest building.

The lack of prior risk management knowledge in Malaysia and other emerging markets provides the opportunity for risk management to be "ingrained into the culture of our organizations," said Mr. Farmer, risk manager for Shell Malaysia Ltd. in Kuala Lumpur.

Mr. Farmer's views were echoed by Maizon Omar, general manager of the Malaysian Insurance Institute, which co-hosted the conference.

"Frontier issues are not being faced by risk managers here. Risk management is more basic. There is a balance needed between minimizing risk and speeding development, and that's where risk managers can contribute to economic development," according to Ms. Omar.

J. Alvin Dyson, director of Melbourne, Australia-based Dyson Risk Management Pty. Ltd. and formerly a Hong Kong-based risk

for business.

But business losses are a key issue for Asian businesses because they directly impact money making, and risk managers therefore should focus on skills to protect business and infrastructure development continuity.

"Successfully projecting ourselves as major contributors to economic development will allow risk managers to become highly regarded individuals, and (will allow) the process of risk management to contribute to the national and corporate bottom line in a more sophisticated manner than simply widening policy conditions or keeping insurance costs down," he said.

Mr. Dyson said many in the worldwide insurance industry think risk management is required only when claims outstrip premiums. However, insurance as a risk management alternative has several negatives: It is expensive, cyclical, does not cover all exposures, and the policyholder loses control of the claims management process.

"Insurance is an after-the-event treatment method," he noted. "Having a policy has never stopped a loss happening," he noted.

Khairudin Bin Damhoeri, senior manager, corporate planning, with Kuala Lumpur-based Koperasi Polis DiRaja (Malaysia)

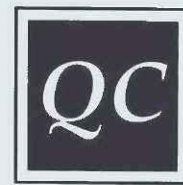
senior member of the Guatemalan soccer authority who is an executive at a unit of Assicurazioni Generali S.p.A. in Guatemala, Mr. Guerra said.

It was not clear whether Generali provided the coverage. The details are expected to be released shortly.

The crush happened at around 7.30 p.m. on Oct. 16, while the Costa Rican team was warming up on the field.

FIFA postponed this match, which was part of a qualifying round of games in the CONCACAF preliminary group involving countries in North, South and Central America and the Caribbean.

Members of the group are trying to qualify for the next World Cup which will be held in France in 1998. **BI**



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## Kickoff

Continued from page 41  
Cup qualifying games are the responsibility of the soccer association of host countries.

A local newspaper reported last week that the Guatemalan association had overlooked insurance it organized the game. Following the report, the Guatemalan government seized the proceeds of ticket sales for the game, Mr. Guerra said. The \$150,000 seized would have been used to compensate the injured and families of the victims if there had been no insurance, he said.

However, at a meeting of the association last Wednesday, soccer officials said that coverage was in place, Mr. Guerra said.

The coverage was arranged by a

# ESRD

Continued from page 1

One of the biggest obstacles the TPA faced in recovering the mistaken payments was that the dialysis center's attorney did not understand all the issues involved in the controversy, Mr. Peters said.

In fact, the issues are complex and involve the shared responsibility between employer health plans and Medicare for primary payment of medical bills of ESRD, an impairment of the kidneys for which there is no cure, only expensive treatment.

Under a law passed in 1973, Congress expanded the Medicare program to provide coverage for ESRD for people under 65, the normal eligibility age for Medicare.

That change in law created a huge entitlement program. In 1994, the last year statistics are available, Medicare spent \$8.4 billion to cover the medical bills of about 232,000 ESRD patients.

But Congress has looked for ways to trim the program's cost. Several legislative changes ultimately made employers' health care plans the primary payers for the first 18 months of medical bills for employees or retirees under 65 who develop ESRD. After 18 months—or when an individual with

ESRD turns 65—Medicare assumes primary responsibility for these costs.

In the case of retirees who develop ESRD after turning 65, Medicare is the primary payer.

In October 1990, HCFA issued a new interpretation of how ESRD and Medicare secondary-payer statutes affected employer responsibility to provide COBRA health care continuation coverage to former employees who developed ESRD.

It said the 18-month period of primary employer responsibility for medical bills of employees remained in place even if the individuals terminated employment and received COBRA coverage from their former employers.

Under the HCFA interpretation, if the 18-month ESRD employer/Medicare coordination period began, for example, six months before an employee quit, the employer would still have to offer COBRA coverage to the former employee for another 12 months.

But that interpretation stunned insurers and plan administrators. They said the federal COBRA statute clearly states that one of the situations in which employers need not offer or can terminate COBRA coverage is when a beneficiary becomes entitled to Medicare, such as developing ESRD.

In a suit filed by Blue Cross & Blue Shield of Texas, the 5th U.S. Circuit Court of Appeals in 1993 upheld a U.S. District Court ruling that HCFA's position had no statutory basis.

In the wake of the court rulings, HCFA, in November 1993, formally rescinded its interpretation and said employers could terminate COBRA coverage for former employees entitled to Medicare because of ESRD.

At the time of its policy reversal, HCFA said providers who received refund requests from employers and plan administrators for medical bills of COBRA beneficiaries could file claims with Medicare for services without regard to Medicare's normal claims filing deadline. Generally, providers must file claims with Medicare no later than 15 to 27 months after a service is delivered.

Last month, though, "because of the need for efficient program administration," HCFA said, effective April 1, it would no longer pay claims relative to past COBRA situations for services that are not delivered within the normal 15- to 27-month Medicare claims filing period.

HCFA earlier said it cannot force providers to refund to employers and administrators the claims payments they received from employers'

COBRA plans.

