

# Business Insurance

Reporting Weekly For Corporate Risk, Employee Benefit and Financial Executives / \$4

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## Judge OKs \$4.2 billion deal to settle breast implant claims

BIRMINGHAM, Ala.—A \$4.2 billion settlement agreement between silicone breast implant manufacturers and women injured by the implants will proceed after a federal judge last week gave his final approval to the plan.

An estimated 70,000 to 80,000 women are expected to participate in the settlement that U.S. District Judge Sam C. Pointer approved Thursday, said Dean Hansel, a lawyer with LeBoeuf, Lamb, Greene & MacRae in Los Angeles, which represents some in-

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# Death knell for Clinton's dream

## Politics, bad luck and naivete kill reform plan

By JERRY GEISEL and DAVE LENCKUS

WASHINGTON—Impossible dream or botched golden opportunity?

It may never be known which label best fits the Clinton administration's failed drive to overhaul the nation's health care delivery and financing system.

Even under perfect conditions, it would have been a longshot to win congressional approval for an effort as gargantuan as comprehensive health care reform—something that affects one-seventh of the economy and touches every individual and employer.

And no matter how the war was waged, it would not have been a fair fight.

Those with the most to gain from comprehensive reform—the uninsured and underinsured—were the least organized, while “those at the cashier's window were exquisitely organized,” said Uwe Reinhardt, a health economist at Princeton University.

But through a combination of political naivete, arrogance and perhaps bad luck, the administration threw away any chance of realizing its goal, say both support-

ers and critics of the administration.

President Clinton had hoped that health care reform that ensured coverage for all while holding down costs would be the crowning domestic achievement of his administration.

Now it seems more likely that the administration's reform effort could be remembered as a case study of how to drive away poten-

tial allies, strengthen opponents and fail to inspire the uncommitted.

It would be unfair and misleading to pin all the blame on the administration. Instead of looking to build support for reform through consensus, several congressional leaders pursued their own reform agendas, which lacked widespread support.

In July, when House Democratic leaders unveiled their reform package for consideration by the full House, they pointedly distanced themselves from the

Clinton plan. Indeed, the first thing that Majority Whip David Bonior, D-Mich., said at a press briefing was that the leadership plan “was not the Clinton plan.”

But, given the free-fall in public support for the administration's health care reform plan, it is understandable why Democrats would want to distance themselves from it.

One year ago, nearly 60% of the American people supported the Clinton health reform plan. But as the Democratic leaders were ready to present their reform package, support for the administration proposal had dropped to

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## Life/health insurers see strong first half

By CHRISTINE WOOLSEY

Life/health insurers in the first half of 1994 generally reported satisfactory earnings and an optimistic outlook toward the rest of the year.

Group health insurers' indemnity business continues to shrink, as more and more business is shuttled into managed care plans. But, executives say, the indemnity plan business that is left is benefiting from significant declines in medical inflation and improved cost management.

The current impasse over federal health care reform seems to pique little interest among health insurance executives, who say the pace of state and local health care reform continues unabated—and will have the most immediate impact on their operations.

“There really were no major shocks or disasters” among the leading life/health insurers, said Gloria Vogel, an analyst with Lehman Bros. in New York. “Everything looks as expected. Health insurers are moving toward managed care, with or without (health care reform) from Washington. There is decent enrollment growth. In general, earnings were strong and annuities continue to show good growth.”

Rapid changes in the mix of business as more employers self-fund and enter administrative services only contracts “takes a

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**Bermuda changing its act**  
Proposed changes to the 1978 Insurance Act would:

- Establish four classes of company licenses: single-parent captives; group captives; third-party insurers and reinsurers; and highly capitalized companies writing excess liability and property catastrophe business
- Raise minimum levels of capital and surplus for all companies except single-parent captives
- Introduce new controls over excessive distributions or reductions of capital and surplus

GRAPHIC BY MIKE GARVEY

## Bermuda proposes sweeping insurance regulation reforms

By DOUGLAS McLEOD

HAMILTON, Bermuda—The Bermuda government is proposing a sweeping revision of its insurance law in response to the dramatic growth of highly capitalized Bermuda-based property/casualty insurers and reinsurers.

Revamping an outmoded 1978 law originally designed to regulate the island's captive insurers, the Bermuda government last week announced changes that would create four classes of insurance licenses to differentiate single-parent and group captives from larger commercial insurers and reinsurers.

Although single-parent captives would not be affected by the changes, the proposal would impose a variety of new regulations on group captives and commercial markets, including higher minimum capital levels and stricter solvency and reporting requirements.

The largest Bermuda insurers, for example, would be required to have at least \$100 million in capital and surplus, maintain a 2-to-1 net premium-to-surplus ratio and obtain annual actuarial opinions on the adequacy of their loss reserves.

“The industry is not the creator”

*Continued on page 50*

## Reinsurers at a loss to explain big gains in premiums written

By JUDY GREENWALD

A mystery at the heart of reinsurance companies' first-half results has some company officials and other market observers scratching their heads in puzzlement.

That conundrum is a 15.1% increase in net premiums written by U.S. reinsurers to \$8.18 billion in the first half of 1994 from \$7.1 billion a year ago, according to a survey of 57 reinsurers by the Reinsurance Assn. of America.

While increased demand in light of catastrophes this year almost certainly accounts for part of the

### REINSURER

increase, some observers do not believe it satisfactorily explains all of the gain.

In addition, meaningful rate increases are not a factor, say observers, who note that there continues to be virtually no indication of a general hardening in the reinsurance market.

“I don't think there's any real change,” said Peter A. Cheney, executive vp and chief financial officer of National Reinsurance Corp. in Stamford, Conn.

“We aren't seeing any signifi-

cant change in the big-ticket commercial casualty area,” and neither is anyone else, he said.

“You could almost interchange quarters,” said Mark W. Hinkley, executive vp of TIG Reinsurance Co. in Stamford, Conn. “It seems like the aberrations are due to property catastrophe results from the (Jan. 17 Los Angeles) earthquake and, absent that, the casualty market continues to drift downward.”

For the first half, reinsurers also reported a 108.7% combined ratio, compared with a 107.2% com-

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## Updates

### Breast implant pact approved

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surers of the manufacturers.

"I don't think anybody is completely happy with the settlement, but maybe that's the mark of a respectable settlement," said Mr. Hansel.

More than 12,000 women have chosen to opt out of the class-action settlement (*BI*, July 18).

Separately, the 9th U.S. Circuit Court of Appeals in San Francisco upheld a 1991 jury award of \$7.3 million against the largest breast implant manufacturer, Dow Corning Corp.

The jury made the award—which included \$6.5 million in punitive damages—to Mariann Hopkins of Sabastopol, Calif., after finding that defectively designed and manufactured implants had ruptured, causing an immune system disease, and that Dow Corning failed to warn of the risks involved (*BI*, Dec. 23, 1991).

Dow Corning said it had not decided whether to appeal. A Dow Corning spokesman would not provide insurance information for 1991, but the company has said that for 1992 it had \$250 million in commercial general liability insurance to respond to implant claims (*BI*, March 9, 1992).

Punitive damages cannot be insured in California.

### Transit distribution ordered

JEFFERSON CITY, Mo.—Transit Casualty Co. policyholders and claimants are to be awarded \$341.1 million under a distribution order issued by Cole County Circuit Judge Byron L. Kinder.

The order was based on a plan presented by Transit liquidators at a court hearing in St. Louis.

Liabilities of Transit, which was ordered liquidated in 1985, are estimated at more than \$4 billion. Its principle asset is reinsurance recoverables from 900 companies, most of them foreign.

Ernst & Young, which has been appointed as an outside consultant by the court, has told the court the liquidation may not be completed until the year 2016 because of about \$2 billion in long-tail environmental claims.

### Piper Jaffray sued for losses

MINNEAPOLIS—A Piper Jaffray Cos. Inc. shareholder is suing the stock brokerage and its top officers, alleging they jeopardized the company's assets, capital structure and earnings with huge investments in mortgage-backed derivatives.

Derivatives losses have reduced the value of some of the company's managed investment funds by approximately \$700 million this year, according to *The Wall Street Journal*.

Filed Aug. 26 in U.S. District Court in Wilmington, Del., where Piper Jaffray is incorporated, the suit names Addison L. Piper, chairman and chief executive officer, and William M. Ellis, president and chief operating officer.

The suit seeks class-action status to represent anyone who purchased Piper Jaffray stock from May 12, 1993, to Aug. 24, 1994.

A spokeswoman for Piper Jaffray in Minneapolis did not return repeated phone calls seeking information about directors and officers liability insurance.

Investors in the firm's \$800 million Institutional Government Income Portfolio fund, which has suffered the brunt of the losses, filed their own suit earlier this year in U.S. District Court in Minneapolis. They charged that Piper Jaffray understated the risks associated with the fund when pitching it to investors.

On Aug. 1, fund investors sued KPMG Peat Marwick as well, claiming the accounting firm had failed to properly audit the fund. Both earlier suits have been consolidated into a single class action.

### Harassment wake-up call

SAN FRANCISCO—A \$6.9 million punitive damage award against the world's largest law firm is sending a loud wake-up call to employers that have been slow to implement sexual harassment policies, say employment lawyers.

Chicago-based Baker & McKenzie plans to appeal the San Francisco state court jury award to a former legal secretary who charged that a prominent lawyer in the firm's San Francisco office harassed her and that the law firm did not adequately investigate and resolve her complaints.

The attorney, Martin R. Greenstein, allegedly dropped candies in the blouse of Rena Weeks and pulled back her arms to see which of her breasts was larger. Ms. Weeks was also awarded \$50,000 in compensatory damages.

The verdict sends a "clear and appropriate message," said Jonathan A. Segal of Wolf, Block, Schorr, Solis-Choen in Philadelphia.

No matter how successful a company is or how much money one person brings in "it doesn't give the right to infringe on the other rights of an employee," said Mr. Segal.

The award is going "to shake up a lot of people" and will sensitize law firms to their risks, predicted Karen Ludington of Mirick, O'Connell, DeMallie & Lougee in Worcester, Mass.

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### Errors and Omissions

- A July 25 story on CEO compensation understated the stock holdings of Patrick G. Ryan of Aon Corp. Because of a recent 3-for-2 stock split, Mr. Ryan actually owns 13,461,930 Aon shares that are worth \$454,340,138 based on Aug. 12 stock prices.

- Due to a production error, a table on page 42 that depicts insurers' potential share of Superfund retroactive liability carries an incorrect label. The years covered should read 1948-1985, not 1948 to 1965.

# Insurer denied documents in AIDS-tainted blood suit

By DAVE LENCKUS

PHILADELPHIA—General liability insurers that claim Rhone-Poulenc Rorer Inc. knew it faced massive blood product liability claims before it purchased coverage cannot use the company's legal opinions as evidence, a federal appeals court says.

The Aug. 17 decision by a 3rd U.S. Circuit Court of Appeals panel sends the coverage dispute back to the district court to determine whether the insurers now may subpoena the portions of the

documents that provide facts—rather than legal opinions—about what and when Rorer knew about its potential liability.

Rorer faces claims by hundreds of hemophiliacs that they contracted the AIDS virus through a blood-clotting medication produced by a subsidiary that Rorer purchased in January 1986 (*BI*, Aug. 15, Aug. 8). Rorer acquired the firm, Armour Pharmaceutical Co., from Revlon Inc. just months before the hemophiliacs began filing their lawsuits.

Rorer is one of four defendant

companies in a hemophiliac class-action suit filed in federal court in Chicago. Rorer and another defendant, Baxter International Inc., had offered to pay \$140 million to \$160 million to settle certain suits, but that offer was rejected.

Rorer's insurers are denying it coverage and a defense, claiming the company knew before purchasing liability coverage in December 1985 that it would face those claims if it purchased Armour.

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# Superfund's tax burden

## Relatively few insurers to pay bulk of new taxes: S&P

By MARK A. HOFMANN

A group of about 30 property/casualty insurers will bear the brunt of pollution liability claims in the coming years, especially if the Clinton administration's proposed tax scheme for funding cleanups is approved, according to a new report from Standard & Poor's Corp.

Although environmental liability is often spoken of as affecting the entire insurance industry, it will actually affect specific com-

panies very differently, said Alan M. Levin, one of two S&P analysts who prepared the report.

Thirty companies actually account for just over 80% of the "other liability" premiums written from 1948 to 1985, when much of the pollution now at issue occurred, S&P says (see chart, page 42). "Other liability," which is a statutory definition, covers a grab bag of coverages including comprehensive general liability, errors and omissions, and some professional liability.

"These same companies represent the lion's share of the industry's capital, but this is an issue that impacts specific companies. Therefore, there are hundreds of companies that are relatively unscathed by this issue," said Mr. Levin, who is S&P's senior vp-in-charge of insurance rating services.

Premium volume could be a critical statistic for insurers because the administration has proposed—and the House Ways and Means Committee has en-

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## Confed Life's GIC holders uncertain how they'll fare

# Canadian group business sold

By DOUGLAS McLEOD

TORONTO—The Manufacturers Life Insurance Co. will acquire the Canadian group insurance business of defunct Confederation Life Insurance Co., substantially boosting its group insurance book.

Canadian regulators last week awarded the business to Toronto-based Manufacturers Life. The terms of the deal were not disclosed.

Manufacturers Life, which has focused on the small-group market, insures more than 5,000 employers in Canada with annual premiums from group business of about \$250 million Canadian (\$182.8 million), according to the insurer. The brunt of the insurer's business is in individual life and annuity business.

Confederation Life, by contrast, was strong in the large group market and had 800 group clients

in Canada, covering 1.5 million people and generating about \$1 billion Canadian (\$730.7 million) in premiums, according to Manufacturers Life.

John Richardson, senior vp, said Manufacturers Life will operate the Confed business "in substantially the same manner, using existing (Confed) employees."

Manufacturers Life beat out several competitors for the Canadian business.

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## Safety consultant, rehab provider directories approach

*Business Insurance* will publish its annual directories of safety consultants and rehabilitation management service providers in the Oct. 17 issue, which will also contain a special report on workers compensation topics.

The directories are published as an editorial service; there is no charge to be included. To be listed, companies must provide their services directly to employers on an unbundled basis.

Rehabilitation management services are defined as all services included in the medical management or

vocational rehabilitation of an injured or ill individual under workers comp or liability programs. It is not the delivery of physical rehabilitation or treatment, or case management for group life/health cases.

Safety consultants specializing in protecting people from injury also will be listed.

Companies wishing to be listed in either directory must fill out and return a questionnaire provided by *BI*. To request one, call Rich Trout at 312-649-5483.

The extended deadline for returning questionnaires is Sept. 16.

## Inside

- Employers have a duty to educate their workers so they make appropriate retirement savings decisions, this week's editorial says. **PAGE 8**

- Congress can advance the cause of global free trade by ratifying the GATT agreement, Chubb Corp. Chairman Dean O'Hare says in a Perspective. **PAGE 29**

- The Home Insurance Cos. is launching a lead-based paint liability policy to cover lead contamination claims against building owners, banks and others. **PAGE 45**

- Employers are holding down health care cost increases for active employees, but retiree medical costs continue to rise in double digits, a new study shows. **PAGE 46**

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# Retirement Plans

## Plan administrators must prevent the possibility of pillaged pensions

*Investment guidelines, authority levels key to keeping retirement funds safe*

By **RODD ZOLKOS**

themselves.

Among their best defenses are: investment guidelines compatible with plan goals; layers of redundancy in the authorization of large fund disbursements; and custodial relationships to ensure that the securities that fund officials believe they're holding are indeed safely in the fund's possession.

"The primary safeguard is in authorization and authority levels and written and approved investment guidelines," said John F. Roskopf, a senior vp and risk management consultant at Chicago-based Rollins Hudig Hall Inc.

"Typically, you would start out with investment guidelines that are approved by an investment committee," said Mr. Roskopf, a former portfolio manager at G.D. Searle & Co.

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It doesn't happen often, but when it does, it grabs people's attention: Pension fund officials suddenly realize the fund has been defrauded and millions in assets are gone.

Or, fund officials learn that the great high-yield investment they made had some downside potential they weren't aware of—bringing the same result.

Most plan officers realize that plan assets represent the retirement security of participants and take their fiduciary duties very seriously.

But in a world fraught with such perils as larcenous pension managers, investment scams and monumentally bad investments, many plans take steps to protect

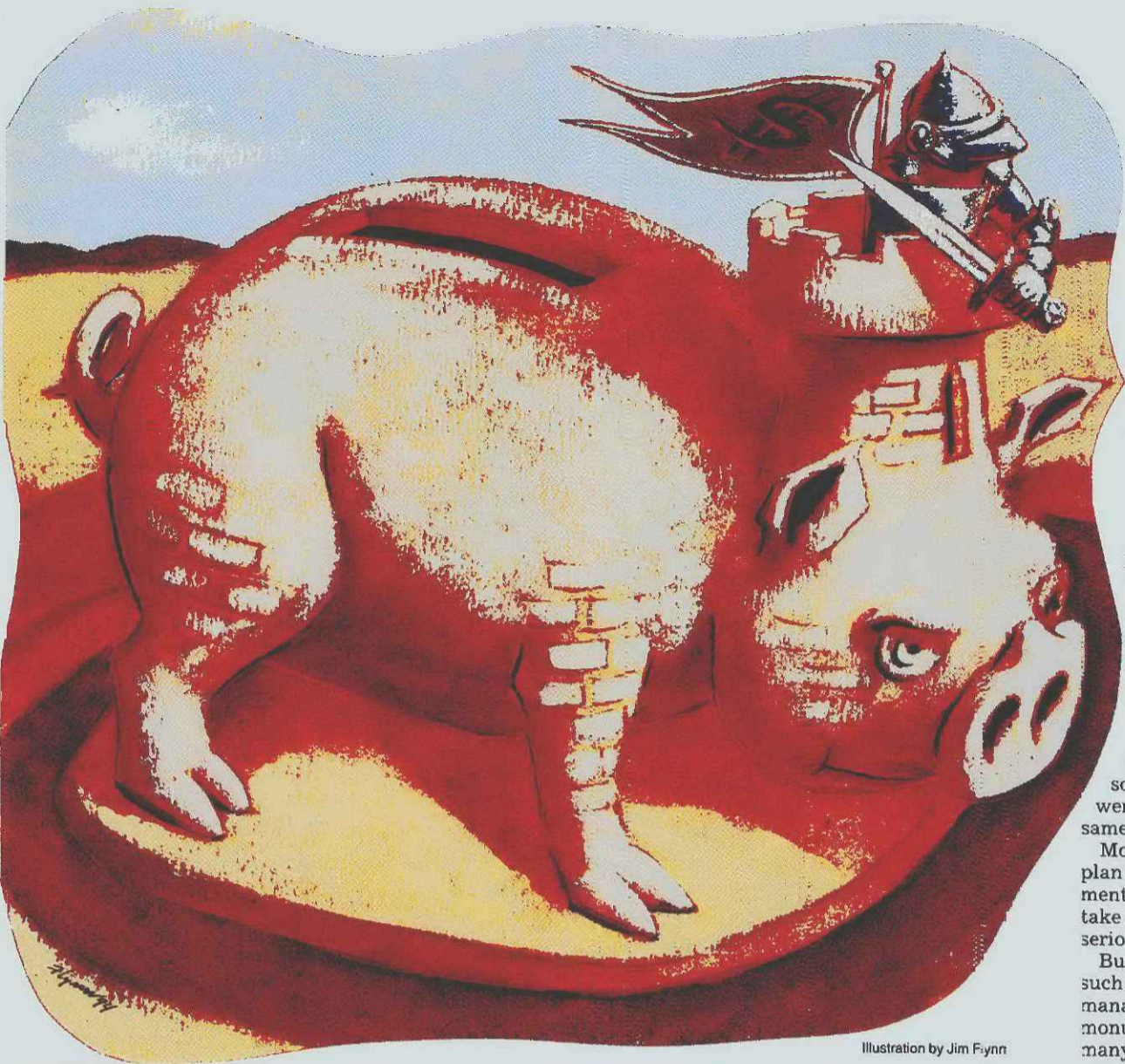


Illustration by Jim Fyrrn

## Employers focus on what they do best

*Retirement plan administrators find their services increasingly in demand*

By **DAVE LENCKUS**

"Our business is to repair jet engines, not administer retirement plans," says Jack Krupinsky, manager of compensation for Sequa Corp., explaining why the company has hired an outside firm to administer its 401(k) savings plan.

More companies, regardless of the products they are hawking, are adopting the philosophy of the New York-based diversified manufacturer.

Although employers for years have relied on outside providers for tasks like plan record keeping, they now are increasingly outsourcing other aspects of retirement plan administration to cut costs and maintain high levels of service.

Outsourcing of defined benefit pension plan administration also is on the rise, though much fewer employers are comfortable with turning over those administrative reins to an outside firm.

The trick for an employer is matching its needs with the appropriate vendor in an evolving marketplace.

Outsourcing retirement plan administration may not be for everyone, though. An employer doesn't need to outsource if it is comfortable with its current administration services and costs, said Mary Ann Arlt, a consulting attorney with benefit consultant Actuarial Sciences Associates Inc. of Somerset, N.J.

The outsourcing trend is rooted in

several factors that make retirement plan administration increasingly difficult for employers.

As many companies try to pick themselves off the mat after their recent bout with the economic recession, they are re-engineering and focusing more on their core business lines. Many are cutting their workforce, including their benefit staff, and have decided not to keep up with the newest plan administration technology.

But they also don't want to sacrifice the quality of their plan administration services, especially with the increasing popularity of 401(k) plans among employees and employees' growing demands for additional investment options and better service.

On the defined contribution side,

**The trick for an employer is matching its needs with the appropriate vendor in an evolving marketplace.**

better service may include daily account valuations, instantaneous fund transfers, and a speedier loan and withdrawal process.

On the defined benefit side, improved employee service may include preretirement pension calculations and retirement benefits counseling. Some outsourcing vendors also may handle all aspects of retiree health care administration, including guiding retirees through the process.

Often, though, companies do not outsource every aspect of their plan administration. Many prefer instead to outsource their most troublesome tasks, probably to see how well outsourcing works before moving over more services, said Beth Douglass, a vp with Chicago-based Northern Trust Co., which provides plan administration services.

Some vendors and employers estimate that outsourcing can cut current pension administration costs by 10% to 50%, depending on how efficient and centralized the services were previously.

And, prices aren't set in stone in the "Let's Make a Deal" outsourcing marketplace, observed Anthony D'Andrea, group manager-capital accumulation plans administration for AT&T Corp. of Morristown, N.J. AT&T has selected a division of mutual fund manager Fidelity Investment Co. of Boston to administer the 401(k) plan for its 130,000 management employees.

"You can go to six vendors and get six quotes, and they're all negotiable," Mr. D'Andrea said.

At the least, outsourcing could save an employer the millions of dollars it

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## Life-cycle funds tie investment mix to participant's age

*Designed to aid naive investor*

By **ROBERTO CENICEROS**

When investment consultants mention life cycles these days they don't mean perspiration-inducing exercise machines found in health clubs.

They're talking about 401(k)-inspired mutual funds so new the semantics used to discuss them still need a work out, said Gary J. Caine, a regional director of investment services for A. Foster Higgins & Co. Inc. in Los Angeles.

These so-called life-cycle funds are a market reaction to the amount of 401(k) retirement savings plan money being tied up in relatively conservative guaranteed investment options, rather than in more diversified investment plans that have a greater likelihood of long-term growth.

The funds basically allocate a single investment among existing stock, bond and cash funds, altering the mix according to a plan participant's age, savings goals and risk tolerance.

Retirement consultants say the funds can help employers meet Employee Retirement Income Security Act of 1974 Section 404(c) requirements because they offer employees investment variety and diversification. They can also help employers assure their workers of adequate money for retirement.

The funds are designed to ease benefits communication and take the sweat out of employee investment decisions by premixing the existing funds according to employee retirement needs.

They facilitate communication because employees can choose to forego an understanding and monitor-

*Continued on next page*

# Life-cycle

Continued from previous page  
ing of the underlying funds and investments, yet potentially reap the rewards of diversity and risk that may be lacking in GICs or other options.

Some packaged life-cycle products merely require an employee to provide his or her age bracket, target retirement date and risk tolerance. Then the fund provider determines the appropriate investment mix that will maximize return.

The number of packaged funds has doubled in the last two years. There are now more than 100 offered with several mutual fund providers planning to introduce more.

Some companies have even created their own "fund of funds" by instructing their finance departments to blend existing mutual funds and

their money managers.

Marketers of the new packages say they help provide relief for benefit managers who are frustrated with the typical worker's attitude that goes something like: "I want to retire comfortably, but I don't want to learn the difference between stocks and bonds and I don't want to take any risks."

"Companies are worried about the lack of employee involvement in their retirement," said Richard Joss, a resource actuary with The Wyatt Co. in Washington. "This may be the answer for the next five years, then maybe more choices will come along."

Life-cycle funds do have the potential to help employers communicate investment strategies.

Because they are built around the principle that investors should place their money in increasingly conservative options as they near retire-

ment age, life-cycle funds can help an employee understand the relationship between risk and age.

"That is the first major hurdle a significant number of investors never get over," said Doug Clinger, senior vp of marketing and strategic planning for CIGNA Corp. in Hartford, Conn. "This is not the minority, this is the majority."

While life-cycle funds may offer simplicity, they also lack track records, meaning money managers face an uphill battle to peddle these funds—at least for now.

"Are we seeing a great movement to it? No," said Mr. Caine of Foster Higgins. "Are we seeing a great interest in it? Yes."

Many of the life-cycle funds are too new to pass a common employer policy requiring 401(k) investment options to have a substantial track record.

"Some of these things may just

need to age," Mr. Caine said.

Because these life-cycle funds are basically a "fund of funds," proponents argue their potential for success can be measured by evaluating the past performance of the underlying funds, the securities they invest in and the track record of their money managers.

Some benefits managers remain doubtful.

"That's a little ivory towerish to me," said Fred Hamacher, vp of compensation and benefits for retailer Dayton Hudson Corp. "It's a ways up from what people are willing to grasp and understand. There's not too many investors in a 401(k) plan. They are savers, not investors."

Yet, there are signs life-cycle funds will gain popularity.

People are shifting more of their retirement funds out of traditional guaranteed funds and into "stable asset value" funds and equities de-

signed to provide diversified risks and higher returns, according to a report prepared by Access Research Inc. in Windsor, Conn. Attractive returns from equity funds, declining GIC yields and increased participant education are cited as causing the shift.

"In plans where a guaranteed option is offered it typically attracts 50% to 55% of all participant-directed assets, down from 65% to 70% three years ago," the report states.

Nissan Motor Manufacturing Corp. in Smyrna, Tenn., converted its single-investment GIC fund last April to a plan with four single-fund investments and four "lifestyle" funds designed by the company's finance department to meet the retirement needs of employees of various ages. "Employees don't have to know a lot about investing except for what lifestyle they are in," said Pam Smith, department manager of compensation and benefits, referring to an employee's saving habits.

At Nissan Motor Corp. in U.S.A., located in Carson, Calif., benefit strategists gave a cursory look at life-cycle funds and decided against the idea, said Virginia King, manager of benefits planning.

"If we were looking to add a fund or start a new plan it might be something we would look at," she said. Equally important, Ms. King said, her facility houses white-collar workers who have a high rate of participation in their retirement savings plans. In contrast, Nissan's Tennessee workers are mostly hourly auto workers who are less likely to keep up with the financial markets.

Because life-cycle funds are geared for diversity and long-term investment return, they will never be listed among the top performers. Savvy investors should be able to outperform the funds.

A decision to offer the funds should be based on employee sophistication, education and involvement in retirement investments.

Mr. Clinger of CIGNA said that he doesn't expect to be selling his company's new line of Lifetime Funds to many law firms.

Company size and the number of sites where workers are located are also factors to consider, said Mr. Joss. Employees of small firms where communications are simple may be able to beat the performance of life-cycle funds. But at large plants where educating numerous employees is a challenge, the funds may be more appropriate.

Monitoring employees' current 401(k) investment choices is one way to determine whether a life-cycle fund is appropriate, experts advise. If they are completely avoiding equities and investing too heavily in low-risk funds that have capital preservation as a goal, then life-cycle funds may be an alternative that can help employees diversify risk.

"The question becomes how do you get the individual to make an intelligent decision rather than a default decision," said Dallas Salisbury, president of the Employee Benefits Research Institute in Washington. "Even educated individuals can be overwhelmed by choices. Anything that creates packaging makes it easier for the individual to choose something other than default."

While simplifying employee involvement is a life-cycle selling point, the funds are not a replacement for educating employees.

CIGNA's Mr. Clinger said he gets telephone calls from companies that want to offer life-cycle investment programs, but want to skip the employee education.

"It is a mistake for employers to think their obligation is something they can reduce," he said.

# MANAGED DENTAL CARE PLANS

## If You Wonder Why Most Managed Dental Care Plans Aren't Flexible, Just Look At How They're Written

At Ameritas, managed dental care products are well-written, not written in stone. Since no two companies are the same, no two dental plans need be the same either. Every aspect of our managed dental care plan can be tailored to fit your specific needs. In short, Ameritas managed dental care products reduce costs, not options.

Even our provider list is flexible. Our panel is made up of dentists who

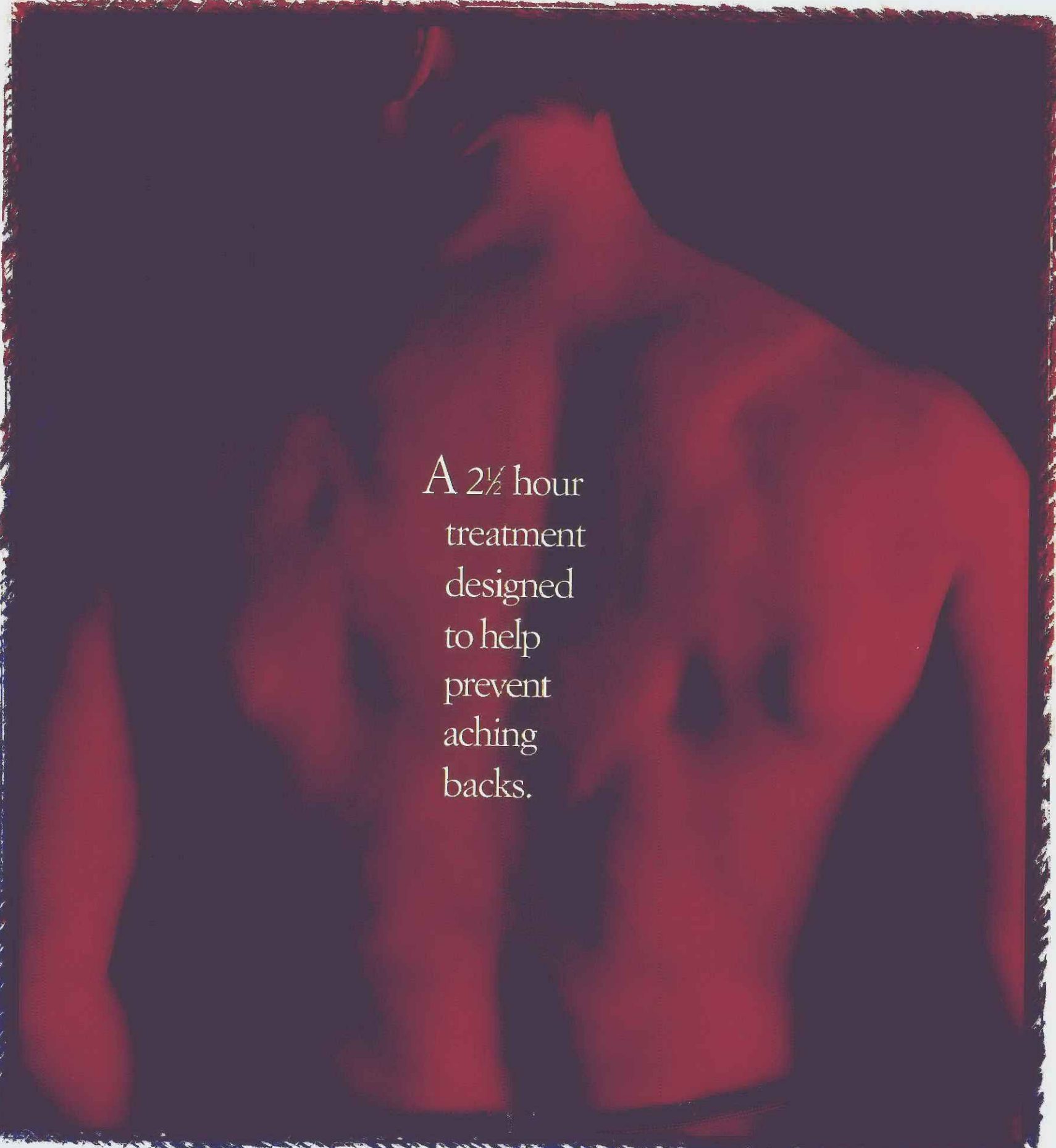
sign contracts directly with Ameritas, so if we don't have a dentist in your area, just ask. We are continually establishing and expanding panels to meet the needs of our clients.

In addition to flexibility, our products incorporate several value-added benefits such as customer surveys, profiles, utilization management and on-site provider visits. Plus, we provide the exceptional service essential to a successful managed dental care

product. On the average, we process claims in just five days and provide one-stop-shopping for employees, employers, producers and dentists.

To find out more about how we can customize a managed dental care plan for you, contact your producer or call us at 1-800-776-9446.

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Material-handling injuries are the leading cause of workers compensation losses. To manage costs, back injuries must be avoided. Wausau's National Satellite Conference is an important step in doing that. Our seminar will cover topics ranging from the use of back belts and proper lifting techniques to a review of material-handling equipment. You'll hear material-handling success stories, and you'll actually see solutions put into the workplace.

On October 5, more than 50 sites across the country will host this satellite conference. Businesses and organizations with satellite access can also receive the conference at their locations.

Join us. Together, we can help prevent material-handling injuries from hurting your workers and your business.

National Satellite Conference  
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October 5

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# Safeguards

Continued from page 3

Guidelines detail what sort of investments a fund could make and what portion of its assets could be in different sorts of instruments.

At Hallmark Cards Inc., for example, a policy covers every plan and every manager. "Typically when we bring in a new manager we will work out the specific guidelines that govern the type of securities they can trade," explained Doug Browning, benefit trusts director in Kansas City, Mo.

Guidelines protect against a pension fund losing money by taking undue risks. What's more, circulating the guidelines gives the banks and investment managers with which the fund does business a clear "list of do nots," said

Stephen L. Nesbitt, senior vp at Wilshire Associates Inc. in Santa Monica, Calif.

There are a couple of things to be aware of in developing guidelines, Mr. Roskopf said. It's important to be aware of the sources and uses of the funds, how often funds will be going in and out and the general timeframe for investing and the likely market volatility over that period.

"Obviously, with pension funds you're looking at a long-term rate of return," he said.

The investment guidelines can be developed internally by the fund's fiduciaries, or fund officials can bring in consultants who specialize in developing guidelines that meet funds' needs.

"Any number of outside advisers can help you develop a guideline to invest," Mr. Roskopf said. "Then, once you do that, you con-

stantly have to play around with that mix based on market scenarios."

One of the hottest topics in finance these days is derivatives, and many pension funds are adjusting their guidelines to reflect these new instruments, which derive their value from some underlying asset, such as securities or currencies or from movement in a financial index.

"Obviously, one of the most important things right now is how pension plans are controlling their use of derivatives to the extent that they either have a written policy on it or limit their use," said Girard Miller, president and chief executive officer of the ICMA Retirement Corp., a Washington-based non-profit investment management company.

"In the case of our funds, we have specific authority for our

managers who are involved in our index fund," Mr. Miller said. The guidelines allow those managers to use futures for greater efficiency in stock dealings, which is not an atypical practice among pension funds.

"Cash moves in, cash moves out. Rather than going out and buying the stocks, sometimes it's just cheaper to go out and buy the future instead of getting the basket of stocks," Mr. Miller said. ICMA's guidelines would preclude more speculative derivative transactions.

With derivatives coming in so many flavors and new instruments constantly evolving, "you really have to get very specific" in writing guidelines for them, Hallmark's Mr. Browning said.

"If you're going to allow exotic (mortgage-backed securities), exactly what kind can the manager

hold?" he asked.

Overall, pension funds' use of derivatives, especially the more exotic varieties, is very limited, and few funds have sustained big hits from derivative investments.

"There are some pension funds that took some losses in some of their accounts that had invested in some of these types of derivatives, but that's not fraud-related," Wilshire's Mr. Nesbitt said. "It's more that some of these instruments had a much higher level of risk than anybody had previously perceived. This was the latest surprise."

"I think it's a case of not understanding the downside," agreed Marilyn Woods, president of the Institute for Fiduciary Education in Sacramento, Calif. "They get in looking at the up potential, but when the market turned against them, they found themselves exposed."

In general, the best rule of thumb for pension plans' use of derivatives is to limit their use to meeting some very specific plan need—and higher yield doesn't qualify, Mr. Browning said.

"A lot of the attraction of derivatives, I think, is marketing-driven. In other words, it's driven by the people that are doing the derivatives," he said. "If there's a need generated internally to do a swap because it fits your need, it fits your structure, then it might make some sense to go out and take a look at that sort of transaction. But if you don't have that need, then you're vulnerable to a sales job."

Beside investment guidelines, another key safeguard is disbursement authority and authorization levels. Only certain people should be allowed to move funds, and even then only to certain specified levels, without obtaining the signature of the next person up the ladder.

"You move in stages," Mr. Roskopf said. "The more money you want to disburse for an investment, the more signatures are required."

At Searle, for instance, Mr. Roskopf's authorization level was \$10 million. Anything from \$10 million to \$25 million required his manager's signature and anything above \$25 million also required the signature of the manager's superior.

Trustee and custodial bank relationships to hold and safeguard pension cash and other assets also are critical. If executed properly, those relationships can help prevent misappropriation of funds while ensuring that the securities the pension plan believes it holds are, in fact, in its possession.

"Basically, the most important thing is to have trustee banks and always have your assets custodied at a custodial bank and never have an asset manager actually hold your assets," Mr. Nesbitt said. "That, I think, is the most important thing because it avoids outright theft."

"Even if you had a corrupt representative, a trustee bank is a very important safeguard that monitors where the money is going," he said.

"A real simple way around misappropriation as far as we're concerned is using a trustee," said Hallmark's Mr. Browning. "The trustee also acts as the custodian."

Typically, if there is any question about moving funds, the trustee would ask Hallmark fund officials to submit the request in writing and wouldn't make the move without the authorized sig-

Continued on page 12



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## Opinions

## Thinking about tomorrow

Employers increasingly are turning to defined contribution plans, such as 401(k)s and profit sharing plans, to provide retirement benefits to their workers.

It's easy to see why defined benefit plans are losing their attraction: higher and unpredictable employer costs in an era of belt tightening and low interest rates; more government regulation of funding levels; steep Pension Benefit Guaranty Corp. premiums due to the failure of underfunded plans; and relatively low value for younger, transient workers.

Despite the shift, employers still have a duty to ensure their workers are saving appropriately for retirement. Employers must recognize, however, that the responsibility can be more difficult to accomplish via defined contribution plans.

Simply offering a 401(k) savings plan falls far short of guaranteeing that employees' future needs will be met. And, if that occurs with increasing frequency, you can be sure Congress will impose tighter regulations on employers offering these plans, as is already the case with defined benefit plans.