But the agency noted at the time that in situations where providers refuse to refund COBRA plan payments, an employer might be able to offset future payments to the provider in order to recover its COBRA payments.

Of course, that strategy would not work if the employer no longer deals with the provider, such as when it moves to a managed care network and the provider is not in the network.

Financially, providers have little incentive to file claims with Medicare for services Medicare should have covered but were paid by employers' COBRA plans.

For example, Medicare rates for dialysis centers typically are 40% to 50% less than what the centers charge group health care plans, said Mr. Peters. As a result, if a dialysis center refunds a COBRA payment to an employer, it is likely to receive a lot less from Medicare when it files a claim with the program compared to what it is refunding to the group plan.

For that reason, dialysis centers aren't likely to leap to file claims with Medicare for services that employers' COBRA plans erroneously paid for.

"As a practical matter, you are asking providers to do additional work so they can end up with less money in

their pockets," said Robert Roth, a principal with Michaels, Wishner & Bonner in Washington, who represented Benefit Plan Services in effort to recover COBRA plan payments from a dialysis center.

Still, employers and plan administrators have pressured providers into refunds for payments made by COBRA plans for former employees with ESRD. "Our position was we will get our clients' money back," Mr. Peters said, adding that the provider realized it could face litigation if it didn't refund the claims payments.

For employers who want to try to get back from providers claims payments made by COBRA plans, the prudent course of action is to contact providers now, said Mr. Roth a former HCFA attorney.

Mr. Roth says employers seeking refunds should advise providers that HCFA had no authority to compel COBRA plans to pay claims for former employees with ESRD who became eligible for Medicare.

With the expanded claims filing deadline ending on April 1, employers and plan administrators should advise providers to bill Medicare now and refund COBRA claims payments to the employers or administrators, Mr. Roth added. **BI**

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Vice Presidents, General Managers and Other Administrative Personnel ..... 4,884

**Financial:**  
Chief Financial Officers and Vice Presidents of Finance ..... 3,011  
Secretaries, Treasurers, controllers and other Financial Personnel ..... 2,827

**Risk/Employee Benefits:**  
Vice Presidents, Directors, Managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations ..... 17,307

**Sub-total** ..... 29,775  
Associations ..... 301  
Government, Unions and Educational Institutions ..... 969

**Commercial Consumers**  
**Sub-total** ..... 31,045  
Insurance Agents and Brokers ..... 8,664  
Insurance Companies ..... 7,831  
Accountants, Actuaries, Attorneys & Consultants ..... 3,148  
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers ..... 1,880  
Others Allied to the Field ..... 680

**Total Qualified** ..... 53,248  
Non-qualified ..... 12  
Single Copy Sales ..... 40

**TOTAL CIRCULATION** ..... 53,300  
★ Source Business/Occupational breakdown of qualified circulation, May 27, 1996 Issue, as submitted to BPA for June 1996 BPA Publisher's Statement

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# Financial markets, technology will take greater role: Survey

By JOANNE WOJCIK

SAN FRANCISCO—The insurance industry will continue to shrink and financial markets will play a larger role in risk financing in the next century, according to members of the

National Assn. of Independent Insurers.

Technology—especially the Internet

and World Wide Web—also will revolutionize the way insurance business is transacted, respondents to the NAII's survey on "Insurance Trends and Forecasts for the 21st Century."

And tomorrow's smaller, high-tech-oriented insurers will need to attract and retain better personnel and management to differentiate themselves from their competitors, NAII members predict.

Of the 140 insurance company chief executive officers that responded to

the survey, 74% predict their companies will merge with another insurer in the next 10 years.

And most of this group—49%—optimistically believe their company will be the buyer rather than the seller in such transactions.

"Does this reflect human nature to be in control of one's destiny? Or that you, the NAII companies, will be the primary aggressors?" asked Fred Dopfel, director of the western region for Centre Reinsurance Co., who presented the survey results at the 51st annual NAII meeting in San Francisco Oct. 13-16. The NAII sent surveys to 500 CEOs from its membership of 555 companies.

"My experience is that probably there will be an equal number of sellers and buyers," he said.

Regardless, "the resulting consolidation will cause higher concentration of the industry," he predicted.

Mr. Dopfel theorized that the merger activity is driven primarily by the need to achieve economies of scale in an increasingly competitive insurance

marketplace where cost and speed have become the buyer's mantra.

"Scale, after all, lowers the cost of capital," he pointed out.

"Eventually, though, I expect it will become impractical to continue this consolidation as the industry becomes even more concentrated than it is now and is dominated by a few, enormous, firms," he predicted.

This was consistent with the NAII survey responses, he pointed out.

"The market share of the Top 10 companies will increase from about 40% of the market now to 45% of the market by 2006. And that 5% is a lot of premium," he said.

As the industry consolidates, "there will have to be new ways to access more capacity, and this will drive the dramatic change we're beginning to see in the placement of risk," he predicted. In particular, he predicted the financial markets, which have far more capital than the U.S. insurance industry, will enter the risk-financing business.

"The relative amount of capital in the insurance industry, including U.S. property and casualty and reinsurance markets, is about \$200 billion, give or take a few billion, compared to capital in the U.S. financial markets, which is \$20 trillion," he said. "That's a lot of zeros. It's 100 times as great."

A typical 10-point drop in the Dow Jones average, which produces a \$34 billion loss, is greater than the \$15.5 billion Hurricane Andrew and the \$12.5 billion Northridge earthquake losses combined, he pointed out.

So, "what the insurance industry considers a 'catastrophe' is just a 'hiccup' to the financial markets," he said.