What more can employers do to enhance participation in 401(k)s while ensuring adequate returns for retirement?

The biggest challenge for employers is teaching employees the value of saving for retirement and the need to make proper investment decisions.

Many younger and lower-paid employees do not have the desire or wherewithal to regularly put away money for retirement. But, it is relatively easy to show them the dramatic benefits of compounding interest if they begin to save for retirement earlier rather than later.

Even if the participation hurdle is overcome, many do not understand the importance of matching their investment strategy to their retirement goals.

For example, investment advisers generally agree that younger employees can afford the higher risks associated with investing in equities since their long-term returns are historically higher than other investments. Guaranteed investment contracts, by contrast, may be fine for an employee nearing retirement who cannot afford any investment losses. For a younger employee, though, the returns from GICs are bound to be lower than many other investment options.

Worried about the lack of investment savvy, some employers are responding by offering an investment option—the so-called life-cycle fund—that does all the work for plan participants, matching investments to their needs according to their age and risk tolerance.



"I DON'T THINK THAT SHOUTING 'GO FOR IT' REALLY CONSTITUTES A FLYING LESSON!!!"

This is an improvement over low-risk, low-yield funds with guaranteed returns, but it does very little to educate employees, short of illustrating a connection between their age and savings strategies.

Employers must do more. Providing investment education will make employees savvier investors. The payoff: increased participation; better investment decisions; and more satisfied employees. The extra effort will be worth it.

And just as employers can do more to ensure that employees get the most out of their retirement plans, Congress can take steps in the remaining weeks of the session to encourage more employers to offer defined contribution and defined benefit plans.

The first step would be for Congress to pass legislation—earlier approved by the House of Representatives—to simplify plan administration including making it easier for employers to run 401(k) plan non-discrimination tests.

If employers don't have to spend as much money complying with administrative rules—many of which are not necessary—they will have more money to spend on improving plan benefits.

Congress also needs to close loopholes that have made it relatively easy for some employers to underfund their pension plans. That exposes the PBGC to big losses when those plans terminate and drives up premiums other employers pay to the PBGC. Closing those loopholes, like speeding up contributions by employers with underfunded plans, will help keep the lid on premium increases.

## Letters

## Small firms benefit from self-funding health care

To the editor: I am a health insurance broker and consultant who provides insurance services to many self-funded companies.

Lately, I have heard concerns from my small-business clients about health care reform that would take away their rights to continue sharing risk with their employees.

These small businesses are able to achieve great savings by self-funding health benefits for their employees. They can get better control of their health costs, better manage claims costs and have more flexibility in tailoring preventive benefits to meet the needs of their employees. Because of this, I've also seen self-funding increase small groups' access to otherwise unaffordable health insurance.

If you ask me, I'd say self-funded plans are one step closer to true health care reform and cost containment than other reform plans.

As you probably know, nearly 33% of all employees of businesses with fewer than 10 employees do not have health insurance.

If health care reform plans eliminate self-funding for these groups, it is a di-

rect contradiction to the goal of universal coverage. Why eliminate self-funding, a legitimate method of insurance, from options provided to small employers?

It is a misconception that small businesses are not able to self-fund in a cost-effective manner. Most small groups purchase stop-loss insurance that covers catastrophic expenses, protecting them from more expensive claims. Financial stability is the true indicator of whether a business can effectively self-fund.

Congress should look carefully at allowing small employers to continue to provide self-funded plans to their employees.

Jerry Naumoff  
The Naumoff Group Inc.  
Oak Park, Ill.

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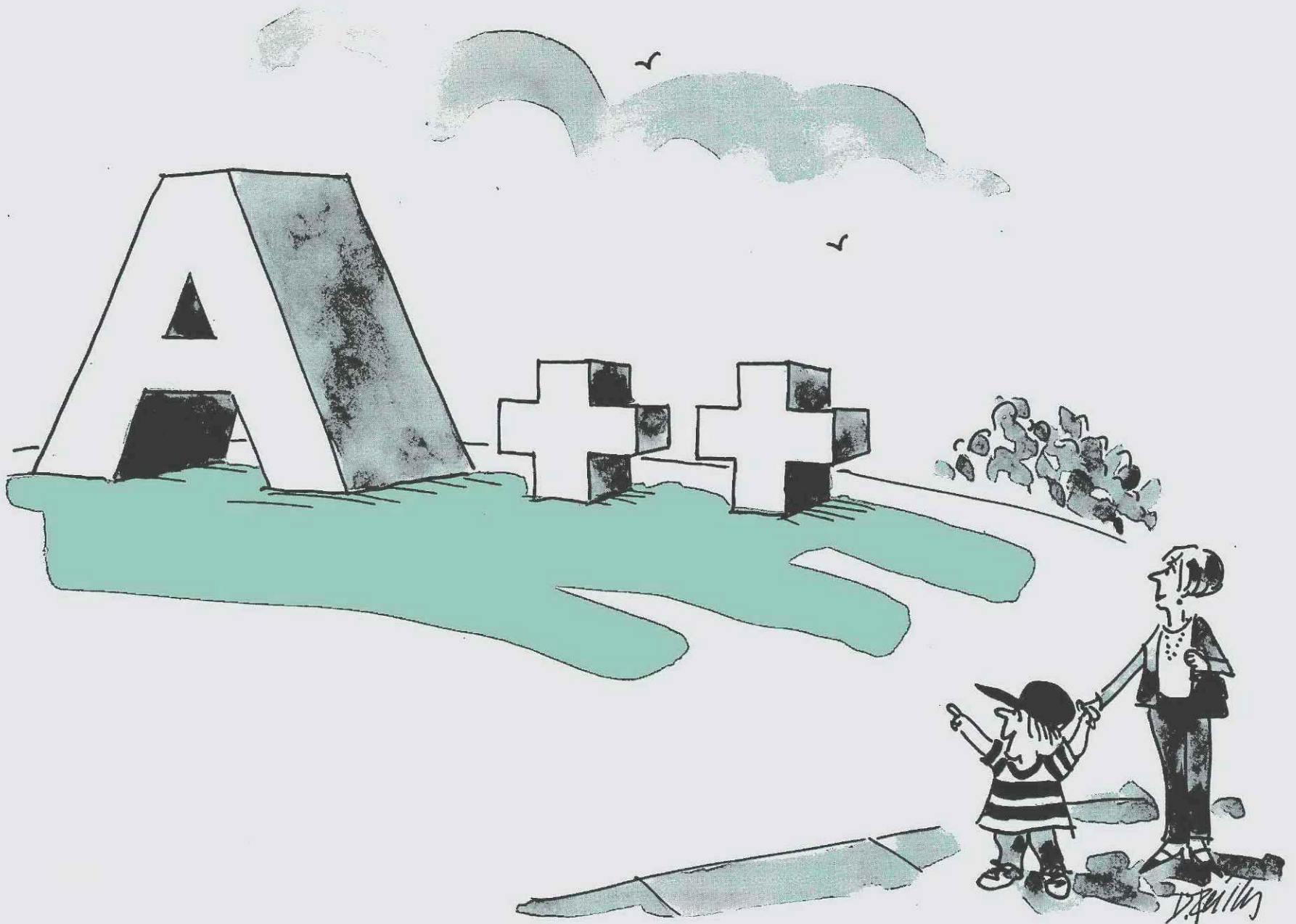
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# Safeguards

Continued from page 6  
natures, Mr. Browning said.

Although the universe of banks with which Hallmark would do trustee and custodial business is an elite one, that does not mean the company pulls up short on due diligence and spelling out details of transactions and business relationships, he said.

This is particularly true in investments like certain cash transactions and securities lending.

In a securities lending transaction, a custodial bank would, with the plan's permission, loan securities that the plan owns to a third party, which would give the bank collateral. The custodial bank would then invest the collateral for the term of the loan, splitting the proceeds with the pension plan.

"There are probably 10 or fewer organizations that we would consider doing business with and would have the capability and they're virtually household names," Mr. Browning said. "Nevertheless, in doing business with them in securities lending, you do have to get very specific in terms of the collateral."

Just in case, pension funds often have "pretty explicit contracts to make sure that if something does happen they would have recourse," the IFE's Ms. Woods said.

She noted, too, that in selecting investment managers "they do a certain amount of due diligence on these firms to make sure they are legitimate and that they can do the kind of things that they represent."

"They put a considerable amount of work-up time into making their selections," she said.

Once the due diligence is done and Hallmark has selected an in-

vestment manager, "when you actually bring them on board then you get down to the nitty-gritty, 'Yes, you can use this, yes, you can do that,' and it gets pretty specific," Mr. Browning said.

Even after the investment managers have been chosen and their limits hammered out, some advocate the use of an internal fiduciary oversight committee and some sort of outside third party to review their performance.

The third party is "just another eye on the assets that adds validity to everything," said Ken Ashley, treasurer at Commerce Clearing House Inc. in Riverwoods, Ill.

And the fiduciary oversight committee, meanwhile, should meet with investment managers "minimum once a year, probably two or three times a year, to understand their philosophy, changes in the firm, changes in key personnel and

what may be behind the changes, changes in their investment strategy and so forth," Mr. Ashley said.

Ms. Woods noted that many public pension funds—and several corporate ones as well—are increasingly using consultants "to make sure that the systems are in place and the controls are in place to prevent any problems."

Many also use internal and in some cases external audits to ensure those systems are in place.

But Mr. Roskopf thinks internal audits aren't used nearly enough.

"The thing that most large companies miss and most risk managers miss is the value of the internal audit department," he said. A well-executed internal audit can minimize a lot of the exposure to undue pension fund losses, he said.

A downside, though, "is that when neophytes are doing that type of internal audit they are looking at

guidelines but they are uncertain whether guidelines are appropriate or not."

Another problem Mr. Roskopf said he often sees in looking at funds that manage money internally is that they put too much emphasis on performance-based compensation for the fund manager.

When the internal investment manager gets too much of a bonus on the basis of performance it can create an incentive to stretch the fund's investment guidelines, Mr. Roskopf said. A better approach is a compensation scheme that involves a bonus based on performance within the fund's guidelines.

An example of the horrors that can result from lack of internal safeguards occurred this year when a manager transferred millions of dollars of Chicago Housing Authority pension funds into non-existent investments (BI, June 27). ■

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In 1895, nearly 90% of all Americans lived on small farms like this one in Pipestone, Minnesota.

## Outsource

Continued from page 3

would have to invest for a state-of-the-art plan administration system, as AT&T discovered.

Employers also can more easily charge their outsourcing fees against plan assets. Employers that administer their plans internally often cannot discern how much of their benefit staff's time is devoted to those plans, which prevents them from writing off that expense against plan assets.

Outsourcing vendors provide an array of retirement plan administration services, but the level of services varies from vendor to vendor.

For example, benefit consultants—compared with other types of plan administration services vendors—typically offer more customized plans, but they often are more expensive, vendors agree.

Unlike consultants and insurers, a bank can offer direct trusteeship of plan assets and investment management services, but it may not be able to offer record keeping services for plan participants, vendors say.

And, mutual funds typically do not offer defined benefit plan services.

In addition, while vendors typically offer voice response systems that allow plan participants to access their accounts through 800 phone lines, some do not offer operator assistance. And, the securities training of operators varies from vendor to vendor.

AT&T's Mr. D'Andrea said employers should not expect to come away with a custom tailored administration plan. Instead, they will get the best plan possible based on the vendor's core services.

But, the marketplace is evolving, with outsourcing vendors adding services and some emerging as significantly bigger and stronger service providers.

For example, in a move designed to give 401(k) plan administration clients more investment choices while reducing fees, many consultants are beginning to form alliances with several mutual fund managers (see story, page 18).

The funds give the consultants a price break on record keeping charges, since record keeping is not a main source of revenues for the funds anyway. The vendors then pass along those savings to their clients.

"We can afford to do record keeping at cost or below cost because we make money on money management," explained Gary Strum, senior vp and director of

Continued on page 14

# When it comes to employee benefits, decision-makers turn to *Business Insurance* for the complete picture.

Beyond compliance with the Family & Medical Leave Act and uncertainty over the president's health care initiatives, corporate decision-makers are left pondering the future of employee benefits. As they seek information on trends and developments that will shape future employee benefit programs, these executives turn to *Business Insurance* for the complete benefits picture.



Whether they're evaluating health care programs, concerned about work and family issues, retirement planning, or negotiating terms for international benefit networks, *BI's* corporate readers rely on the perspective they receive from our employee benefits coverage each week. In fact, 84% say they take action after reading our articles or ads. And they'll turn with even greater interest to our upcoming spotlight reports and reference directories that deliver in-depth reporting on specialized topics.

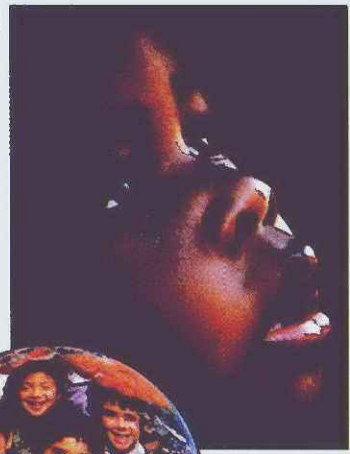
To reach the benefits decision-makers in the leading companies — many of which have offices around the world — you'll want to display your sales message in *Business Insurance*. Our average corporate reader represents a company with 3,400 employees and 44% have operations in both the U.S. and abroad. And because they all review their programs at least annually (23% review them even more frequently), the benefits of advertising to these executives come into sharp focus. If you're an agent or broker, the picture gets even clearer: two-thirds of these decision-makers utilize agent/broker services when conducting their reviews.



If you're interested in reaching the brokers of insurance and benefits programs, *BI* captures them as well. Seventy percent of the agents and brokers reading *Business Insurance* place group health insurance and other employee benefits. And many of them also provide additional services like benefit plan design consulting, administration and employee benefits information systems.

When you're looking to create a lasting impression on either the buyers or the sellers of employee benefits programs, the best place to develop your image is in *Business Insurance*. Take a look at the list of benefits issues coming up and then call your district sales manager to reserve space today. You won't want to be left out of the picture.

All statistics from the *Business Insurance* Audience Profile, 1993, Exdos & Morgan/MPG.



## Upcoming Benefits Issues:

	Publishing:	Closing:
Work & Family <i>Directory: Dependent Care Resource &amp; Referral Services</i>	July 25	July 13
Communicating with Employees <i>Directory: Benefit Communication Systems</i>	August 15	August 3
Pensions/Retirement Plans <i>Directory: 401(k) Plan Administrators</i>	September 5	August 24
EBC Award Profiles	November 7	October 26
International Benefits & Risk Mgmt <i>Directory: Int'l Insurers &amp; Benefit Networks</i>	December 5	November 23
Market Report <i>Directory: Benefit Consultants</i>	December 19	December 7

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NY 10017-5806  
(212) 210-0133  
Fax: (212) 210-0704

**Chicago:**  
740 N. Rush Street  
IL 60611-2590  
(312) 649-5276  
Fax: (312) 649-7799

**Los Angeles:**  
6500 Wilshire Blvd  
CA 90048-4947  
(213) 651-3710  
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# Outsource

Continued from page 12

retirement planning for John Hancock Mutual Funds of Boston, also a vendor of defined contribution plan administration services.

RJR Nabisco Inc. selected a consultant as its 401(k) plan administrator to avoid the limitations on its investment options that mutual fund vendors and insurer vendors would have imposed.

"We needed somebody flexible enough to handle the investment funds we choose," said Karen Manning, senior director-employee benefits of subsidiary Nabisco Foods Group in East Hanover, N.J.

She added, though, that some vendors rejected by the food and tobacco conglomerate have since

improved their investment options.

But RJR Nabisco, like many other employers, has decided it doesn't need to outsource its defined benefit plan administration.

Now, because its pension data is in better order, the company is in better shape to outsource administration of this plan if it eventually takes that course, Ms. Manning said.

**'We can afford to do record keeping at cost or below cost because we make money on money management,' says Gary Strum, senior vp and director of retirement planning for John Hancock Mutual Funds of Boston.**

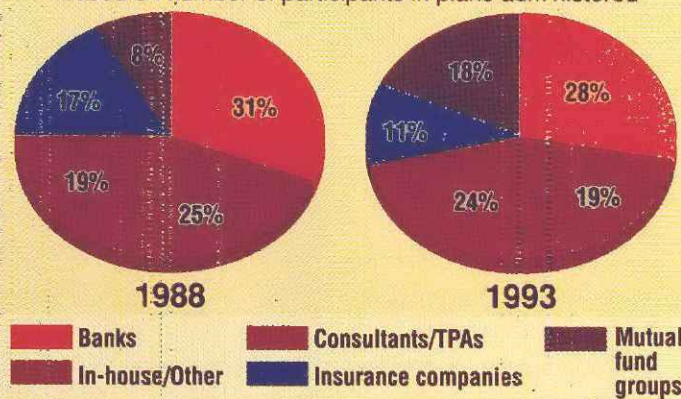
Instead, the company improved its in-house service by computerizing its pension calculation process, which reduces its actuaries' workload and allows the company to be more responsive to employee needs.

Sears, Roebuck & Co. of Hoffman Estates, Ill., in 1991 considered outsourcing its defined benefit plan administration but decided it could do the job internally more cost-efficiently.

Many other employers are not

## The changing face of the 401(k) services market

Based on number of participants in plans administered



Source: Access Research Inc.

GRAPHIC BY KIM FCME

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hiring outside firms to administer their defined benefit plans because they are focusing on the bigger administrative problems caused by their defined contribution plans, explained Elisa Karlson, director of re-engineering for Kwasha Lipton of Fort Lee, N.J., which administers plans.

But vendors expect that more employers will eventually want to outsource their defined benefit plans, and they're banking on it.

For example, Northern Trust earlier this year acquired benefit consultant and outsourcing vendor Hazlehurst & Associates Inc. of Atlanta to beef up the bank's outsourcing services.

Because of Hazlehurst's capabilities, the bank now can provide a full range of defined contribution and defined benefit plan outsourcing services, Ms. Douglass said. Those services now include individual record keeping data on 401(k) plan participants.

On the defined benefit plan administration side, it now can offer actuarial work, preretirement calculations on pension benefits and retiree health administration services.

And, in an unusual move for a mutual fund company, Fidelity Institutional Retirement Services Co. of Boston a plan administration unit of Fidelity Investments, is gearing up to provide defined benefit plan services.

By year end, FIRSCO plans to offer a full range of defined benefit plan administration services, including benefit disbursement services and an 800 phone line that employees nearing retirement can use to obtain a pension benefit estimate and discuss benefit distribution options.

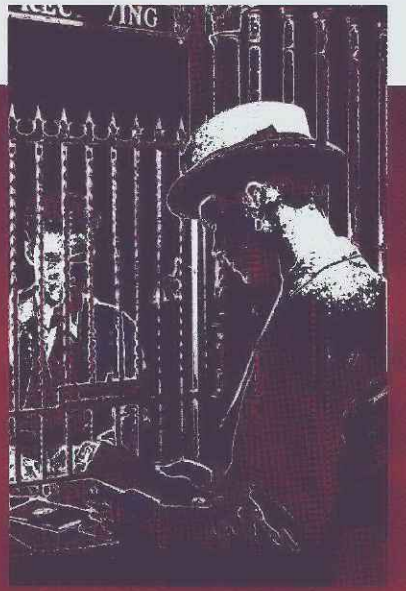
In addition, sometime in 1995, FIRSCO plans to introduce a program for employers that want to outsource the administration of their health and welfare plans for employees and retirees.

FIRSCO will be able to handle medical, dental, vision and flexible benefits plans, according to President Robert Reynolds.

Will outsourcing of defined benefit plan administration become as widespread as it is for defined contribution plan administration?

"I honestly don't know why not," said Martin Griegal, managing consultant for A. Foster Higgins & Co. Inc. in Princeton, N.J.

Indeed, up to 40% of the requests for proposals that The Wyatt Co. receives for defined contribution plan administration work ask about its capabilities in handling defined benefit plans, said Mike Hager director of marketing for outsourcing services for Wyatt in Washington. **BI**



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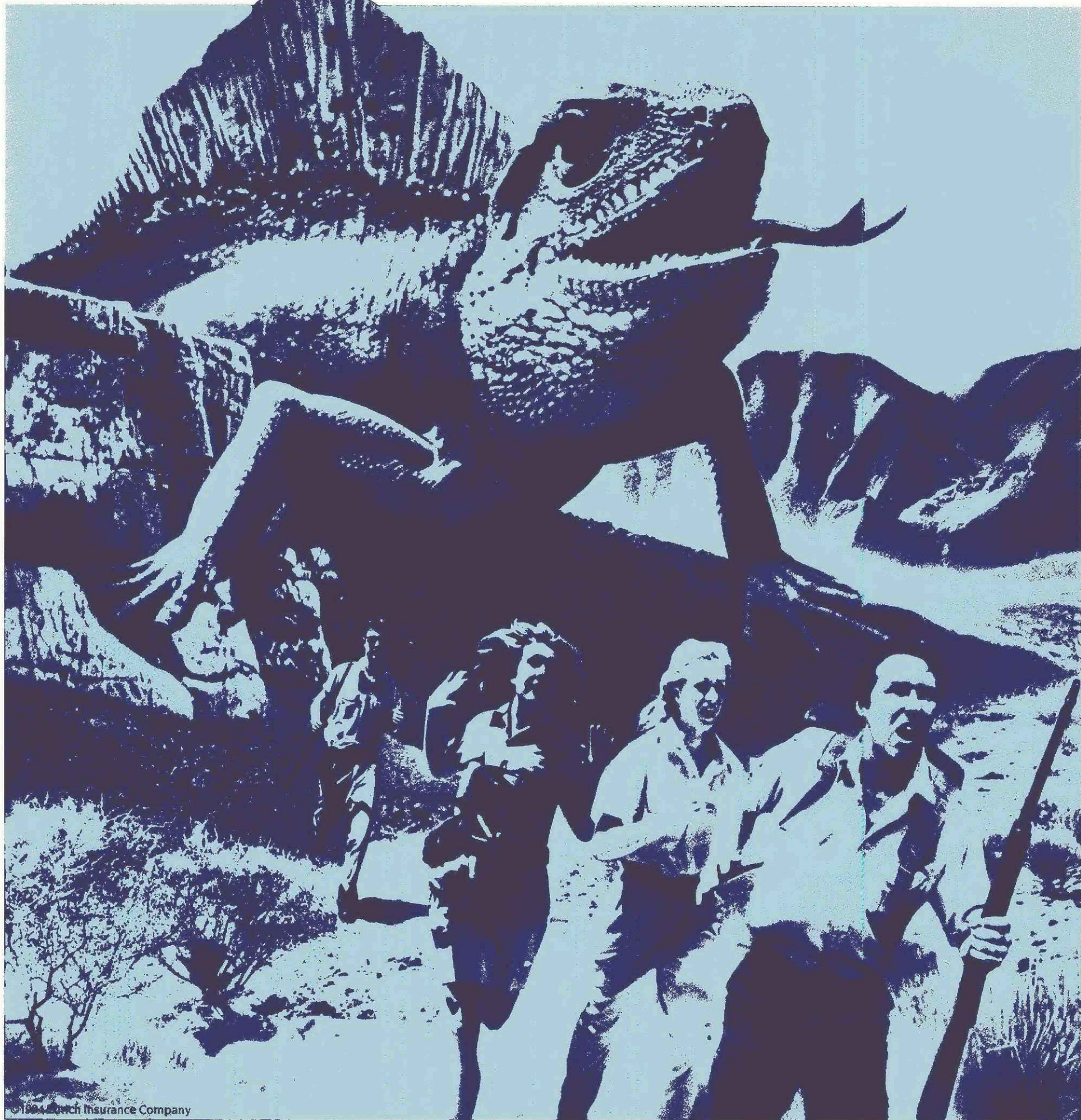
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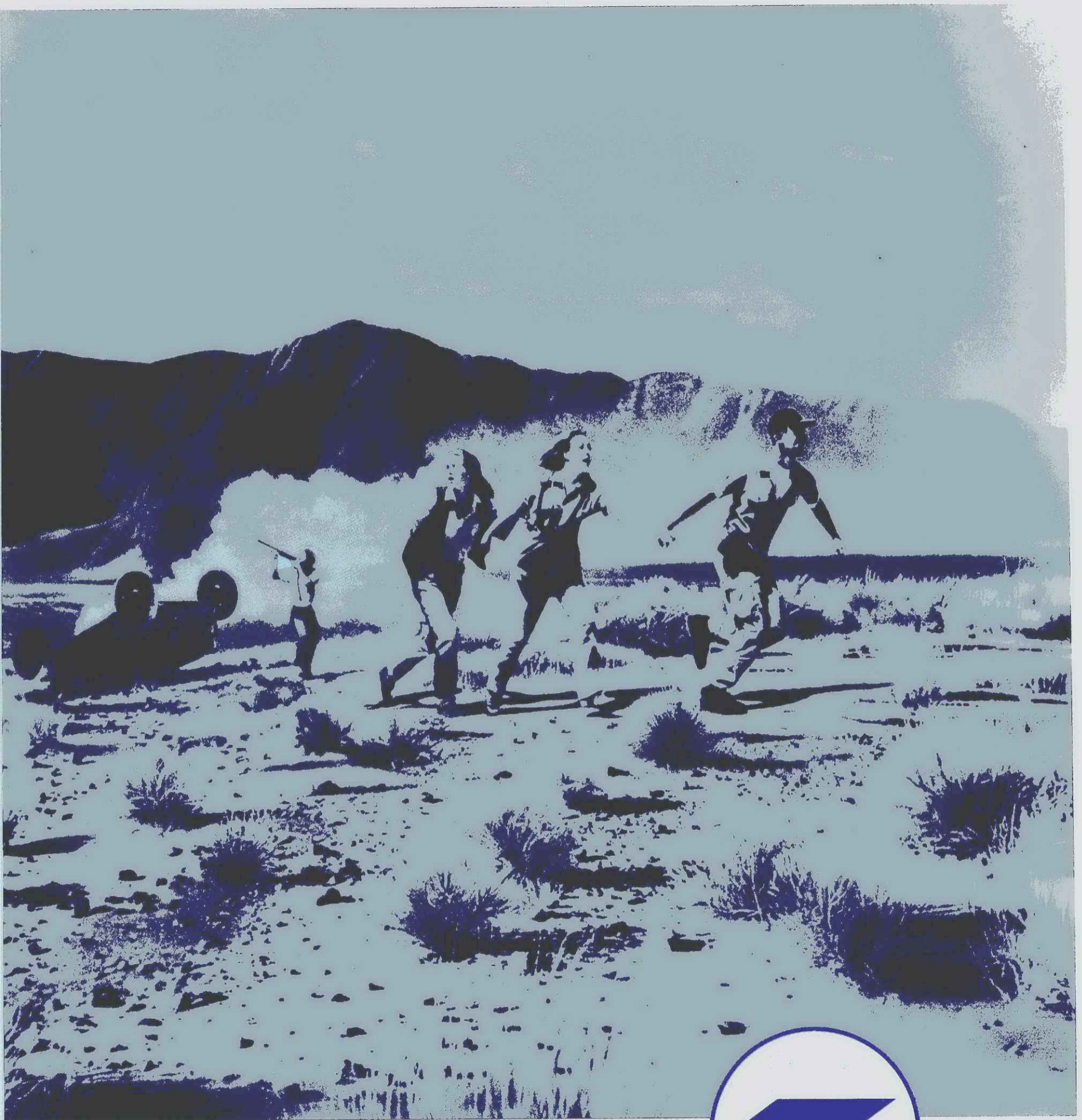
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# Some prefer one-stop shopping

## Employers increasingly turn to bundled 401(k) services

By **DEBORAH SHALOWITZ COWANS**

Prices are falling in the growing market for "bundled" 401(k) plan administration and investment services as new alliances of companies compete with the insurers and money management firms that traditionally provided these services.

Among the new competitors are banks, third-party administrators and employee benefit consultants. They are all after a share of the market for bundled service packages, which generally include record keeping, trusteeship, a minimum of three investment options and employee communications.

Some experts, though, warn of disadvantages with using bundled 401(k) administrative services. For example, although bundled service providers tend to be good in many areas, they may not have the same expertise in those areas as a stand-alone specialist.

In an alliance arrangement, employers contract with a lead firm, which typically provides record keeping and communication services and then contracts with the other firms in the alliance. Some services that employers may need are often not included in bundled packages, including plan design and non-discrimination testing.

The main reason employers have

been turning to bundled services packages in the past few years has been their administrative ease.

"It takes a lot of the administrative headache off the employer when they have a single source of contact" for the plan, said Michael Sternklar, a partner at Kwasha Lipton in Fort Lee, N.J.

"There's one entity to make sure that everything works right," agreed Stephen Hensley, vp of defined contribution administration for the Principal Financial Group in Des Moines, Iowa.

Many employers are trying to cut costs, downsize and concentrate on their core businesses, which makes using a bundled service appealing,

according to Craig Cina, director of marketing in Minneapolis for Wyatt PREFERRED CHOICE, an alliance sponsored by The Wyatt Co.

And that appeal is growing. More than half of all employers that made a decision about 401(k) administrative services within the last two years opted for a bundled program approach for record keeping and investment management from either a single vendor or an alliance, according to Access Research, Inc., a research and communications firm based in Windsor, Conn.

Small plans, in particular, overwhelmingly choose bundled services for their 401(k) plans. In 1993, 71% of plans with fewer than 100 participants used a bundled service approach, up from 62% in 1988, according to ARI.

Some 62% of plans with between 100 and 1,000 participants used a bundled approach in 1993, up from

40% five years earlier.

Among large firms with more than 1,000 plan participants, 38% last year used a bundled approach, up from 22% in 1988, ARI found.

White Plains, N.Y.-based Tambrands Inc. is in the process of switching to bundled 401(k) services from an unbundled approach.

Patrick Russo, manager of employee benefits, said the company decided to use a bundled service provider for its 401(k) plan for several reasons. Under the new services package, plan participants can receive daily valuation information through an interactive voice response system and operators, he noted. Previously each of the plan's approximately 1,000 participants received only a written monthly valuation statement.

And, the service provider will administer the plan's loan program, which Tambrands has found "very burdensome." Mr. Russo commented that "this immediately gets us out of the loan business."

In addition to simplifying the benefits staff's administration burden, Mr. Russo said he expects to save 25% to 30% on 401(k) administration fees. Mr. Russo declined to name Tambrands' new service provider because the contract has not been finalized.

Bass Pro Shops, of Springfield, Mo., chose a bundled service approach when it decided to offer employees a 401(k) plan in 1988.

Previously, the fishing equipment retailer had offered employees a non-qualified thrift plan that was administered by a local bank, said Mike Rowland, vp of human resources.

However, whenever something went wrong "there was an awful lot of finger-pointing" over who was to blame, he said.

Bass Pro Shops, which uses the Principal Financial Group as its bundled service provider, is quite pleased with the bundled approach. Communications to participants, through an interactive voice response system, are excellent, said Mr. Rowland. "It's easy to have the greatest benefit in the world but if employees don't understand it, the perceived benefit is greatly reduced."

And, "from an administrative standpoint it made it much easier," he said. Nearly 1,200 employees participate in the 401(k) plan offered by Bass Pro Shops to employees of the company and its affiliates.

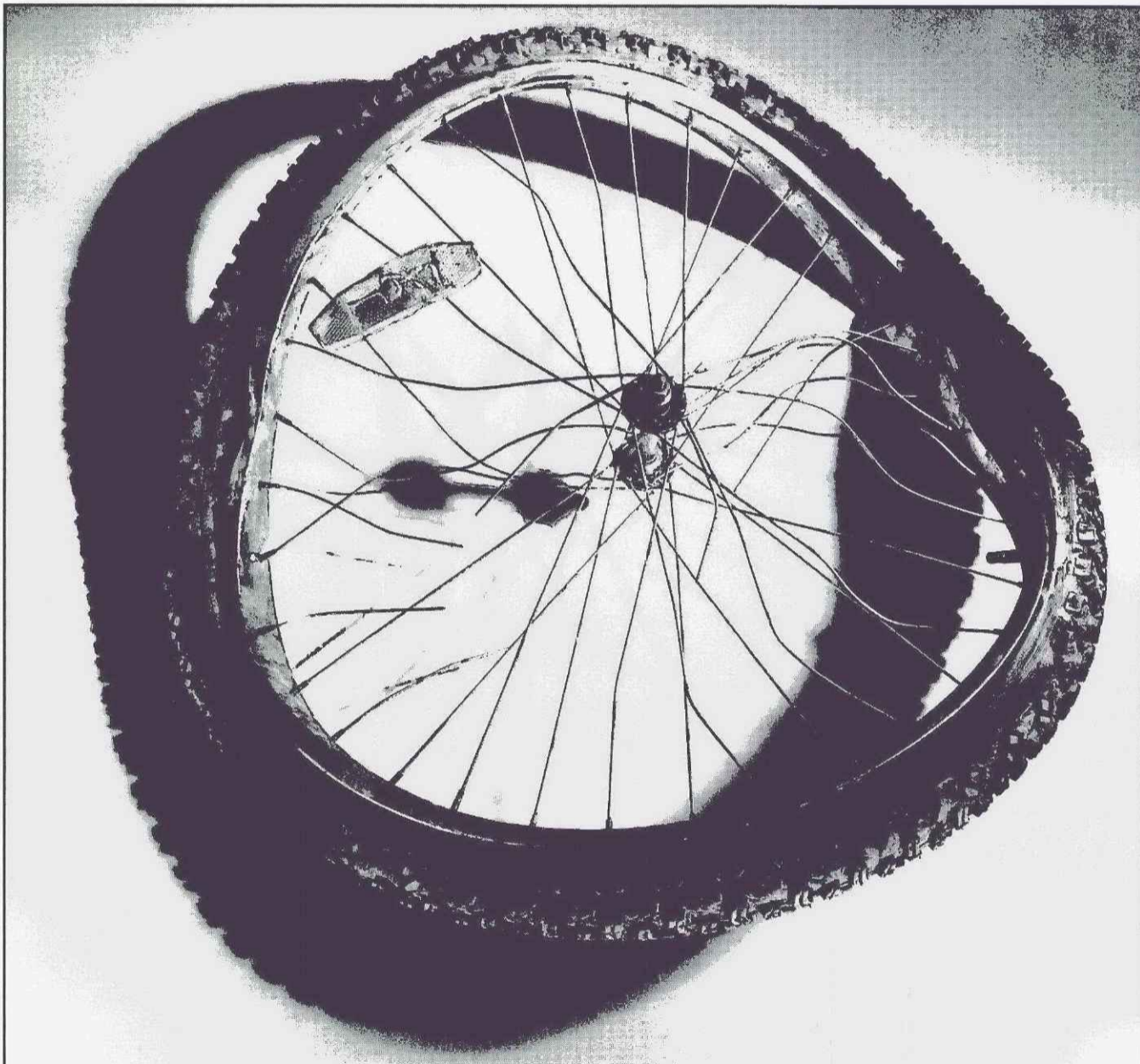
Although some opponents of bundled services object that investment options offered through these firms are too limited, the situation is changing. Many bundled service providers, including the Principal Financial Group, allow employers to include additional investment options that the company does not normally offer, such as retail mutual funds.

Not everyone endorses the bundled approach.

"The main problem with the bundled approach is it is take it or leave it," commented Brian Ternoy, a principal in the Princeton, N.J., office of A. Foster Higgins & Co. Inc. Employers have fewer choices for various administrative services, he explained.

For example, contracting with one vendor for all services can tie an employer to outmoded administrative technology. "To go bundled means you can be dependent on whether that vendor wants to upgrade its technology or not," he pointed out.

"What you get are people who are decent in a number of different areas but not great in any one because they're not specialists," said Kwasha Lipton's Mr. Sternklar. **B**



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# Annual directory of 401(k) plan administrators

A

**ACTI**

9210 Corporate Blvd., Suite 300,  
Rockville, Md. 20850; 301-990-0900;  
fax: 301-977-3035

**Staff**

Total .....85

**Clients**

Total .....90  
Minimum participants/plan .....1  
Maximum participants/plan .....Unlimited

**Parent:** The Shareholder Services Group.

**Software:** Written and maintained in-house, accommodates 1,196 investment funds and 30 types of contributions, software may be used by clients in-house.

**Administration:** Does not use unit value accounting. Accommodates loan

provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** On-line access. Consults on plan design.

**Service area:** Nationwide.

**Officers:** Randall Harris, president; Robert Guillocheau, CFO; Twila Bastian, vp-client services; Greg Gehring, vp-support services; Randall Foltz, vp-sales.

**Contact:** Kent Novell, director-marketing.

**ARS Benefits Inc.**

4501 Circle 75 Parkway, Suite C3220,  
Atlanta, Ga. 30188; 404-980-1908;  
fax: 404-859-0837

**Staff**

Total .....13

Involvement in 401(k) plan services .....2  
Designations held: 1 CEBS

**Clients**

Total .....30

Average participants/plan .....25  
Minimum participants/plan .....1  
Maximum participants/plan .....Unlimited

**1993 revenues**

Total .....\$799,000  
401(k) plan administration .....\$46,000

**Services began:** 1983.

**Parent:** ARS Management Inc.

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

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include set up of ASCII files to download data, integration and coordination with other benefit plans.

**Service areas:** Atlanta, Southeast.

**Charges:** Determined by number of participants, complexity of plan, time

and expense, frequency valuations.

**Officers:** Gloria L. Aaberg, president.

**AT&T American Transtech**

8000 Baymeadows Way, Jacksonville,  
Fla. 32256; 904-636-2815;  
fax: 904-636-1182

**Clients**

Average participants/plan .....20,000

**Services began:** 1986.

**Software:** Software may be used by clients in-house.

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

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

**Service area:** Nationwide.

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

**Officers:** Brad Benton, executive director-employee services.

**AccuRecord Inc.**

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

**Staff**

Total .....36

Involvement in 401(k) plan services .....30

**Clients**

Total .....200

Average participants/plan .....800  
Minimum participants/plan .....50

**1993 revenues**

Total .....\$4,000,000

401(k) plan administration .....\$3,800,000

**Services began:** 1981.

**Software:** Written and maintained in-house, accommodates 99 investment funds and 30 types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access. Other services include check writing and IRS automatic filing of 1099Rs.

**Service area:** Nationwide.

**Charges:** Determined by number of participants, frequency valuations.

**Officers:** G. Chave, president; P. Badamo, John Bradley, executive vps; G. Pantaleo, senior vp; Kevin Rooney, vp.

**Contact:** Kevin Rooney.

**Actuarial & Employee Benefit Services Co.**

3481 Central Parkway, Suite 100,  
Cincinnati, Ohio 45223-3396;  
513-872-7505; fax: 513-872-7509

**Staff**

Total .....22

Involvement in 401(k) plan services .....4  
Designations held: 2 attorneys

**Clients**

Total .....14

Average participants/plan .....50  
Minimum participants/plan .....1  
Maximum participants/plan .....2,000

**1993 revenues**

Total .....\$226,000

401(k) plan administration .....\$131,000

**Services began:** 1985.

**Parent:** CAI Insurance Agency Inc.  
**Software:** Written and maintained in-house, accommodates 16 investment funds and 16 types of contributions.