"The implications of this I think are dramatic," he said. "It makes no sense

for an insured or its broker to think that an insurance company should bear all the risk when there's so much other capital out there that is willing to take on risk at a lower price."

The survey findings also support this assumption, he pointed out.

A total of 95% of NAII members responding to the survey believe that risk financing—defined as the use of financial products in combination with insurance products—will become well-established in some niches.

Furthermore, 83% of the respondents believe "that financial markets will play a bigger role in financing risks associated with natural disasters," he said.

Growth of Internet technology also will influence the way insurance transactions are handled in the next decade, the survey found.

An average of 31% of commercial lines transactions and 37% of personal lines transactions will be conducted over the Internet, survey respondents predict. "This is a revolutionary change that will affect consumer behavior and mass marketing probably more than the telephone," Mr. Dopfel said.

"You see, the new generation is hooked on low cost and speed," he explained. "Technology is really the only way to get it."

Because consolidation and technology are likely to reduce the need for manpower in the insurance industry, those who survive will likely be the best and the brightest, Mr. Dopfel predicted.

"Surely we're going to see a tremendous dislocation of employment in the industry," Mr. Dopfel said. "And it seems that people come last in today's business environment."

"But instead, it will be the most important force transforming our industry and the best way for companies to differentiate themselves."

Having good management and personnel was ranked the most critical issue facing the insurance industry in the next decade by survey respon-

dents.

But "what are the conditions which will attract the best talent to the industry?" he asked.

Money, for one, he said.

Revenue per employee must be high enough to attract talented people, because \$100,000 in revenue per employee represents less than \$50,000 in average salary per employee, "and that's not enough to live on in some areas," he said.

"The frequent complaint about our industry has been the dearth of talent," Mr. Dopfel pointed out. "Once a professional recruiter told me that he could find me somebody extremely bright or somebody experienced in the insurance industry, but not both."

"I think that day is going to be over."

"Over the next 10 years, it will become apparent that the very best talent will become attracted to our industry and lead us to an increasingly dynamic and exciting insurance industry," he said. **BI**

## Attendance near 1,500

Nearly 1,500 insurance industry executives attended the 51st annual meeting of the National Assn. of Independent Insurers Oct. 13-16 at the Marriott Hotel in San Francisco.

The 52nd annual meeting will be held Nov. 9-12, 1997, at the Marriott River Center in San Antonio.

For information, contact Bernie Rouse, director of administration, NAII, 2600 River Road, Des Plaines, Ill. 60018-3286; 847-297-7800; Fax: 847-297-5064; Internet address: <http://www.naii.org>.

## California regulator 'willing to take hits'

By JOANNE WOJCIK

SAN FRANCISCO—When California Insurance Commissioner Chuck Quackenbush took office two years ago, he expected to find a department full of civil servant paper-shufflers.

Instead, he found were piles and piles of untouched paper—including mountains of unopened packages containing time-sensitive legal filings.

"We called in associates from the law firms that did work for the department to help get rid of the backlog," Mr. Quackenbush recounted.

"They were more than willing to help," he said. "Then we asked them to do it for free." The firms provided the help free.

Mr. Quackenbush's mission as the first conservative Republican elected to the insurance commissioner post is to streamline regulation to enhance competition. "I want to create a regulatory and economic environment

irresistible to insurers," he said during the 51st annual meeting of the

National Assn. of Independent Insurers Oct. 13-16 in San Francisco.

Mr. Quackenbush continuously espoused free market principles during his 1994 campaign. "Proposition 103 did some devastating things to this marketplace," he said, referring to the voter initiative that forced insurers to roll back premiums for most lines of insurance and subjected future rate increases to prior regulatory approval.

Because Proposition 103 added to the department's administrative tasks, its staff size ballooned to 1,100 people from 325 in just four years.

While the increased size of the department may have been justified given the new prior approval responsibilities, Mr. Quackenbush soon discovered "nobody was told what to do." So the department was, in effect, in a state of inertia, he said.

After the backlog was eradicated, he set out to speed up the department's paperwork turnaround time as much as possible—even when it meant making mistakes. "We focused

on making decisions quickly. We were willing to live with a 15-and-5 record instead of just a 3-and-0 record," he said, because it meant more decisions were being made.

But while 613 insurance rate adjustments—nearly one per day—have been approved since he took office, Mr. Quackenbush is feeling the political heat. After the Agents and Brokers Legislative Council, a lobbying group for insurance agents and brokers in California, gave Mr. Quackenbush an "A" rating at midterm, the pro-consumer Proposition 103 Enforcement Project gave him an "F."

Mr. Quackenbush also has been the target of criticism by Golden Eagle Insurance Co. President John C. Mabee. The San Diego-based insurer last month was ordered to boost its reserves by \$138.5 million after a department audit found the company was underreserved for construction liability risks written several years ago (*BI*, Sept. 23).

"Normally this would be the routine business of the Insurance Department," he said. "But the company has responded vociferously and very negatively."

"In fact, the president of the company has put a \$100,000 price tag on my head," he said. He was referring to a \$100,000 reward Golden Eagle has offered to anyone who can help it prove in court that the California Insurance Department is conspiring against it. No one yet has come forward.

But Mr. Quackenbush so far has been unfazed.

"I kind of enjoy that... I'm willing to take the political hits," he said.

He also has seen two group of employees in his department file federal lawsuits against their bosses, alleging in part that they were ordered to rubber-stamp for prosecution workers compensation fraud cases referred by insurers. Mr. Quackenbush is a defendant in both suits (*BI*, Sept. 23).