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

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

**Service area:** Midwest.

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

**Officers:** James T. Schlotman, secretary/treasurer; Carl R. Schlotman Jr., president.

**Contact:** James Schlotman.

**Actuaries & Associates**

701 S. Tyler, Amarillo, Texas 79101;  
806-373-3624; fax: 806-373-2952

**Staff**

Total .....13

Involvement in 401(k) plan services .....10  
Designations held: 1 attorney

**Clients**

Total .....200

Average participants/plan .....40  
Minimum participants/plan .....1

**1993 revenues**

Total .....\$650,000

401(k) plan administration .....\$300,000

**Services began:** 1981.

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

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

Continued on next page

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6:93CV526 (E.D. TEX.) AND *CONTINENTAL CASUALTY CO. V. RUDD*, C.A.  
No. 6:94CV458 (E.D. TEX.).

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A class action lawsuit, *Ahearn v. Fibreboard* and a Global Settlement Agreement, have been filed in U.S. District Court in Tyler, Texas. If approved, this class action and settlement will resolve all future asbestos-related personal injury claims against Fibreboard and its predecessors, including PABCO, as well as third-party claims arising out of such claims.

A class action, *Continental Casualty Co. v. Rudd*, was also filed against two defendant classes seeking approval of a settlement entered into between Fibreboard and certain of its insurers to settle all liabilities and obligations of the insurers under insurance policies they issued to Fibreboard.

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- If you are a person or entity which may be sued by individuals exposed to asbestos or asbestos-containing products;

**Call: 1-800-792-2000** for more information about these class actions and your rights ... even if you are not suffering from any symptoms of injury.

Continued from previous page

**Client support:** Toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include annual (or more frequent) statements and Form 5500 filings.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in El Paso, Houston and Lubbock, Texas.

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

**Officers:** B.K. Houchin, president; Eugene Shelton, plan administrator; Jeffery Houchin, consultant.

**Contact:** B.K. Houchin.

**Acuff & Associates Inc.**

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

Staff	
Total	15
Involvement in 401(k) plan services	8
Designations held: 3 ASA/FSAs, 1 attorney	

Clients	
Total	110
Average participants/plan	400
Minimum participants/plan	2
Maximum participants/plan	50,000

**Services began:** 1991.  
**Software:** Leased from outside vendor, accommodates 30 investment funds and 20 types of contributions, software may be used by clients in-house.

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

**Client support:** Toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan

design, compliance issues, employee communications.

**Service area:** Nationwide.

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

**Officers:** Lucian B. Acuff, president; Trina D. Burrow, secretary/treasurer.

**Contact:** Lucian B. Acuff.

**The Administrative Management Group**

3800 N. Wilke Road, Suite 250, Arlington Heights, Ill. 60004; 708-577-6000; fax: 708-870-9200

Staff	
Total	90
Involvement in 401(k) plan services	46
Designations held: 9 CPAs, 1 attorney	

Clients	
Total	270
Average participants/plan	700

**Services began:** 1982.  
**Software:** Written and maintained in-house.

**Administration:** Accommodates loan provisions, performs 401(k) and 401(m)

non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include data management and enrollment, projection and loan software.

**Service area:** Nationwide.

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

**Officers:** John Salajka, CEO; David Goldenberg, COO.

**Contact:** Mark Tucker, director-new business development.

**Alexander & Alexander Consulting Group Inc.**

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

Staff	
Total	1,200
Involvement in 401(k) plan services	60

Clients	
Total	215
Average participants/plan	3,210
Minimum participants/plan	100
Maximum participants/plan	Unlimited

**Services began:** 1981.

**Parent:** Alexander & Alexander Services Inc.

**Software:** Written and maintained in-house, accommodates 20 investment funds and 20 types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, on-line access, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include consulting on investment services, systems, communication and vendor selection; plan audits; retirement planning software and voice response communication of plan features.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Los Angeles, Atlanta, Baltimore, St. Louis. Additional consulting offices in San Francisco and San Jose, Calif.; Greenwich, Conn.; Tampa, Fla.; Chicago; Boston; Detroit; Minneapolis; New York; Dallas.

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

**Officers:** Donald L. Seeley, president/CEO-The Alexander Consulting Group Inc.; Neil A. Burger, chairman/CEO-Alexander & Alexander Consulting Group Inc. (US); John L. Goodyear, chairman/CEO-Alexander & Alexander Benefits Services Inc. (US); Robert K. Burden, chairman/CEO-The Alexander Consulting Group Ltd. (Canada); Brian E. Kennedy, chairman/CEO-The Alexander Consulting Group Ltd. (U.K.).

**Contact:** Melanie Langsett, 404-264-3141.

Continued on page 24

Accounting methods used include cash, unit value and full share, unless otherwise noted.

**401(k) directory lists plan administrators**

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

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

Listings begin with the company name and address. Details on staff and 401(k) clients are provided, followed by 1993 gross revenues (when provided by the company). Next, the year the company began offering 401(k) plan administration services and parent company (if any) are listed.

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

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

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

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## A New Pharmacy Benefit Management (PBM) Company

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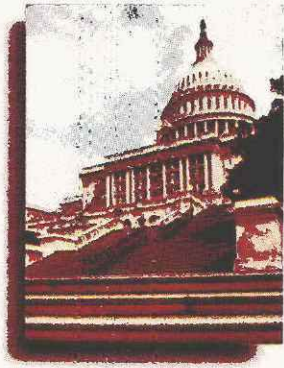
Pharmacy benefit solutions

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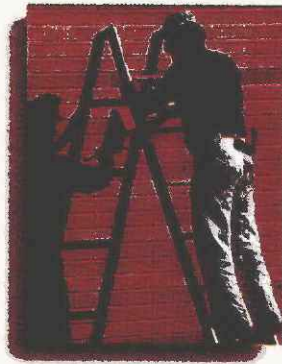
For more information, please call 1-800-770-8014 and speak to one of our representatives about how you can improve your healthcare program, reduce costs and increase benefit satisfaction.



THE SECOND ANNUAL

# Business Insurance®

## WORKERS COMPENSATION CONFERENCE



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*Director of Ergonomics  
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Cindy Zehnder  
*International Representative  
International Brotherhood of  
Teamsters Joint Council No. 28*

## WHO SHOULD ATTEND

Risk managers, employee benefit managers, safety managers, insurers, claims administrators, workers compensation and loss control specialists, consultants, insurance brokers, lawyers and providers from a broad range of companies and organizations involved in workers compensation.

## CONFERENCE AGENDA

### WEDNESDAY, OCTOBER 19, 1994

- EARLY REGISTRATION & WELCOME RECEPTION

### THURSDAY, OCTOBER 20, 1994

- Registration & Continental Breakfast
- NEW INITIATIVES FOR CONTROLLING WORKERS COMPENSATION HEALTH CARE COSTS
- DISABILITY MANAGEMENT
- LUNCHEON SPEAKER - ALLEN IAMPAGLIA RISK MANAGER, CITY OF GLENDALE, ARIZONA
- EMPLOYER CASE STUDIES
  - ▶ IN-HOUSE CASE MANAGEMENT WORKS
  - ▶ CARPAL TUNNEL SYNDROME CASES DON'T HAVE TO COST AN ARM
  - ▶ THE TRUTH AND CONSEQUENCES OF COMBATING FRAUD
- FINANCING ALTERNATIVES FOR WORKERS COMPENSATION: HOW TO EVALUATE AND DECIDE WHICH FINANCING METHOD IS RIGHT FOR YOUR COMPANY
- Reception

### FRIDAY, OCTOBER 21, 1994

- Continental Breakfast
- DEALING WITH CONTESTED CLAIMS
- CUMULATIVE TRAUMA DISORDERS: CONTROLLING THE WORKERS COMPENSATION MONSTER
- ESTABLISHING AND MANAGING THE CLAIMS AUDIT PROCESS
- LUNCHEON SPEAKER - DOUGLAS MCCOY RESIDENT VICE PRESIDENT, COMMERCIAL LINES, THE TRAVELERS CORPORATION
- APPLYING TOTAL QUALITY MANAGEMENT TO WORKERS COMPENSATION: UTILIZING BENCHMARKING TO STREAMLINE THE WORKERS COMPENSATION PROCESS
- Closing Reception

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Commonwealth Risk Services, Inc.  
Continental Risk Management Services, Inc.  
United Healthcare Corporation

## OCTOBER 19-21, 1994

*Loews Coronado Bay Hotel  
San Diego, California*

### COMMENTS FROM SOME OF LAST YEAR'S ATTENDEES:

*"Consistently good speakers—educating and entertaining—made the conference valuable and palatable."*

Mary Dymond  
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ACX Technologies

*"The conference was an excellent forum for gathering ideas and networking. It was well run. I'm glad I came."*

K. Mildenhall  
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City of Glendale, Arizona

*"The conference was great! The facility was beautiful. I received a lot of information that will be valuable once applied."*

Sharon Vansant  
Claims Administrator  
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### ACCREDITATION

IBF•International Business Forum is registered with the California Insurance Board as a course provider. Attendees will earn 11 CEU credits.

### REGISTRATION

To register or to receive more information call IBF•International Business Forum, or fill out the coupon below and Fax or mail to IBF•International Business Forum at 7 Penn Plaza, Suite 901, New York, New York 10001.

**TEL: (212) 279-2525 FAX: (212) 279-9307.**

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## THE SECOND ANNUAL BUSINESS INSURANCE WORKERS COMPENSATION CONFERENCE

**YES, PLEASE REGISTER ME TO ATTEND THE SECOND ANNUAL BUSINESS INSURANCE WORKERS COMPENSATION CONFERENCE, OCTOBER 19-21, 1994. I UNDERSTAND THAT I WILL BE INVOICED IF PAYMENT ISN'T ENCLOSED.**

- I am a service provider - \$795  
 I am a risk, benefits or safety manager - \$595

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Telephone: ( \_\_\_\_\_ ) \_\_\_\_\_

Fax No. ( \_\_\_\_\_ ) \_\_\_\_\_

- Please send me information on being an exhibitor.  
 Please register the following individual(s) as listed on the attached page.

Continued from page 21

**The Alliance Benefit Group**

2100 Northland Drive, Austin, Texas 78756; 512-454-3718; fax: 512-454-7926

<b>Staff</b>	
Total	35
Involvement in 401(k) plan services	20
Designations held: 5 CEBSs, 1 CPA, 3 ASA/FSAs, 1 attorney	

<b>Clients</b>	
Total	350
Average participants/plan	150
Minimum participants/plan	1
Maximum participants/plan	15,000

<b>1993 revenues</b>	
Total	\$2,000,000
401(k) plan administration	\$1,140,000

**Services began:** 1982.  
**Software:** Purchased from outside vendor, accommodates 25 investment funds and 25 types of contributions.

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

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

**Service area:** Southwest.  
**Locations:** Consulting offices in Fayetteville and Little Rock, Ark.; Oklahoma City; Dallas, Houston and Midland, Texas.

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

**Officers:** G.C. Pettey, president; Jayne Barstow, senior executive vp.

**Allmerica Financial (State Mutual)**

440 Lincoln St., Worcester, Mass. 01653; 508-855-2204; fax: 508-853-2712

<b>Staff</b>	
Total	300
Involvement in 401(k) plan services	75
Designations held: 8 CEBSs, 3 attorneys	

<b>Clients</b>	
Total	730
Average participants/plan	130

<b>1993 revenues</b>	
Total	\$15,000,000
401(k) plan administration	\$11,000,000

**Services began:** 1982.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include prototype plans, investments, record keeping, administration, benefit payment, testing, employee communications, government reporting, graphical participant statement and money back guarantee.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Washington; Atlanta; Chicago; Boston; Buffalo, N.Y.; Greensboro, N.C.; Puerto Rico.

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

**Officers:** Larry Renfro, group executive vp; Walter Laliberte, executive vp; Kim King, vp.

**Contact:** Douglas Webler, marketing director.

**Ameritas Life Insurance Corp.**

5900 O St., Lincoln, Neb. 68510; 402-467-1122; fax: 402-467-7885

<b>Staff</b>	
Total	748
Involvement in 401(k) plan services	21
Designations held: 6 CEBSs, 2 CPAs, 3 ASA/FSAs, 1 attorney	

<b>Clients</b>	
Total	71
Average participants/plan	47
Minimum participants/plan	1
Maximum participants/plan	Unlimited

<b>1993 revenues</b>	
Total	\$539,927,000
401(k) plan administration	\$93,262

**Services began:** 1985.  
**Software:** Purchased from outside vendor, accommodates 64 investment funds and nine types of contributions.

**Administration:** Does not use unit value accounting or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include prototype document, plan design and proposals and government reporting.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, time and expense, frequency valuations.

**Officers:** Neal Tyner, chairman/CEO; Lawrence J. Arth, president/COO; Norman M. Krivosha, executive vp-administration.

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

**Arnold & Co.**  
1450 W. Long Lake Road, Suite 365, Troy, Mich. 48098-6327; 810-641-8686; fax: 810-641-7885

<b>Staff</b>	
Total	18
Involvement in 401(k) plan services	13
Designations held: 2 CEBSs, 2 ASA/FSAs	

<b>Clients</b>	
Total	300
Average participants/plan	60

**Software:** Purchased from outside vendor, accommodates 300 investment funds and 15 types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include enrollment services, preparation of custom enrollment books and tax-impact statements.

**Service area:** Nationwide.  
**Charges:** Determined by number of

participants, complexity of plan, time and expense, frequency valuations.

**Officers:** Craig C. Arnold, president.



**Benefit Concepts Inc. of R.I.**

10 Risho Ave., East Providence, R.I. 02914; 401-438-7100; fax: 401-438-5420

<b>Staff</b>	
Total	17
Involvement in 401(k) plan services	8

<b>Clients</b>	
Total	250
Average participants/plan	45

**Services began:** 1984.  
**Software:** Purchased from outside vendor, accommodates 20 investment funds and 10 types of contributions.

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

**Client support:** Written communica-

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

**Service area:** Rhode Island, southeast New England.

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

**Officers:** John W. Hoder, owner; Frank J. Hoder III, owner.

**Contact:** Frank (Jay) Hoder III.

**Benefit Dynamics Inc.-Retirement Plans of America Division**

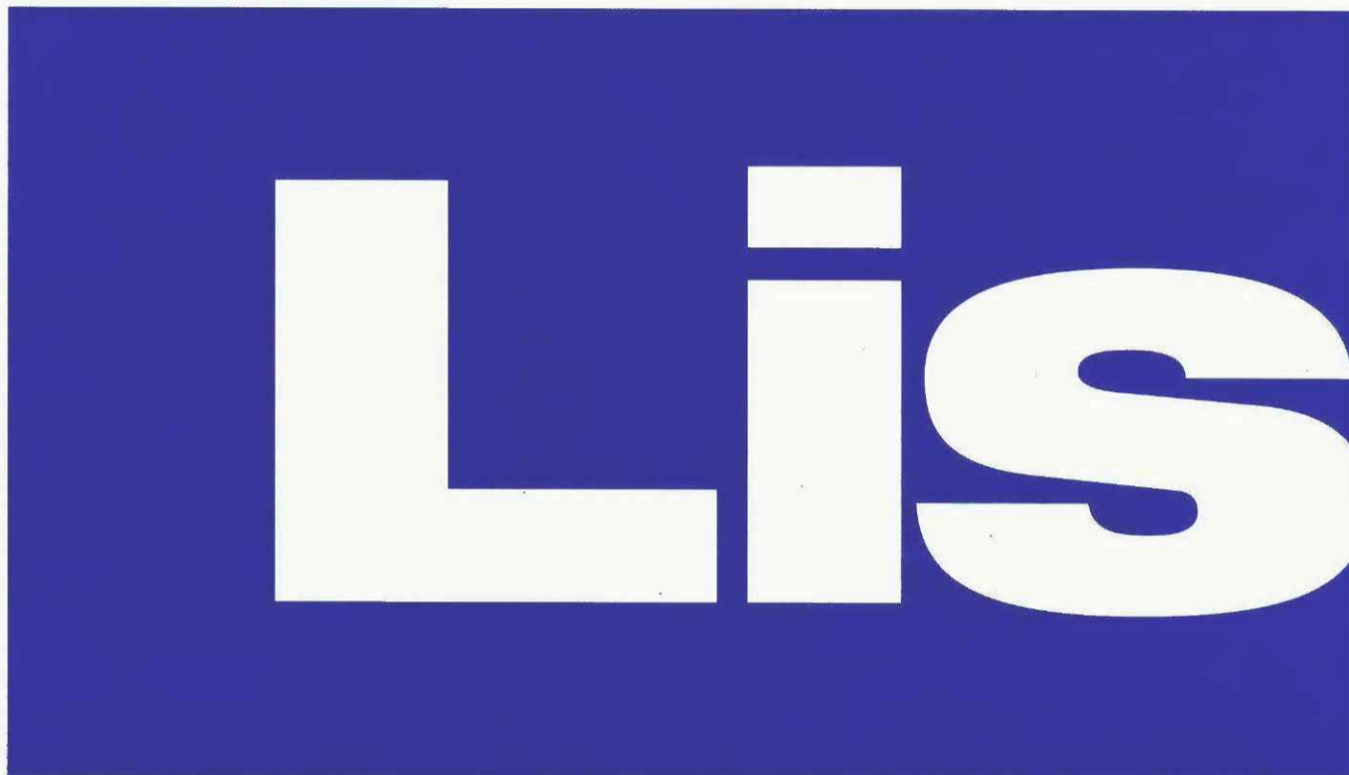
10 Grove St., Cherry Hill, N.J. 08002; 609-662-7100; fax: 609-662-7228

<b>Staff</b>	
Total	35
Involvement in 401(k) plan services	9
Designations held: 1 CEBS	

<b>Clients</b>	
Total	75
Average participants/plan	130
Minimum participants/plan	25
Maximum participants/plan	25,000

**Services began:** 1983.  
*Continued on next page*

*The Alexis Philosophy – No. 2 in a series:*



**When one of our clients workers compensation, we**

Continued from previous page

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include input and verification of payroll data; allocation of individual salary reduction contributions by investment month; eligibility determination; trust fund reconciliation; calculation of employer match contribution, IRS Section 410(b), 410(a)(26), forfeitures, accrued and vested benefits; employer valuation reports; preparation of release forms, Form 5500 and summary annual report.

**Service area:** Nationwide.

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

**Officers:** Jo Ann Massanova, president; Carmen La Verghetta, executive president; Mark E. Moran, vp.

**Contact:** Mark E. Moran.

### Benefit Plan Installations Inc.

P.O. Box 7544, North Brunswick, N.J. 08902; 908-545-8565; fax: 908-264-4388

#### Staff

Total .....12  
Involved in 401(k) plan services .....10  
Designations held: 4 CEBSS, 1 CPA, 1 ASA/FSA

#### Clients

Total .....34  
Average participants/plan .....625  
Minimum participants/plan .....25  
Maximum participants/plan .....Unlimited

**Services began:** 1990.

**Software:** Written and maintained in-house, accommodates unlimited investment funds and 15 types of contributions, software may be used by clients in-house.

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

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

design, compliance issues, employee communications. Other services include access to investment funds of various mutual fund companies through transfer agent, enrollment and investment education meetings.

**Service area:** Nationwide.

**Locations:** Consulting offices in Boca Raton, Fla.

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

**Officers:** Nicholas Mattera, president; Bruce Weiner, Robert Muldoon, executive vps.

**Contact:** Valerie Spero, senior consultant.

### The Benefits Group

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

#### Staff

Total .....40  
Involved in 401(k) plan services .....12  
Designations held: 1 CPA, 1 ASA/FSA, 1 attorney

#### Clients

Total .....230  
Average participants/plan .....280  
Minimum participants/plan .....20  
Maximum participants/plan .....10,000

#### 1993 revenues

Total .....\$5,500,000  
401(k) plan administration .....\$1,500,000

**Services began:** 1981.

**Software:** Purchased from outside vendor, accommodates 14 investment funds and six types of contributions.

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

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

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Akron, Ohio.

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

frequency valuations.

**Officers:** Joseph Crea, president; Charles Farro, chairman/CEO; James S. Vitalie, director-pension services.

**Contact:** James S. Vitalie.

### Benefits Plus Inc.

6001 Adams Road, Bloomfield Hill, Mich. 48304-1575; 810-258-0888; fax: 810-258-0890

#### Staff

Total .....35  
Involved in 401(k) plan services .....35  
Designations held: 2 CPAs

#### Clients

Total .....160  
Average participants/plan .....50  
Minimum participants/plan .....10  
Maximum participants/plan .....2,000

#### 1993 revenues

Total .....\$2,100,000  
401(k) plan administration .....\$2,000,000

**Services began:** 1988.

**Software:** Purchased from outside vendor, accommodates 36 investment funds and unlimited types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include individual employee enrollment with laptop computers and group meetings.

**Service area:** Nationwide.

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

**Officers:** Mark Wayne, president.

### Boatmen's Trust Co.

The Boatmen's Tower, 100 N. Broadway, St. Louis, Mo. 63102; 314-466-3800; fax: 314-466-3964

#### Staff

Total .....1,300  
Involved in 401(k) plan services .....225  
Designations held: 23 CEBSS, 12 CPAs, 3 ASA/FSAs, 11 attorneys

#### Clients

Total .....300  
Average participants/plan .....400  
Minimum participants/plan .....1  
Maximum participants/plan .....Unlimited

#### 1993 revenues

Total .....\$152,200,000  
401(k) plan administration .....\$22,800,000

**Services began:** 1982.

**Parent:** Boatmen's Bancshares Inc.  
**Software:** Purchased from outside vendor, accommodates 30 investment funds and 10 types of contributions.

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

**Client support:** Daily valuations (with some investment restrictions), toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include trustee/custody services, benefit payments, prototype plans and performance measures.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Belleville, Ill.; Des Moines, Iowa; Kansas City and Springfield, Mo.; Albuquerque, N.M.; Oklahoma City; Memphis, Tenn.; Amarillo and Houston, Texas.

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

**Officers:** John Peters MacCarthy, chairman/CEO; Martin E. Galt III, president; Rollin C. Woltjen, executive vp-pension/institutional services; Lyle W. Brizendine, senior vp-pension/institutional services administration; Richard W. Hibbs, senior vp-pension/institutional services marketing/client service.

### Buck Consultants Inc.

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

#### Staff

Total .....1,400  
Involved in 401(k) plan services .....210  
Designations held: 19 CEBSS, 7 CPAs, 131 ASA/FSAs, 30 attorneys

Continued on next page

# tem

## talks about the cost of know exactly what to do.

We can't begin to solve a problem until we know what it is. So our first step in working with a client is to listen - not passively, but actively, to understand the problem and the situation. Then we act to provide solutions - customized solutions that meet clients' specific requirements.

This philosophy has made Alexis one of the nation's leading risk management services organizations.

Our services range from loss control and claims administration to managed care and consulting on risk management issues.

So, if the cost of workers compensation or liability programs is a problem for your company, turn to Alexis.

We provide solutions.

**Alexis**<sup>®</sup>  
Risk Management Services  
**Solutions**

Continued from previous page

<b>Clients</b>	
Total	424
Average participants/plan	1,700
Minimum participants/plan	1
Maximum participants/plan	Unlimited
<b>1993 revenues</b>	
Total	\$166,000,000

Services began: 1981.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include access to mutual fund families and trust service providers; voice response systems/services; PC-based inquiry and

transaction system; integrated data system; administration forms and manuals; investment supervisory services; plan document preparation; loan administration consulting; benefit statements; pre-retirement and financial planning seminars/system and employee investment education materials/consulting.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Los Angeles; San Francisco; Denver; Stamford, Conn.; Washington; Atlanta; Honolulu; Fort Wayne, Ind.; Chicago; Boston; Detroit; Kansas City, Mo.; Secaucus, N.Y.; Cincinnati; Cleveland; Pittsburgh; Dallas; Houston.

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

**Officers:** William E. Giegerich, president/CEO; Frederick W. Rumack, director-401(k) consulting; Pat Amendola, director-administrative services group; Lowell Tanzer, director-administrative consulting services.

**Contact:** Carolee Martin, manager-marketing, 201-902-2555; Pamela Stewart, defined contribution administrative services marketing, 201-902-2558.



**Capital Management Group**  
101 Metro Drive, Suite 550, San Jose, Calif. 95110; 408-452-0422; fax: 408-452-0210

<b>Staff</b>	
Total	35
Involved in 401(k) plan services	12
Designations held: 1 CPA	
<b>Clients</b>	
Total	125
Average participants/plan	95
Minimum participants/plan	5
Maximum participants/plan	10,000
<b>1993 revenues</b>	
Total	\$3,000,000
401(k) plan administration	\$400,000

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Section 125 and COBRA administration, group health benefits, tax and consulting, estate planning, executive benefits and investment planning.

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

**Officers:** David Moreland, Gary Frazier, Les Proceviat, principals; Maureen Jessen, Brian Jessen, vps.  
**Contact:** Maureen Jessen.

Accounting methods used include cash, unit value and full share, unless otherwise noted.

**CIGNA Retirement & Investment Services**  
350 Church St., P.O. Box 2975, Hartford, Conn. 06104; 800-997-6633; fax: 203-725-2052

<b>Staff</b>	
Total	1,350
Involved in 401(k) plan services	600
<b>Clients</b>	
Total	3,000
Minimum participants/plan	1
Maximum participants/plan	Unlimited

**Services began:** 1981.  
**Parent:** CIGNA.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds. Other services include transition management, Form 5500 filings, compliance testing, custom enrollment and trustee services.

**Service area:** Nationwide.

**Locations:** Administrative offices in Dubuque, Iowa. Consulting offices in Anaheim, Los Angeles and San Francisco, Calif.; Washington; Tampa, Fla.; Atlanta; Indianapolis; Chicago; Boston; Detroit; Minneapolis; St. Louis; Buffalo and New York, N.Y.; Charlotte, N.C.; Cleveland; Columbus; Philadelphia; Pittsburgh; Seattle; Dallas; Houston; Milwaukee.

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

**Officers:** Byron Oliver, president; David Gerges, CFO/senior vp-finance; Thomas Quinlan, senior vp-customer service; Frederick Castellani, senior vp-sales; Douglas Klinger, senior vp-marketing.

**Contact:** Frederick Castellani or Douglas Klinger.

**Continental Bank**  
231 S. LaSalle, Chicago, Ill. 60697; 312-828-3503; fax: 312-828-1098

<b>Staff</b>	
Total	325
Involved in 401(k) plan services	55
Designations held: 1 CEBS, 1 CPA, 2 attorneys	
<b>Clients</b>	
Total	70
Average participants/plan	2,109
Minimum participants/plan	1,000
Maximum participants/plan	Unlimited

**Services began:** 1982.  
**Parent:** Continental Bank Corp.  
**Software:** Record keeping provided by third party, accommodates unlimited investment funds and unlimited types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include full trust/custody; daily valuation of actively managed portfolios including GICs and company stock; proxy tabulation; investment management services including daily-valued commingled funds; lifestyle funds; performance analytics; IRA rollovers and prototype plan.

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

**Officers:** Thomas C. Theobald, chairman; William M. Goodyear, Michael J. Murray, vice chairmen; Roger H. Sherman, executive vp; Matthew R. Feldman, managing director.

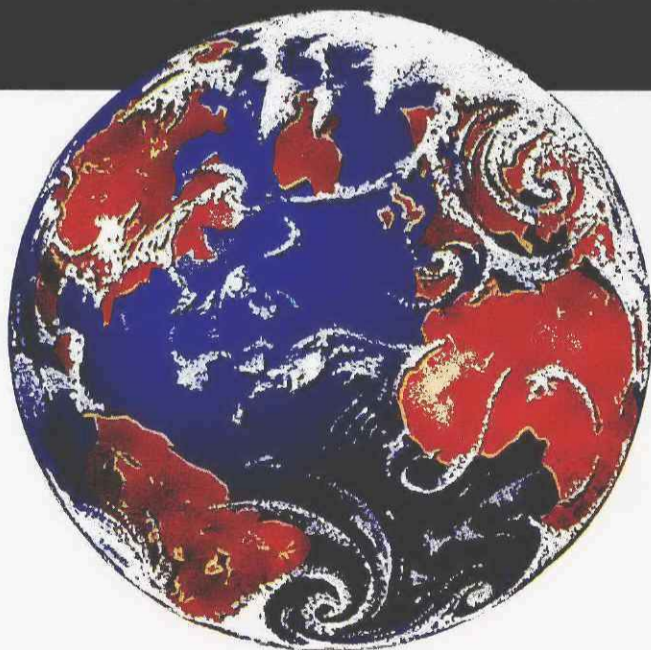
**Contact:** Gregory N. Schedler, vp, 312-828-4462.

**Coopers & Lybrand**  
1251 Ave. of the Americas, New York, N.Y. 10020; 212-536-2000; fax: 212-536-2163

<b>Staff</b>	
Total	1,100
Involved in 401(k) plan services	160
Designations held: 20 CEBSs, 10 CPAs, 10 attorneys	

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# Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers



Photo by Chris Coxwell

**John W. Fraser**

*Wittner & Co. Inc.*

Profile on page 26F

**William J. Reese**

*Healthcare Insurance Services Inc.*

Profile on page 26E

## Specialization a winning formula for top agencies

Agencies employ myriad strategies to increase productivity levels

By GAVIN SOUTER

It's more by design than chance that a firm becomes a top-producing insurance agency or broker.

A company's strategy may take the form of picking a specialty that is underserved by the market, branching out internationally or slashing unnecessary jobs. If successful, that plan will enable top agents to increase their productivity.

*Continued on next page*



Photo by Janice Rubin



Photo by Emmett Martin

**Kenneth S. Held**

*Joseph Held Co.*

Profile on page 26D

## Most productive agencies

Ranked on gross revenue per employee in 1993

Company	Revenue/employee			Gross revenues			Employees		
	1993	1992	% change	1993	1992	% change	1993	1992	% change
1 Joseph Held Co. Inc.	\$307,143	\$292,857	4.88%	\$2,150,000	\$2,050,000	4.88%	7	7	0.00%
2 The Sklover Organization	222,222	200,000	11.11	2,000,000	1,800,000	11.11	9	9	0.00
3 Healthcare Insurance Services Inc.	214,410	164,744	30.15	18,224,815	15,815,437	15.23	85	96	(11.46)
4 Seaman Ross & Wiener Inc.	204,571	205,071	(0.24)	2,864,000	2,871,000	(0.24)	14	14	0.00
5 San Diego Associates Inc.	195,000	159,167	22.51	975,000	955,000	2.09	5	6	(16.67)
6 Timberline Insurance Managers Inc.	182,139	244,427	(25.48)	20,217,462	20,531,841	(1.53)	111	84	32.14
7 Cal-Central Insurance & Management Services Inc.	181,893	180,818	0.59	2,000,827	1,989,000	0.59	11	11	0.00
8 Frank Crystal & Co. Inc.	180,800	172,620	4.74	35,256,000	31,762,000	11.00	195	184	5.98
9 Ulrich Voorhees Warner Associates	162,039	NA	NA	8,264,000	7,834,000	5.49	51	NA	NA
10 Kornreich Insurance Services	156,000	158,621	(1.65)	19,500,000	23,000,000	(15.22)	125	145	(13.79)
11 The HDH Group Inc.	155,724	153,066	1.74	6,073,222	6,122,630	(0.81)	39	40	(2.50)
12 Gow & Hanna Inc.	153,758	147,600	4.17	10,148,000	9,594,000	5.77	66	65	1.54
13 KMC Insurance Services Inc.	152,517	151,455	0.70	1,220,133	1,060,182	15.09	8	7	14.29
14 MLW Services Inc.	152,462	152,759	(0.19)	9,910,000	8,860,000	11.85	65	58	12.07
15 LaGere & Walkingstick Insurance Agency Inc.	151,703	139,409	8.82	9,860,709	12,268,032	(19.62)	65	88	(26.14)
16 Jordan Shields Insurance Agency Inc.	150,000	132,500	13.21	600,000	530,000	13.21	4	4	0.00
17 The Cal-Surance Cos.	147,328	122,987	19.79	17,237,402	17,833,068	(3.34)	117	145	(19.31)
18 Kelly Associates Inc.	143,438	169,167	(15.21)	1,147,500	1,015,000	13.05	8	6	33.33
19 Wittner & Co. Inc.	139,287	133,930	4.00	3,760,752	3,214,318	17.00	27	24	12.50
20 Kalvin-Miller International Inc.	138,889	120,229	15.52	25,000,000	31,500,000	(20.63)	180	262	(31.30)
<b>Total</b>	<b>\$164,773</b>	<b>\$159,845</b>	<b>3.08%</b>	<b>\$196,409,822</b>	<b>\$200,605,508</b>	<b>(2.09)%</b>	<b>1,192</b>	<b>1,255</b>	<b>(5.02)%</b>

Source: BI survey

GRAPHIC BY MIKE GARVEY

## Productive

Continued from previous page  
ity even during a prolonged soft market and in an environment of low interest rates.

"Some people are just plain lucky...but more often, the top agents are people that really approach their business from a research angle and go out and identify an opportunity," said Kim Paterson, president of Creative Insurance Marketing in Red Bank, N.J.

Brokers and agents looking for a niche should first research the market and identify segments that are not being served or industries that are burgeoning, she said.

"It's not enough to have a lot of one type of business and then say you specialize in that business. You

see a lot of brokers and agents out there who say things like they specialize in contractors insurance, but there are a lot of them out there," Ms. Paterson said.

In some cases, a sector of the market may look like it's being served, but in fact businesses may not be obtaining all of the coverage that they need, she noted.

After a market has been identified and researched, "you have the whole big second part of the process, which is selling the coverage to a carrier," Ms. Paterson said.

One broker with a niche that has helped increase its productivity is the Sklover Organization in Westbury, N.Y., which specializes in travel-related insurance.

Sklover's nine employees generated gross revenues of \$222,222 per employee in 1993, compared with

\$200,000 in 1992.

The driving force behind the 11% increase has been demand by cruise line operators for coverage against cancellation, said Richard Sklover, president of the brokerage. "It's gone berserk," he said.

Much of the credit for the increase in sales goes to new Senior Vp Richard Ward, who was hired last year from rival travel insurance agency Access America Travel Insurance of Richmond, Va., Mr. Sklover said.

Part of the Sklover Organization's secret to maintaining productivity has been its ability to avoid heavy levels of administration, he said.

"That's all handled by the insurance company, we just get the check," Mr. Sklover said.

Future growth for the brokerage will be through international business, he predicted.

"The U.S. has great opportunities for us but there is just as much overseas," Mr. Sklover said.

Having an established reputation also helps brokerages increase productivity, according to Bruce N. Kesler, director of San Diego Associates Inc.

The San Diego-based brokerage laid off one outside salesperson last year, which reduced its number of staff to five from six. That helped boost revenues per employee 22.5% to \$195,000 in 1993 from \$159,167 in 1992, even though gross revenues only increased 2.1% to \$975,000 from \$955,000.

"A lot of our business comes from referrals as opposed to outside marketing. Our outside sales person was not productive compared with the satisfied customers we had bringing us new business or new business

coming from referrals," Mr. Kesler said.

Brokers also can enhance their ability to win new business by more carefully managing their employees, according to Carol Hammes, president of The Middleton Group, an agency management consulting firm in Lisle, Ill.

"The most productive agencies are the ones that somehow manage to develop a team approach and a team spirit," she said.

If employees have the same objective as the agency's leader and are excited about developing the agency's business, then the agency is more likely to succeed, Ms. Hammes said.

"Then you find that you have a group of people that help and try to solve problems and come up with creative ideas," she said.

The secret to developing such a team is all in the hiring, Ms. Hammes said.

Agency heads should look for the type of people who have that spirit and personality that would work well in their team, she said.

Incentive-based remuneration enhances employee productivity, Ms. Hammes added.

"You don't pay people by how long they have been there but by the value they contribute," she said.

Employees that do not really contribute should be laid off, said Donald E. Martin, chief executive officer of The Cal-Surance Cos. in Orange, Calif.

"People avoid doing it because there is no fun in reducing your staff. But we found that we had people who were not performing meaningful functions and they got in the way," he said.

Cal-Surance, which specializes in errors and omissions coverage, last year conducted a study of its productivity and concluded that it had too many administrative staff, Mr. Martin said.

The agency reduced its number of employees to 117 from 145, which helped boost revenues per employee 19.8% to \$147,328 in 1993 from \$122,987 in 1992. Gross revenues fell 3% during the same period to \$17.2 million from \$17.8 million.

Cal-Surance, which operated out of two offices for the past five years, also decided to close one office, Mr. Martin said.

"Our concept was wrong in the first place and we had to accept that and go back on our decision. The other office did not change our revenues by one dollar and in our type of business our clients don't care where we are," he said.

Revenues per employee is not the only measure of a productive brokerage or agency, according to Brian Elkouri, treasurer at Timberline Insurance Managers Inc. in Austin, Texas.

Timberline's revenues per employee slumped 25.5% to \$182,139 in 1993 compared with \$244,427 in 1992.

The main reason for the drop was the September 1993 purchase of The First Agency Inc., a property/casualty agency in Baytown, Texas, he said.

"The most productive thing we do is annuity business. With P/C business, we are happy with \$100,000 per employee. But it is still a profitable business and that is what we care about," Mr. Elkouri said.

Prior to the purchase, about 60% of Timberline's revenues were derived from annuity business, which now accounts for 50% of its revenues, he said.

But even the annuity business has not been as profitable since 1992, as sales have dropped off due to lower interest rates, he said. **BI**

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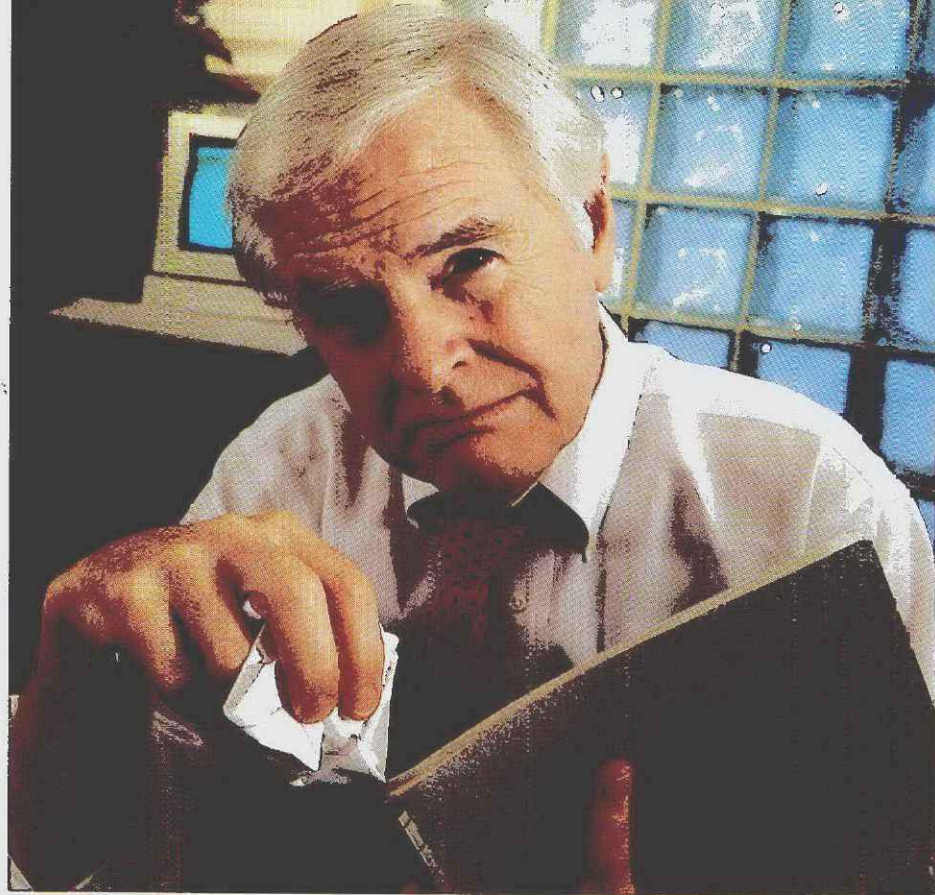
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# Top agency is tuned in to clients' needs

## Joseph Held Co. has hold on productivity

By GAVIN SOUTER

Two years ago, disc jockey Ken Held was hosting his doo-wop request show in Miami as 100 mph winds from nearby Hurricane Andrew began battering the radio station building.