Mr. Quackenbush used movie analogies to describe his first two years in office. "Some days I feel like Rocky," he said, emerging from the ring victorious and strong. "Other days I feel like the Sundance kid," surrounded by the Mexican army.

"When someone asks, 'Who's going to go out and get the horses?', usually it's me," he quipped. **BI**

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# Confed

Continued from page 2

finding insurers to take on the Confed (U.S.) policies, a practice known as assumption reinsurance. The business is currently out for bid.

The letter says that under the plan:

- 100% of all scheduled annuity benefits are expected to continue.

- 100% of policy liabilities under individual life insurance policies are expected to be transferred to other creditworthy insurers.

- Policy liabilities under single-premium deferred annuities are expected to be assumed by another insurer.

- A variety of payment options for guaranteed investment contracts will be offered. Under the options, GIC owners may elect to receive 100% of their rehabilita-

tion date contract balances plus some interest.

- 100% of policy liabilities under various health and long-term disability policies are expected to be assumed by another insurer.

"While the outcome cannot be guaranteed, the plan contemplates a continuation of full annuity, disability, health and death benefits. It is possible that some

Pacific Mutual Life Insurance Co. Details of the agreement were not released.

A similar agreement was reached with New York Life Insurance Co. for a block of bank-owned life insurance policies. The deals are expected to be completed by the middle of next year.

In addition to the proposed reinsurance agreements, the liquidator of the Canadian Confed operation will pay Confed (U.S.) \$225 million. Confed (U.S.) will pay \$6 million to the Canadian liquidator for services provided since the collapse of Confed in August 1994.

No provisions have been made to pay subordinated claims. These claims include premium taxes and agent compensation for premiums not paid in cash, a Confed (U.S.) spokesperson said.

Subordinated claims cannot be paid until policyholder claims are paid in full, she said. **BI**

**'It is possible that some benefits will have to be reduced in the future; however, current projections indicate that no benefit reductions will be necessary,' says a letter to policyholders.**

benefits will have to be reduced in the future; however, current projections indicate that no benefit reductions will be necessary," the letter says.

Mr. Olson has already arranged an assumption reinsurance agreement for a block of corporate-owned life insurance policies with

# Campaign

Continued from page 1

the Republicans, insurance lobbyists said: They have the power.

"You want to stay on the good side of whoever is in charge," explained John Lobert, senior vp of government relations at the National Assn. of Independent Insurers in Washington. "You try to court whoever is in power irrespective of whatever happens to the business community."

In this election cycle, the NAII has contributed \$200,465 to candidates, with only \$7,624, less than 4%, going to the Democrats.

"The money follows the votes, not the other way around," said Joel Wood, vp of government affairs for the Council of Insurance Agents & Brokers in Washington.

The Council provided more than \$150,000 in political action committee contributions, 12th-largest in the insurance industry, with 80% going to Republicans.

During the first 18 months of the 1993-1994 election cycle, insurance PACs gave \$6.2 million. Of this, \$3.3 million, or 54%, went to Democrats.

In contrast, during the same time frame in the 1995-1996 cycle, overall contributions rose to more than \$7 million but shifted heavily toward the Republicans, who reeled in 75% of the money, or \$5.3 million. Democrats saw their contributions cut to \$1.8 million.

In addition, in the 1992 election cycle, the insurance industry donated \$14.9 million, evenly split between the two parties.

This shift by the insurance industry's top 45 PACs mirrors business contributions as a whole. According to the CRP, from 1988, when it started tracking contributions, until 1994, business PACs contributed equally to both parties. "This time, Republicans have out-raised Democrats (by a ratio of) 2-to-1," the center states. "Overall, GOP candidates collected 87% more from PACs in the first 18 months of the election cycle than they did two years earlier. Democrats, meanwhile, saw PAC contributions to their campaigns drop by 23%."

The largest insurance PAC contributor was the National Assn. of Life Underwriters, which gave \$755,250, 71% to Republicans. NALU also was first in 1992 but only gave 43% of its \$844,700 to Republicans.

"In organizations that are not ide-

ological, shifting is the norm," said Michael Kerley, senior vp, government affairs at the NALU in Washington.

Rounding out the top five PAC contributors this cycle are:

- Independent Insurance Agents of America, with \$471,506 in contributions.

- American Council of Life Insurance, with \$372,859 in contributions.

- AFLAC Inc., with \$323,450 in contributions.

- Blue Cross & Blue Shield Assn., with \$254,625 in contributions.

In addition to PAC contributions, insurance companies gave soft

**'You try to court whoever is in power irrespective of whatever happens to the business community,' says John Lobert.**

money to the political parties. In contrast to PAC giving that is limited to \$10,000 per candidate per election—\$5,000 for the primary and \$5,000 for the general election—there are no limits on soft money giving.

The leading giver of soft money, according to the CRP, is American Financial Corp., the Cincinnati-based parent for numerous insurers, including Great American Insurance Co. American Financial gave \$645,000, of which \$530,000 went to Republicans. This figure includes a \$150,000 donation from Chief Executive Officer Carl Lindner to the National Republican Congressional Committee, the largest single donation by a person in the insurance industry.

A spokeswoman for American Financial would not comment on the contributions, saying it was "private business."

The next largest soft money contributors are:

- Travelers Group, with \$403,999 in contributions.

- Prudential Insurance Co., with \$392,487 in contributions.

- Blue Cross & Blue Shield Assn., with \$390,088 in contributions.

- Reliance Group Holdings Inc., with \$350,000 in contributions.