Today, Kenneth S. Held, president and chief executive officer of Joseph Held Co. Inc., plays host to millions of dollars of insurance premiums, thanks in part to the hard coastal property market brought on by Andrew.

The DJ-cum-insurance agent's company has been sitting at the top of the *Agent/Broker Topics* most productive rankings for five years, an achievement he credits to specializing in high-value coastal business.

"Specialization is something which people talk about doing," said Mr. Held. "We've been doing it for 20 years and it's paid off."

Revenues per employee at the seven-person agency rose 4.9% to \$307,143 in 1993 from \$292,857 in 1992, and higher windstorm rates following Andrew are but one reason, he said.

"We were very profitable before Andrew but we are even more profitable now," he said.

Mr. Held traces the reasons back to the early 1970s, when he gave up teaching to take over the family firm after his father's death.

He inherited a book of business with a large chunk of personal lines business that was time-consuming to service, he said.

Seeking to avoid the struggles his father faced with the personal lines business, Mr. Held looked for a niche in the commercial property market.

"We saw that condominiums were going to be big and we went

into insuring them and we grew with the industry," he said.

That decision resulted in the "Great American Condominium Program," which Mr. Held developed with the Great American Insurance Co. in Cincinnati and launched in 1977.

The program offers coverage to condominiums all along the Eastern seaboard. Initially, its main attraction was the extended directors and officers liability coverage it offered to board directors of condominium developments.

"Most D&O policies exclude the decision-making process involved in purchasing insurance coverage for the building and we put to-

gether a program that provided that coverage," he said.

The insurers were willing to underwrite the program without the exclusion on the basis of volume sales, Mr. Held said. "We went out and marketed it and it was a great selling point."

The program grew since 1977 and now covers prestigious developments including the buildings that house the winter homes of Sophia Loren and Whitney Houston, Mr. Held said.

But it was not until Andrew struck that the program finally accounted for more than 50% of the premium volume and over half the 150 clients of Joseph Held.

"Andrew and the aftermath with the other catastrophes that happened since has meant that there is a lot less capacity around," he said.

About 25 of Joseph Held's clients had losses greater than \$1 million during Hurricane Andrew. But the condominium program was still profitable for the underwriters involved, so Mr. Held has been able to secure scarce windstorm capacity for condominiums.

But even with the good record of his clients, he has had to juggle available capacity and add insurers to the program to maintain coverage for his clients.

The principal insurers on the program now are: Great American; CIGNA Corp. in Philadelphia; Continental Insurance Co. in New York; units of Talegen Insurance Group; Kemper National Insurance Cos. in Long Grove, Ill.; Reinsurance Corp. of New York; and Skandia America Group in New York.

Rising premiums and, consequently, rising brokerage commissions, have significantly boosted revenues without much new business, Mr. Held said.

"In fact, it has meant that we have been able to get rid of problem accounts that didn't pay much and concentrate on the creme de la creme real estate accounts," he said.

Held's gross revenues rose 5% to \$2.1 million in 1993.

Other brokers seeking windstorm coverage for clients have also been a source of increased income, Mr. Held said.

The percentage of the firm's revenues derived from wholesale business increased to 18.5% in 1993 from 10% in 1992.

Outside of the condominium business, Mr. Held has turned his interest in doo-wop music of the 1950s and his love of fast automobiles into sources of business.

Ten years ago, Mr. Held put together an insurance program for a radio station in Miami that was having problems securing coverage for its transmitter tower.

"The fella that owned the station was so impressed with my enthusiasm that he put me on the radio and I ended up doing a music program," he said.

He has since shifted from the original AM station to WMXJ-FM and broadcasts a five-hour request show every Sunday.

As well as diversifying Mr. Held's career, the show has led to new insurance business for the agency.

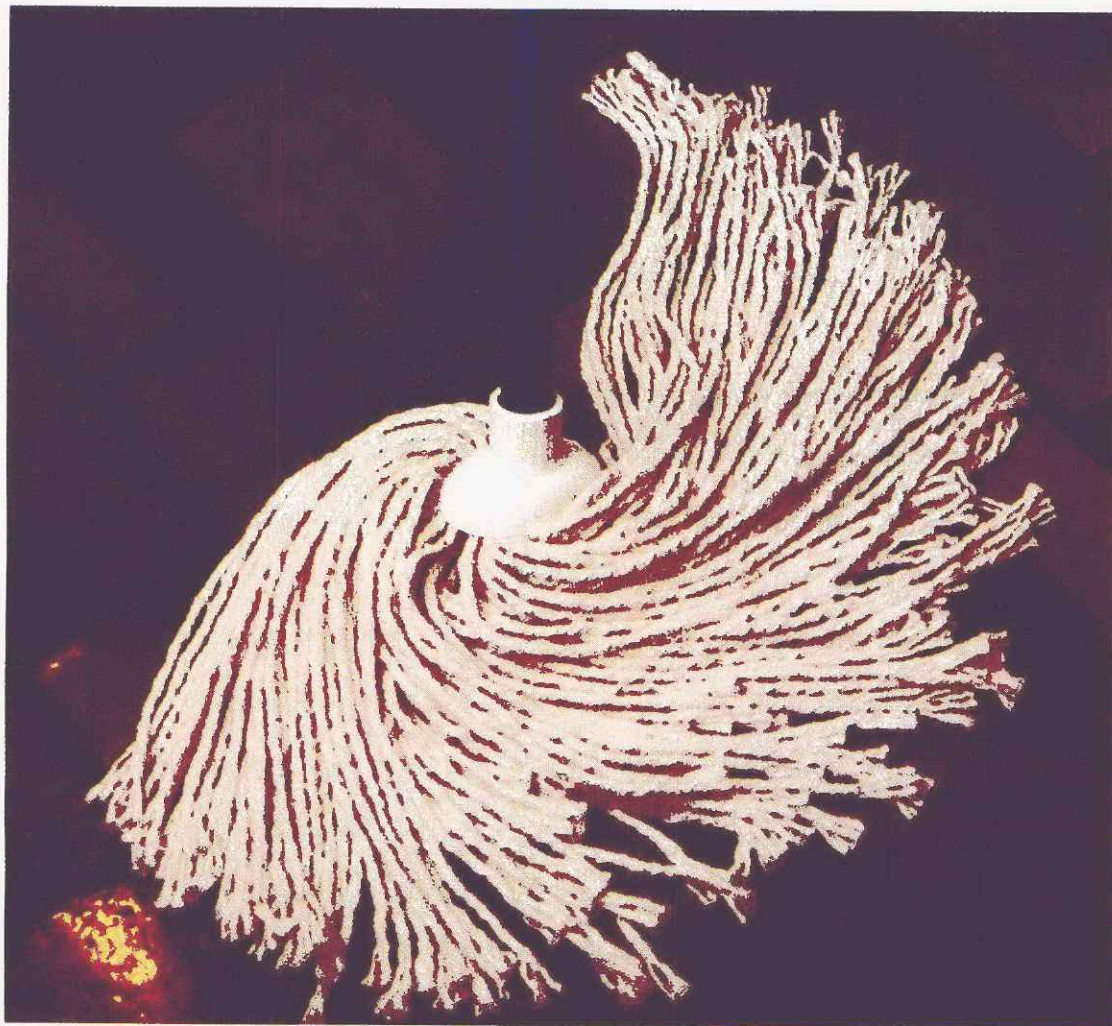
"The show means that I can bring to the table an understanding of how a radio station works," he said.

Mr. Held now places coverage for about 10 radio stations.

Being a successful insurance agent has also allowed Mr. Held to indulge his passion for fast cars.

*Continued on next page*

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# Keys to success: Think big, close deals

By ROBERTO CENICEROS

**C**losing a deal is everything at Healthcare Insurance Services Inc.

The Houston-based medical malpractice insurance specialist moved up to No. 3 on the *Agent/Broker Topics* most productive agency rankings on the strength of a 30% increase in revenue per employee between 1992 and 1993.

A 15% increase in gross revenues, paired with a reduction in headcount, boosted revenues per employee to \$214,410 in 1993 from \$164,744 a year earlier.

President William J. Reese, 44, said his brokers write professional medical liability insurance for 22,000 doctors nationwide and 225 hospitals located mostly in Texas and Florida.

Just how did gross revenues for the 85-employee agency surge to \$18.2 million from \$15.8 million in one year? And what caused premium volume to leap to \$161.1 million from \$137.3 million?

"It's a combination of things," Mr. Reese explained. "Our closure rates are fairly significant because we are good at realizing early on in our discussions if we are talking with someone we can provide a service for."

"We're more inclined to close the book and move on to the next one," he said. "That is the key. I think a lot of brokers spin their wheels and the market is soft right now, which makes it difficult to determine if you are going to be able to move a client from one broker to another."

Staff cutbacks—to 85 in 1993 from 96 a year earlier—helped boost productivity. Among the people cut were administrative staff and two producers.

And a computer system installed in 1993 also helped. Now the sales staff can maintain a common diary on clients and prospective clients, eliminating duplication and allowing brokers to zero in on potential customers' needs, said Mr. Reese.

Healthcare Insurance Services was founded in 1983 by William F. Galtney Jr., who is now chairman

## Higher productivity helps malpractice specialist boost ranking

of the firm's parent company, The Galtney Group Inc. The company initially focused on policies for doctors and hospital emergency departments and has since expanded to coverage for other hospital departments.

As befitting a Texas brokerage, the firm appears guided by the ad-

age big is best. Healthcare Services targets large groups of doctors and sizable medical facilities.

"It's not like selling used cars," said Kenneth McDaniel, director of professional liability for the Texas Department of Insurance. "That kind of business has been likened to hunting elephants. When you

do hit one you hit a big one."

Insurance for hospital emergency rooms and the doctors and staff who work in them can bring in million-dollar premiums, Mr. McDaniel said. But it's a business that demands a high degree of technical expertise and where clients don't forgive incompetence.

"The traditional salesman, even the traditional insurance salesman, has not been able to make a lot of headway in the medical malpractice field," Mr. McDaniel said.

Healthcare Insurance Services often undercuts competitors by such large margins that rival brokers privately question how the company does it.

"Either they perform risk management miracles when they take an account or it hasn't caught up with them yet," one competing

*Continued on next page*

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## Held

*Continued from previous page*

He owns a Ferrari, a Lamborghini, and he has recently bought a Bentley.

Again, the hobby has turned up insurance business.

"Back in 1982 I was buying a Ferrari and the conversation turned to insurance and the next thing I knew I was writing the dealers' insurance," he said.

Now he has established a book of business for luxury car dealerships.

"It is another thing which nobody wants to write but when you look into it, cars like Ferraris and Rolls Royces have the lowest theft records because nobody steals them for parts," he said.

Much of the agency's new business comes from referrals but still Mr. Held believes in soliciting for new business.

"I can hardly drive by a sign for a luxury apartment complex without calling the people up to see what their insurance needs are," he said.

# Profiting from its philosophy

Wittner & Co.'s entire staff focused on improving the bottom line

By CHRISTINE WOOLSEY

An entrepreneurial spirit is one of the keys to success at Wittner & Co. Inc.

The St. Petersburg, Fla.-based agency, which specializes in employee benefit coverages, encourages all of its staff—from clerical workers to producers—to treat their jobs as if they are in business for themselves.

In fact, each producer manages his or her own mini profit center, tracking costs, revenues and expenses on a monthly basis. That exercise heightens each staffer's awareness that everything he or she does relates to the entire company's bottom line.

"Each month we analyze the figures. They realize they really have to be profitable, just like a business has to be profitable," said John W. Fraser, senior vp.

Of course, employee bonuses tied to each department's success provide an added incentive.

"Bonuses are tied to how well all employees do," Mr. Fraser explained. "In fact, employees come to me when they see a way to better manage costs because they know it directly affects their profits. Even clerical people are tuned into this because they are tied in to their producer's profits as a team."

Taking individual responsibility for the entire company's profitability has spawned greater productivity at

Wittner, which landed in the No. 19 spot on the *Agent/Broker Topics* list of the most productive agencies.

Wittner's revenues per employee increased 4% last year to \$139,287 from \$133,929 in 1992, while the number of employees grew to 27 from 24. Revenue growth was even more impressive: 1993 gross revenues totaled nearly \$3.8 million, up 17% from \$3.2 million in 1992.

And, premium volume jumped 22.4% to \$218 million from \$179 million.

Founded in 1955 by Ted P. Wittner, who continues as chairman of Wittner & Co. Inc., the firm is com-

posed of three companies:

- Wittner & Co., a wholesaler of life insurance and financial planning products run by Mr. Wittner.

- Wittner & Associates, a real estate development and property management company run by Jean Giles Wittner, president and Mr. Wittner's wife.

- Wittner Employee Benefits Group, an employee benefit consulting firm based in St. Petersburg with regional offices in Orlando and Sarasota, Fla. It is headed by Mr. Fraser.

The company's revenues are equally split between its commercial retail brokerage and wholesale bro-

kerage operations.

The Wittner agency has always specialized exclusively in employee benefit coverages, including group life, health, disability, vision and dental, Mr. Fraser explained. "Employee benefits is so complicated, there is so much to keep up with, we felt we could help clients the most by specializing in one thing," he said.

Indeed, in this era of frenzied health care reform, employee benefits are taking on an even greater importance for insurance agents. The state of Florida passed its own set of reforms last year, which are just now being implemented (*BI*, April 12, 1993; March 26, 1993). But to date, the reforms have had little effect on Wittner's business.

"We are a bellwether state in terms of health care reform, but it's just

now sort of getting off the pad. At this point, it's had no impact on us. Agents and brokers are still involved in the distribution" of health insurance products in Florida, Mr. Fraser said.

In addition, most of the Florida reforms are aimed at employers with 50 or fewer employees. Wittner primarily serves larger groups with up to 1,000 employees and an increasing number of public employers, such as school districts, with 10,000 or more employees.

The agency has taken a "wait-and-see" approach to federal health care reform, which continues to be debated in Washington, he said.

However, recognizing the volatility of the health care market, Wittner & Co. did make a conscious effort to diversify its business a bit,

*Continued on next page*

## Specialist

*Continued from previous page*  
broker quipped.

Mr. Reese has his response.

"I would expect our competitors to say that," he said. "There is nobody in the country that is better than us at assessing if an emergency department is a good risk or a bad risk."

That level of assessment helps the firm determine what type of plan can be arranged at the lowest price, Mr. Reese said. The firm also works exclusively with several underwriters, but he would not identify them.

One secret to success lies in employee recruitment, Mr. Reese stated. He scours the market for brokers who have the technical understanding of doctor and hospital needs as well as an ability to sell.

"It's never a situation where we hire based on need. We hire according to someone who fits our mold," he said. "Someone with the ability to sell themselves. That's what you are really selling."

"We look for people who are interested in pursuing a career not just a job. We have a lot of hard working people who will do whatever it takes to close a deal."

Producers at Healthcare have an average of 12 years experience in the medical professional liability field. Although they sell in several states, they all work out of the Houston headquarters.

"We're very creative, we're very reactive," Mr. Reese said. "We will go out and jump on a plane and go where we have to go. We can deploy whatever resources we need from here."

"We don't have a large bureaucracy. We have a limited chain of command so people can utilize their creativity to put together deals."

Attitude also has its place at the agency. As Mr. Reese said, "We love to close a deal."

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*Continued from previous page*  
Mr. Fraser said. "We decided three or four years ago to take a little emphasis off health (insurance) and to diversify more into stand-alone life and disability coverages, as well as optional benefits like vision and dental, which tend to be paid by employees."

About 50% of the agency's business is now related to health care, compared with 70% to 75% in previous years. "It's good planning to diversify a little bit. It gives us a better spread of risk," he said.

The agency depends heavily on staffers with a keen background in employee benefits and health insurance. Most of its producers have a health care background or were formerly employed in the health insurance industry.

"That's where we recruit. Those are

the people that can stay on top of new laws and new innovations in managed care cost containment." And, all staffers are encouraged to attend local seminars and national conferences, including the Risk & Insurance Management Society Inc.'s annual meeting and the National Managed Health Care Congress.

"They do a good job in advising our clients," Mr. Fraser said.

Advising clients is a large part of the agency's business and its fee-for-services benefit consulting division has been growing rapidly over the last two years.

"Health care is changing so quickly. And, when you work with larger clients, they need more help—either in setting up their own provider networks or with direct contracting, Section 125 or prescription drug programs. They really need a

specialist that works in that area full time."

Being able to provide those specialists gives Wittner a competitive advantage over property/casualty agents or life insurance agents, he said. "We have two types of competitors: P/C agents and the national alphabet houses," he noted. "Our natural niche fits in between there."

The agency has no plans to expand into the property/casualty market, but it may begin to place more workers compensation coverages since insurers are increasingly incorporating managed care into their workers comp product offerings, Mr. Fraser said.

"There is a natural tie to employee benefit plans, since workers comp is now adopting some of the same techniques" to control medical costs, he said. **BI**

## IVANS stock offering gives its members a stake in network

By SALLY ROBERTS

**M**embers of the Insurance Value Added Network Services now have a tangible form of ownership in the organization.

Since it was founded 11 years ago, Greenwich, Conn.-based

IVANS has operated as a non-profit corporation offering its 450 members and 50,000 users in the insurance community electronic access to one another to help improve communication throughout the industry.

At the end of July, members "overwhelmingly" approved a plan to transform IVANS into a private stock corporation, now known as IVANS Inc.

As shareholders in a private corporation, member companies now have dividend rights and can transfer their shares upon leaving the company, subject to certain restrictions imposed by the Securities and Exchange Commission and IVANS.

Among other benefits, IVANS can sell its unissued shares to raise capital instead of raising members' dues or increasing assessments on them.

In what started as a small organization enabling independent agents to communicate via an electronic data network with insurers, IVANS has become large enough to wield clout and offer members an array of cost-effective programs geared to improve communications.

"We've grown so much that we no longer fit the organizational basis that we were founded on," explained Robert Y. Barham Jr., IVANS' president and chief executive officer.

In the early days, IVANS generated losses and there was no problem with its non-profit status, Mr. Barham recalled. But, once "we broke into the black, our status as a non-profit was at risk."

Also threatening that status was the Internal Revenue Service, which in a 1990 audit questioned the organization about retaining earnings but not declaring dividends.

At that point it was a non-stock membership corporation and wanted to avoid possible tax penalties in a future audit, so IVANS decided it would eventually have to become a stock corporation, Mr. Barham said.

In August, IVANS authorized issuing 1 million common shares: 700,000 are being distributed to member companies that joined IVANS prior to January of this year; and 300,000 are being held by the organization as treasury stock.

Eighty-three companies—including the Independent Insurance Agents of America Inc., the National Assn. of Professional Insurance Agents and the Council of Insurance Agents & Brokers—are dividing the 700,000 shares depending on the size of the company and the length of its membership with IVANS, Mr. Barham said.

The largest companies with the longest tenure each received 2.5% of the stock, or 17,500 shares, while the smallest companies with the shortest membership each received 0.5%, or 3,500 shares.

In addition, IVANS authorized but did not issue 100,000 preferred shares of stock.

"Members now get a tangible form of ownership," Mr. Barham said.