The soft money greatly favored Republicans. The top 35 soft money insurance contributors, including individuals, gave a total of \$2.7 mil-

lion, two-thirds of which was given to Republicans.

Giving to Republicans not only reflected their control of Congress, but also their stance on issues, lobbyists said.

For example, the Council's Mr. Wood said that on the two most important House votes—Superfund reform and extending insurance regulation to banks that sell insurance—78 Republicans in the House voted with the insurance industry. In contrast, only nine Democrats voted the industry's way both times. These members were rewarded for their support, he said. "The contributions go to bolster those who vote with us," he said.

The 104th Congress did not achieve comprehensive overhaul of the Superfund liability system, which likely will be taken up again in the 105th. House and Senate conferees, however, did limit Superfund liability for lenders (*BI*, Oct. 7). The insurance industry attempt to extend state insurance regulation to cover banks that sell insurance was defeated.

At the NAII, money is given to candidates who agree with their issues. "Our giving has always been on one simple principle: Does the candidate support state regulation of insurance?" said Mr. Lobert. "If they support state regulation, we support the candidate."

"Republican members tend to have the same views on a lot of issues we work on," said Shelly Rice, PAC manager for the National Assn. of Professional Insurance Agents, the 11th-leading insurance contributor at \$166,800.

"In their heart of hearts they are more Republican than Democratic," Larry Makinson, deputy director of the CRP, said of the insurance industry.

One large question for the future: If the Democrats retake Congress, will the river of money flow back to them? Lobbyists think it will happen to some degree.

"We don't go searching out opportunities to give to people that don't have strong voting records or a history of support on our issues," Mr. Wood said. But he added if the Democrats retake control he might contribute to a member in a position of power who is receptive to their position.

Mr. Lobert of the NAII says the money will head to the power, whatever party holds it. "That's the fickle nature of the business community," he said. **BI**

# Updates

## IATA blasts pact conditions

LONDON—Airlines and aviation insurers filed objections last week to the U.S. Department of Transportation's conditions for approval of three airline agreements that would waive passenger liability limitations for international flights.

If the U.S. department insists on these conditions being imposed, then the agreements will die and "future victims (of airline disasters) will be unfairly penalized" by the department's actions, said Lorne S. Clark, general counsel and secretary of the Geneva-based International Air Transport Assn.

The conditions, among other things, could impose passenger liability on the first airline that a passenger flies out of the United States, no matter if an accident occurs on another leg of the trip on another carrier (*BI*, Oct. 14).

Without the department's approval of the IATA agreements, the airlines would not have immunity from antitrust actions in the United States. Also, without the department's approval, non-U.S. airlines and governments like Australia, Japan and the European Union will have different liability systems, creating a fractured system around the world for passengers seeking damages, said Mr. Clark.

So far, 70 airlines representing 75% of the world's air traffic have signed IATA's Intercarrier Agreement on Passenger Liability—which voluntarily waives the Warsaw Convention's passenger liability limitation on international flights—and 43 have signed an implementation agreement to put the IATA agreement on passenger tickets, said Mr. Clark last week during a scathing speech about the U.S. department's stance at the Insurance Institute of London (*BI*, Oct. 14).

Following the meeting—where insurers asked Mr. Clark what they could do to help—Lloyd's Aviation Underwriters' Assn. and the Aviation Insurance Offices Assn. filed a combined response pointing out that the U.S. Department of Transportation's conditions would impose a "substantially greater" increased cost of liability claims than the IATA agreements as they stand.

The IATA agreements alone could increase liability claims \$200 million annually worldwide, said John Westcott, chairman of the LAUA. But the agreements are "as near perfect" as the airlines can get, he added.

## California fires destroy homes

LOS ANGELES—Homeowners insurers have received more than 400 claims in connection with the spate of brushfires that raged through Southern California last week, but no commercial claims have been filed.

Los Angeles-based Farmers Group Inc. has received the most claims so far: 314 totaling \$14 million. Thirty-one of the claims were for structures that were destroyed.

State Farm Mutual Insurance Co. of Bloomington, Ill., so far has received 162 claims, 19 of which were for homes consumed by the Carlsbad fire. The insurer expects to receive as many as 500 claims by the time the fires are completely doused. So far, claims against State Farm total \$5 million.

No other insurers have reported fire damage claims, according to the Personal Insurance Federation, a Sacramento-based industry association representing insurers that write homeowners coverage in California.

Brushfires last week scorched thousands of acres of mountainous brush in three areas: the Northern San Diego County City of Carlsbad, the Orange County community of Lemon Heights and the city of Malibu. As of Friday, all but the Malibu fire had been contained.

Monetary estimates of property damage are not yet available.

However, the number of homes consumed pales in comparison to the more than 700 burned in fires that ravaged Southern California in October 1993, causing \$950 million in insured damages (*BI*, Nov. 1, 1993). The lower damage toll is credited to precautions taken after the 1993 fires, such as stricter enforcement of regulations requiring homeowners in high-risk areas to trim brush around their homes.

## Briefly noted

North Carolina Insurance Commissioner James Long has approved a 13.7% average reduction in the state's **voluntary market workers compensation base rates**. The commissioner also approved an average 13.2% reduction in the base rates for the state's assigned risk market. The new rates will be implemented April 1, 1997. . . Employers can include former employees in **educational assistance plans** without affecting the tax-favored status of those plans, the Internal Revenue Service said last week. However, the IRS also said that employees' dependents or spouses cannot be covered in the plans. . . Standard & Poor's Corp. has affirmed the AAA rating of the Washington, D.C.-based **College Construction Loan Insurance Assn.**, the financial guaranty insurer better known as Connie Lee. The insurer, which has been owned in part by the federal government and has been restricted to insuring obligations of education and health care-related issues, will expand its scope and privatize under provisions of legislation signed into law by President Clinton Sept. 30. . . Plaintiffs in the class-action suit over an **HIV-tainted blood product for hemophiliacs** have overwhelmingly approved the settlement reached in August. While 6,500 eligible claims were received for the \$100,000 per claimant settlement, only 550 class members opted out. The defendant companies have until Nov. 22 to decide whether to reject the settlement based on the number of opt-outs. . . The **National Council on Compensation Insurance** has appointed Rob Romano to the newly created post of managed care market manager. . . Fireman's Fund Insurance Co. says its **San Francisco Reinsurance Co.** subsidiary will stop writing new or renewal business Jan. 1 and that its renewals are for sale. . . A federal judge in Santa Ana, Calif., has moved five of the eight suits **Orange County, Calif.**, filed against Merrill Lynch & Co. and its other investment advisers earlier this year to U.S. District Court in Santa Ana from U.S. Bankruptcy Court. . . EXEL Ltd. said its wholly-owned subsidiary, X.L. Insurance Co., has completed its acquisition of the outstanding shares of the **Railroad Assn. Insurance Ltd.** (*BI*, Sept. 16).

# EMLICO

Continued from page 2  
it was insolvent before the move and deliberately misled the Insurance Division to secure regulatory approval for the move (BI, Sept. 30).

EMLICO lawyers could not be reached and Mutual Risk Management officials declined to comment.

In one of the affidavits, Robin G.N. Spencer, a London-based Lovell White partner, says he and his wife met several friends Oct. 18 at a pub at the Hamilton Princess hotel, where he was attending a conference coincidentally sponsored by Coopers & Lybrand, EMLICO's liquidator.

When the subject of EMLICO came up in conversation, Mr. Alexander said that "he could not see why the liquidation of EMLICO came as a surprise," Mr. Spencer's affidavit says.

"He explained that Mutual Risk had been approached two years ago to give a fee quotation to handle the runoff of EMLICO and that he had handled the discussions with representatives of EMLICO following the approach," Mr. Spencer's affidavit says.

"One of the unusual features about the re-

quest for a quotation was that those representing EMLICO had explained that the period during which Mutual Risk was to be active as manager was going to be about a year as EMLICO would then be placed into liquidation," the affidavit says.

In later conversations with Mr. Spencer and Christopher Grierson—another Lovell White partner who filed a separate affidavit—Mr.

**This is 'compelling evidence... that EMLICO was aware of its insolvency long before the redomestication hearing,' Kemper Re's lawyers say.**

Alexander elaborated that Mutual Risk had been approached about managing two companies, one of which was EMLICO and one of which was to be placed in liquidation, the affidavits say.

The affidavits do not identify the second company or the EMLICO representatives who approached Mutual Risk.

Richard O'Brien, Mutual Risk's vp and gen-

eral counsel, met with Mr. Grierson last Monday and confirmed some of Mr. Alexander's statements but was also "concerned not to be seen to be disclosing confidences," according to Mr. Grierson's affidavit.

Kemper Re has subpoenaed Mutual Risk for any files it has on the EMLICO quote.

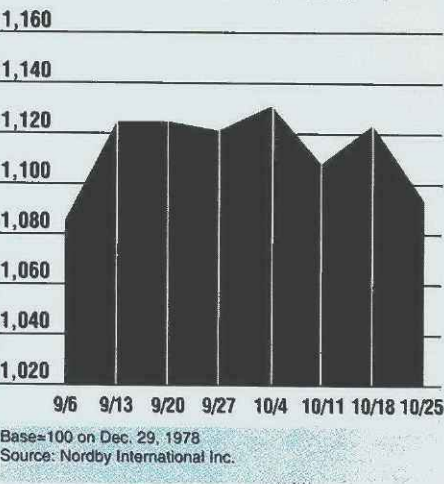
Mr. Alexander's statements are "further compelling evidence... that EMLICO was aware of its insolvency long before the redomestication hearing in June 1995 and planned to go into liquidation upon arrival in Bermuda," Kemper Re's lawyers say in an Oct. 24 letter to the Massachusetts division.

Meanwhile, GE has settled a dispute with state insurance guaranty funds over coverage of EMLICO-related claims.

Under an agreement signed earlier this month, GE will make no claims against participating guaranty funds relating to its EMLICO policies and will indemnify the funds against third-party claims arising under the policies, according to Joseph C. Tanski, a lawyer with Hutchins, Wheeler & Dittmar in Boston, who represents the Massachusetts fund.

The agreement settles a declaratory judgment action filed by several state guaranty funds in September in Supreme Court in Bermuda. **BI**

## BI Insurance Index



## PCS catastrophe options

As of Oct. 25		Call spread		Price bid/ask	
<b>National Annual 1997</b>				<b>California Annual</b>	
80/100	6/10			40/60	.4/1.3
120/140	4.5/5			80/100	.2/1.1
140/160	—/4.5				
<b>Southeast Dec. 1996</b>				<b>Eastern Dec. 1996</b>	
10/30	—/3			10/30	—/3.5
				49/60	.3/7
<b>Western Annual 1997</b>				<b>Northeast Sept. 1996</b>	
40/60	2.2/3.7			20/40	—/1
80/100	1.9/2				

Total volume: 932 Total open interest: 7,924  
For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.  
Source: Chicago Board of Trade

# Lindenmayer promoted at Fidelity Investments

## Comings & Goings: Buyers

Judith M. Lindenmayer has been promoted to vp of Fidelity Investments and is responsible for worldwide risk management and domestic safety and loss control for the Boston-based investment company.

In her newly created position, Ms. Lindenmayer, 55, reports to Joan D. Crumrine, vp and corporate treasurer. She was director of risk management before accepting the promotion.

Ms. Lindenmayer is a member of the Executive Council of the Risk & Insurance Management Society Inc. She has served as a director and president of the Chicago chapter of RIMS, society director of the Massachusetts chapter and has been a member of several committees in the national society. Ms. Lindenmayer holds the Associate in Risk Management designation.

Millicent W. Workman has been named risk manager at Mueller Industries Inc., a Memphis, Tenn.-based fabricator of copper, brass, plastic and aluminum products.

Ms. Workman, who was named *Business Insurance* Risk Manager of the Year in 1992, is responsible for Mueller's risk management and claims management, loss control, safety and disaster recovery planning. She previously was an

independent disaster recovery consultant and prior to that worked as director of risk management at Belz Enterprises from 1987 to 1994.

She replaces former risk manager Cindy Quiring, who decided not to relocate when Mueller moved its corporate offices from Wichita, Kan., to Memphis last June. Ms. Workman reports to William Hensley, Mueller's general counsel.

Ms. Workman holds a bachelor of science degree in biology from Union University in Jackson, Tenn. She holds the Chartered Property & Casualty Underwriter designation, is a member and past president of the Memphis CPCU Society and is a member and past president of the Memphis chapter of the Risk & Insurance Management Society Inc.

Robert M. Yamada has been promoted to vp of human resources at Degussa Corp., a manufacturer and developer of chemicals, pharmaceuticals and precious metals based in Ridgefield Park, N.J.

He was formerly director of compensation, benefits and human resources administration for the company.

In his new position, Mr. Yamada will supervise human resources and labor relations functions for Degussa's Pigment Group while retaining previous responsibilities for corporate compensation, benefits, the company's human resources information system, payroll and management of investments of pension and 401(k) funds. Mr. Yamada reports to John L. Medina, executive vp of the Pigment Group.

Mr. Yamada holds a bachelor of arts degree in sociology from the University of Illinois. He is a member of the American Compensation Assn.

*We'd like to report on staff changes in your company's risk management, safety and employee benefit departments. Contact Michael Bradford, Associate Editor, Business Insurance, Suite 114, 8950 N. Central Expressway, Dallas, Texas 75231; 214-361-2295; fax: 214-696-1936. Please send a photograph, too.*

# BI Industry Stock Report OCT. 21, 1996, THROUGH OCT. 25, 1996

BROKERS				INSURERS/REINSURERS				HEALTH MAINTENANCE ORGANIZATIONS			
Company	Price	Weekly % change	Year to date % change	Company	Price	Weekly % change	Year to date % change	Company	Price	Weekly % change	Year to date % change
Acordia Inc.	NYS 30	-0.41	0.84	ACE Ltd.	NYS 52.625	-3.44	32.39	FHP International	NDO 34	-5.23	19.30
Alexander & Alexander	NYS 14.75	-3.28	-22.37	Acceptance Insurance Cos.	NYS 19.875	-1.24	33.61	Healthsource Inc.	NYS 11.75	-4.08	-67.36
E.W. Blanch Holdings Inc.	NYS 20.875	-0.60	-10.70	AEGON N.V.	NYS 53	1.44	20.45	Humana Inc.	NYS 18.625	-5.70	-31.96
Gallagher Arthur J. & Co.	NYS 29.5	-3.67	-20.81	Aetna Life & Casualty	NYS 63.125	-1.56	-8.84	Oxford Health Plans	NDO 45.375	-2.16	22.84
Hibb, Rogal & Hamilton	NYS 12.75	-2.86	-4.67	AFLAC Inc.	NYS 38.75	4.03	33.62	Pacificare Health Sys.	NDO 67	-9.15	-22.99
Kaye Group Inc.	NDO 6.25	0.00	-21.88	Allied Group Inc.	NDO 41.625	3.42	15.63	Safeguard Health Enter.	NDO 18.4375	2.43	58.60
Marsh & McLennan	NYS 100.875	1.00	13.66	Allmerica Prop. & Casualty	NYS 28.625	-5.37	6.02	Sierra Health Services	NYS 29.75	-7.39	-6.30
Poe & Brown	NDO 25.5	2.51	2.51	Allstate Corp.	NYS 54.75	0.23	33.13	United Healthcare Corp.	NYS 36	-9.72	-44.93
<b>BROKERS AVERAGE</b>		<b>-0.9</b>	<b>-7.9</b>	AMBAC Indemnity Corp.	NYS 62.625	4.16	33.60	Wellpoint Health Networks	NYS 32.375	-0.77	0.76
				American Bankers Ins.	NDO 47.5	-3.06	21.79	HMOs	AVERAGE	-4.6	-8.0
				American Financial Group	NYS 34.75	0.36	13.47	ALL COMPANIES	AVERAGE	-2.0	-2.8
				American General	NYS 37.375	-3.86	7.17				
				American Heritage Life Ins.	NYS 20.375	-0.61	-10.93				
				American Indemnity(Fin'l)	NDO 10	3.90	0.00				
				American International	NYS 104.375	-1.42	12.84				
				American Re Corp.	NYS 64.25	0.39	57.19				
				Aon Corp.	NYS 55.875	0.00	12.03				
				Argonaut Group	NDO 29	-4.13	-10.77				
				AVEMCO Corp.	NYS 15.5	-2.36	-3.13				
				Baldwin & Lyons Inc.	NDO 18.375	-1.34	13.08				
				Berkley W.R. Corp.	NDO 51.75	1.47	-3.72				
				Berkshire Hathaway Inc.	NYS 32700	0.62	1.87				
				Capital RE Corporation	NYS 38.875	-2.20	26.42				
				CapMac Holdings Ltd.	NYS 34	-7.17	NA				
				Capture Holdings Corp.	NYS 8.75	4.48	14.75				
				Chartwell Re	NYS 25.875	2.99	NA				
				Chubb Corp.	NYS 51	3.82	5.43				
				CIGNA Corp.	NYS 127	-0.39	23.00				
				CNA Financial Corp.	NYS 97	-0.13	-14.54				
				EMC Insurance Group Inc.	NDO 11.5	2.22	-16.36	St. Paul Companies	NYS 54.875	-3.09	-1.35
				Everest Reinsurance	NYS 25.125	-6.94	7.49	SAFECO Corp.	NDO 36.75	0.00	6.52
				Executive Risk Inc.	NYS 40.375	1.89	39.22	Seibels Bruce Group	NDO 2.5	0.00	66.67
				EXEL Ltd.	NYS 37.75	-0.68	24.02	Selective Ins. Group	NDO 35.125	-1.06	-1.06
				Fremont General Corp.	NYS 29.75	0.85	21.43	Sphere Drake Holdings	NYS 10	9.59	-28.57
				Frontier Insurance Group	NYS 39.25	1.62	22.68	TIG Holdings	NYS 29.125	-2.51	2.19
				Gainsco Inc.	NYS 10.625	0.00	-6.59	Titan Holdings, Inc.	NYS 14.25	-3.39	-0.87
				GCR Holding Ltd.	NDO 23.5	0.80	NA	Tokio Marine & Fire	NDO 55.75	-4.09	-15.53
				General RE Corp.	NYS 144.625	-1.70	-6.69	Torchmark Corp.	NYS 47.75	-0.78	5.52
				Gryphon Holdings	NDO 14.0625	-6.25	-26.95	Transatlantic Holdings	NYS 71.5	2.88	-2.56
				Guaranty National Corp.	NYS 15.75	0.80	2.44	Transnational Re Corp.	NDO 24.75	-0.50	1.02
				Harleysville Group	NDO 27.25	-2.68	-15.83	Travelers Aetna Property	NYS 29.25	-7.14	NA
				Hartford Steam Boiler	NYS 43.125	-2.27	-13.75	Travelers Corp.	NYS 52.625	-0.71	26.05
				HCC Insurance Holdings	NYS 25.625	-5.53	38.51	Trenwick Group Inc.	NDO 49.75	-3.86	-11.56
				IPC Holdings Ltd.	NDO 20.625	0.61	NA	Unico American Corp.	NDO 8.625	2.99	38.00
				ITT Hartford Group	NYS 61.875	-0.80	27.91	Unionamerica Holdings	NYS 20.5	1.23	NA
				LaSalle Re Ltd.	NDO 27.5	5.77	NA	United Fire & Casualty	NDO 30.5	-1.61	8.93
				Lincoln National	NYS 47.875	-0.78	-10.93	Unitrin	NDO 50.25	-0.50	4.69
				Markel Corp.	NDO 87	-2.25	15.23	UNUM Corp.	NYS 63	-4.73	14.55
				MBA Insurance Group	NYS 90.5	0.42	20.67	US Facilities Corp.	NYS 18.375	-3.29	-14.04
				Meadowbrook Insur. Group	NYS 26.125	-3.24	-22.01	USF&G Corp.	NYS 19.75	10.49	17.04
				Mid Ocean Ltd.	NYS 48	1.32	29.29	USLife Corp.	NYS 31.375	2.03	5.02
				MMI Cos. Inc.	NYS 29.875	-2.85	24.48	Washington National	NYS 28.875	-1.70	4.52
				Mutual Risk Mgmt. Ltd.	NYS 33	0.00	-3.83	Zenith National Ins.	NYS 26.875	5.39	25.73
				NAC Re Corp.	NYS 33.75	-9.40	-6.25	Zurich Reinsurance Centr.	NYS 29.625	-2.87	-2.47
				Navigator Group	NDO 19.5	0.65	10.64	<b>INSURERS/REINSURERS AVERAGE</b>		<b>-0.4</b>	<b>7.7</b>
				Nobel Insurance Ltd.	NDO 12.5	2.04	9.89				
				NYMAGIC Inc.	NYS 17.5	-0.71	2.94				
				Ohio Casualty Corp.	NDO 33	-2.94	-14.84				
				Old Republic Int'l	NYS 25.75	2.49	8.80				
				Orion Capital Corp.	NYS 53.375	3.14	23.05				
				Partner Re Ltd.	NDO 28.75	-1.71	4.55				
				Penn-America Group Inc.	NDO 16.25	-1.52	14.04				
				Philadelphia Cons. Holding	NDO 23.5	-2.08	44.62				
				PXRE Corp.	NDO 24.75	2.06	-6.60				
				Reliance Group Holdings	NYS 8.375	1.52	-2.90				
				Reliastar Financial Corp.	NYS 51.375	-0.96	15.77				
				Renaissance Re Holdings Ltd.	NYS 29.375	-3.69	-3.29				
				Risk Capital Holdings	NDO 18.25	-0.68	-21.93				
				RLI Corp.	NYS 27.25	1.40	9.00				

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