In addition to its reorganization

*Continued on next page*

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## Agent/Broker Topics

## IVANS

Continued from previous page into a stock corporation, IVANS has expanded its member services.

Earlier this year, for instance, IVANS signed a \$1.4 billion telecommunications deal with Washington-based MCI Communications Corp. under which MCI provides a variety of telecommunications services to IVANS members at a discount.

"IVANS first struck a deal with MCI in 1987," Mr. Barham said. Since then, the organization has grown large enough that it was able to negotiate a better deal for its members.

In August, IVANS announced that it has expanded its MCI program to bring savings to smaller commercial users of telecommunications services

in the insurance and health care industries. The savings provide up to a 30% discount on domestic, international and toll-free calls, and on calling card usage.

In another joint venture, IVANS is expanding its electronic data interchange to the U.S.-based reinsurance community.

A venture with Brussels, Belgium-based electronic communications organization Reinsurance & Insurance Network provides a low-cost exchange of information between U.S. reinsurers and reinsurance intermediaries and their business partners.

RINET joined with three other associations in 1992 to develop reinsurance communication standards, which include common terminology, messages or documents that companies can use to communicate with intermediaries. IVANS will pro-

**IVANS is also looking to expand more into the health insurance arena, says Robert Y. Barham Jr.**

vide its members RINET's standards to facilitate electronic data interchange with the reinsurance community.

IVANS is also expanding its electronic mail programs by developing an international e-mail directory for its members. The directory will contain names, addresses, telephone and fax numbers and e-mail addresses, Mr. Barham said.

IVANS is also looking to expand

more into the health insurance arena, he said, noting that membership growth among health insurers and managed care firms has been slow.

In addition to the MCI deal, IVANS struck a deal with Plano, Texas-based Electronic Data Systems Corp., to develop a national workers compensation claims reporting service.

Through the reporting service, IVANS members can submit workers comp claims reports electronically, which speeds the filing of information with individual states. For example, the service is able to receive, through electronic transmission, the first report of injury form, which then can be electronically submitted to the appropriate state using that state's individualized reporting format, Mr. Barham explained. **BI**

## Agents can prevent unjust E&O claims

Key to protecting firm is to get it all in writing

By SARA MARLEY

Offering all feasible coverages and documenting that they were quoted will help agents and brokers beat—and avoid—errors and omissions charges.

"The only safe way to do it is in writing," said Charles F. Schramm, an agent with Lamb, Little & Co. Insurance in Rolling Meadows, Ill. "The most protective E&O safeguard you'll ever have is a piece of paper," particularly one on which the policyholder acknowledges refusing a coverage, he said.

Mr. Schramm conducted a seminar late last month on agents' and brokers' E&O for the Insurance School of Chicago.

The first important piece of paper is the proposal, which should include quotations for all coverages the agent or broker thinks are important, even if not requested by the policyholder. These might include flood insurance or endorsements for sewage back-up and off-premises power.

Second, an insurance coverage checklist will point out to policyholders which coverages they do and do not have. Some agents require the policyholder to sign the coverage checklist to confirm that they have declined to purchase certain coverages.

Agents and brokers who can document that they offered insurance, but policyholders refused it and were aware of exclusions, may avoid a common E&O charge: failure to procure insurance.

This allegation can be phrased either as negligence or breach of contract, usually an oral or implied contract based on previous business dealings, Mr. Schramm said. Formalizing that contract could prevent future claims against the intermediary.

"When accountants take on new customers, they write a letter of engagement, spelling out everyone's responsibilities," Mr. Schramm said. "That's not such a bad idea in our business."

However, Mr. Schramm said he has not seen such a contract in the insurance business.

Courts have blurred the traditional distinction between an agent, who represents the insurer, and a broker, who represents the policyholder, Mr. Schramm said. Today, agents are expected to look out for the interests of the customer as well as the insurer.

Another useful piece of paper would be an internal audit trail. That would require every agency employee who worked on a particular account to sign off in the file on what he did and when.

One agency that is taking the need to document to heart is Lubin-Bergman Organization Inc. in Lincolnwood, Ill.

Every client meeting is followed with a written customer service report, said Laurence E. Hyman,

Continued on next page

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Continued from previous page  
first vp.

Mr. Hyman typically dictates his reports—often in the car while returning from the client's office—which are then transcribed by office support staff.

The reports follow a simple form: the date; who was present at the meeting; items that were discussed; items that require the client's attention; items the agency must follow up on and the date for a future meeting.

The report becomes part of the client's permanent computer file and a copy is mailed to the client.

Clients sometimes call after receiving the minutes of the meeting to clarify some items discussed, he added.

"Clients like getting the reports," Mr. Hyman said. "Nobody's ever said, 'Don't send me those things.'"

Most of the reports are one page, and the most detailed rarely exceed three pages, so they have not required the addition of any support staff.

The reports serve as both record keeping and loss prevention, he noted.

"Everybody's concern today is E&O," Mr. Hyman said. "You can make an error and not know about it until it's too late."

In some cases, computers can help agents and brokers avoid errors, Mr. Schramm said. A computerized application will point out that certain coverages are prerequisites of others and will halt the application process if the conditions aren't met.

Computer links with insurers would also speed the issuance of

- The agent or broker never assumed a duty to procure insurance.
- The agent or broker fulfilled the duty to procure insurance with reasonable diligence.

• The insurance requested was not available. An agent or broker would have to show that the coverage was not generally available in the industry at the time.

"There is not a market for every risk," Mr. Schramm said. "Even Lloyd's doesn't write everything. But you have to prove it."

• The policyholder, not the intermediary, was responsible for the failure to obtain adequate coverage.

• The policyholder failed to read the policy. This argument rarely works, Mr. Schramm said. Several courts have ruled that it is the agent's responsibility to point out relevant exclusions. **BI**

**'There is not a market for every risk. Even Lloyd's doesn't write everything,' says Charles F. Schramm.**

policies, another potential cause of E&O claims, Mr. Schramm said.

Agents and brokers would know exactly when coverages are bound, rather than relying on the mail and assuming the coverage is in force because an application and payment have been sent. They would also be able to review the policy for mistakes before it has been in force for long.

A systems approach to loss control need not be limited to computers, Mr. Schramm said.

Changes in policy language or automatic inclusion of coverages such as building ordinance—which would cover a policyholder's added costs for rebuilding a building to the higher standards required by law—can provide policyholders with a minimum level of coverage.

That allows agents and brokers to be "proactive on needs, even when a customer hasn't identified the need," Mr. Schramm said.

In addition to breach of contract and negligence, fraud is another common accusation against agents and brokers. It can be particularly damaging because any acts of dishonesty are excluded from E&O insurance policies.

Courts in some states also have upheld breach of fiduciary duty claims against agents and brokers because they interpret that the intermediary holds policyholders' assets because of the protection they offer.

Mr. Schramm also outlined some common defenses against these allegations:

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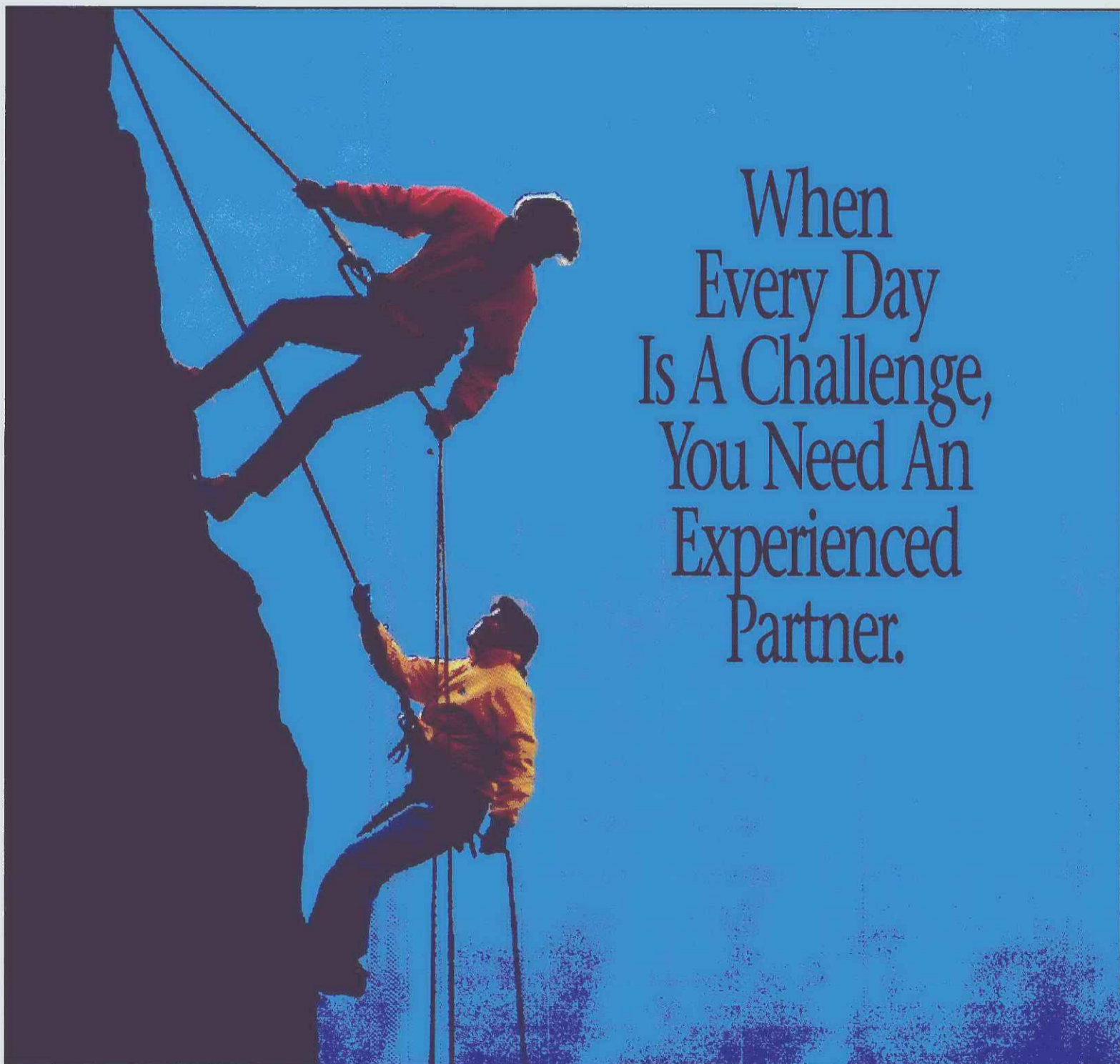
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## Serving community defines career

After nearly 40 years, William F. Poe decides to leave broker's helm

By SALLY ROBERTS

In August 1955, 23-year-old William F. Poe thought he knew everything about insurance.

And why shouldn't he have? He had worked during the summers as a file clerk for Myant Inc., a Tampa, Fla., agency, and after graduating from the University of Florida he sold commercial casualty insurance for them for six months.

Cocky, newly married and just out of college and the Air Force, he decided to start his own firm—W.F. Poe Insurance Agency.

Thirty-nine years later, what began as a one-man show in an old barber shop is the world's 19th-largest brokerage, with \$95.6 million in gross revenues, and its long-time leader is about to retire.

"I've been very, very happy with my degree of success. I never thought I'd do as well as I have," said Mr. Poe, 61.

"I always thought if I got involved in helping people and the community and was not selfish in wanting it back, in the long term, things would work out," he said.

After Poe & Associates merged with Brown & Brown Inc. in April 1993, Mr. Poe was replaced as chief executive by J. Hyatt Brown, 47—a longtime competitor and fellow Phi Delta Theta fraternity brother at the University of Florida.

The company needed someone with more energy, said Mr. Poe, who remained chairman and will remain a director upon his retirement. "Hyatt Brown is an intense, strong business person with great energy and focus."

While Mr. Poe said he wanted to cut back and have a little less responsibility, he also said he did not think he would be productive under the company's new, more decentralized management.

"I decided eight to 10 months ago that I didn't think I'd fit the way I should (with the new company). I decided to finish the merger and pull out of the day-to-day and maybe do something different," Mr. Poe said. "If I had thought I'd be greatly productive, I would have stayed. I felt I wasn't and couldn't change."

Under the new regime, he said, decisions are made by the people in the profit centers. "There is not a lot of interchange" among the various centers.

At Poe & Associates, on the other hand, profit centers were more centralized and there was more contact among people in different centers, which better fit his management style.

"I hold hands and touch," he said with a chuckle.

Mr. Poe said he was aware of the style difference at the onset of the

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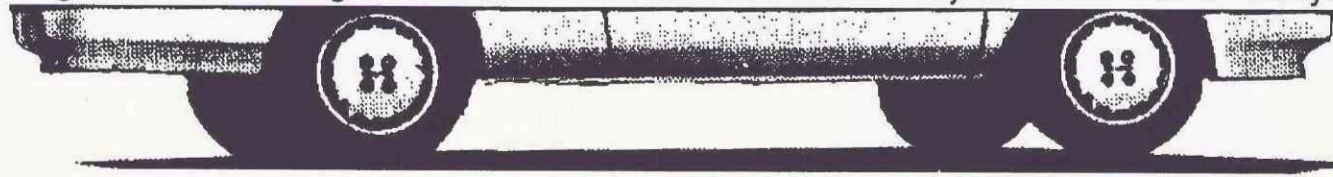
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Continued from previous page

merger, but "thought they would work themselves out—that there would be more give and take than there has been. (Mr. Brown's) style has always been his style, I thought I could moderate that to some degree," he said.

"There is no malice, no bad feelings," Mr. Poe insisted. In fact, "when I told him I was leaving, it was a little blow to him."

"I was a little surprised," Mr. Brown recalled. At the same time, he added, "I think it's the first time in (Mr. Poe's) life he feels like he's completely at ease and is looking forward to doing nothing on some days."

"I'm pleased for him, he can go do whatever he wants," Mr. Brown added.

"I really don't know what I'm going to do now," Mr. Poe said. "I'm trying to decide how far I want to cut back."

He said he may choose to go into the manufacturing industry, but hasn't decided whether he wants to take an investing role or an operating role.

Although his future plans are a bit unclear, Mr. Poe's past accomplishments are unambiguous: In 1963, he was named Outstanding Young Man of Tampa; three decades later he was inducted into the Tampa Bay Business Hall of Fame and honored as the Florida Entrepreneur of the Year.

Shortly after his Air Force discharge in 1955, Mr. Poe showed the first signs of his entrepreneurial spirit when he formed his one-man agency.

About two years later, Mr. Poe added a couple of sales people to his staff and the company started to expand through acquisitions. During this time, W.F. Poe Insurance Agency became Poe, Driscoll & McElmurray.

In the 1960s, Mr. Poe acquired "real small" agencies with a simple strategy; "I liked to manage and they liked to sell," he said. These agencies ran as a separate corporation, but Mr. Poe would own 55% of the business, while they owned 45%.

After Mr. Driscoll left the company and Mr. McElmurray retired, the agency became Poe & Associates. A few years later, Poe & Associates became the first publicly traded insurance agency domiciled in Florida.

The agency got a big boost in 1968 with the development of the Professional Protector Plan, a package insurance policy that covers dentists and their offices for such risks as medical malpractice and general liability as well as property coverage for the building and the contents of the office.

In 1969, the Florida Dental Assn. endorsed Poe's package policy and by 1970, it was endorsed by the American Dental Assn.

"We gained national prestige" with the program package, Mr. Poe said, adding that the agency broadened its horizons into package policies for lawyers and doctors.

"Programs are the most profitable thing we've ever done," Mr. Poe said.

Despite the company's success, in 1974, Mr. Poe took a break from the insurance business to become mayor of Tampa.

"I was 41 years old and when you're 40 years old, you start getting itchy...I'd been working for 17 years doing the same thing."

So when the mayor of the city, a close friend of Mr. Poe's, resigned with one year to go in his term, Mr. Poe gave politics a try, though

not without the urging of several friends.

"I don't like campaigning," Mr. Poe said. Nevertheless, "eight people ran and I ultimately won by the smallest margin—300 votes." He subsequently ran again a year later and was re-elected to a four-year term.

"I was not trying to become a long-term politician," Mr. Poe said, so he decided not to run again, a decision he said he later regretted. "I really enjoyed being mayor."

Ironically, Mr. Poe's replacement as CEO also had a political background. Hyatt Brown was a state representative from 1972 to 1980, serving as Speaker of the Florida House of Representatives from 1978 to 1980.

During Mr. Poe's years in office,



*'I'm trying to  
decide how far I  
want to cut back.'*

William F. Poe

his brokerage grew tremendously. Led by Joe Brown, then president of the company, its revenues over the five years bolted to more than \$12 million from \$3.5 million when Mr. Poe left in late 1974.

Joe Brown "was certainly the guiding light in the middle point of the company's history when one must decide to stay where it was or go forward and grow," Mr. Poe said.

By the end of the 1980s, Poe & Associates started getting larger and larger, Mr. Poe said. "An awful lot of our history was through acquisitions."

Poe & Associates broke into the ranks of the world's largest brokerages following its 1993 merger with long time competitor Brown & Brown.

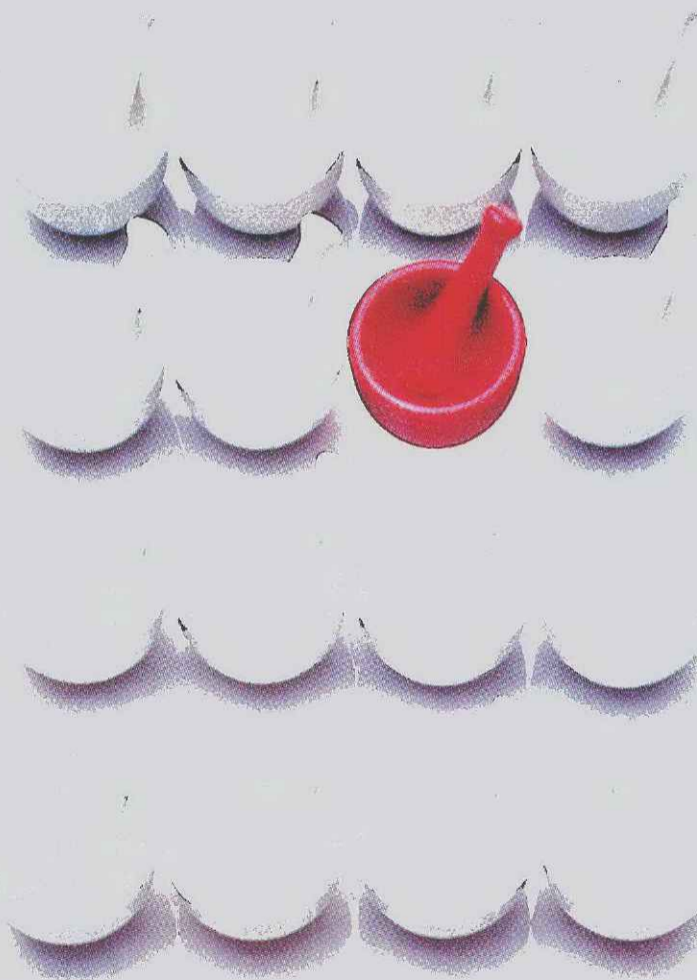
As he looks back on his nearly 40

years in the insurance industry, Mr. Poe said the biggest change he's seen is the degree of competitiveness.

"When I started, brokers got business through contacts and personality," he said. Now, it's much more competitive, both from a sales and a risk-taking point of view. Brokers are much more likely to be problem solvers today rather than a public relations-type, Mr. Poe explained.

Also, today "everybody in the business has the ability to get into everyone else's business," he said. Before, brokers did one thing—sell insurance. Now, brokers also are underwriters, managing general agents, program creators and claims adjusters. "They'll do whatever they can make a buck at."

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## Agent/Broker Topics

### A/BT Briefs

#### Agents pick president

JEFFERSON CITY, Mo.—William P. Carleton has been installed as president of the Professional Independent Insurance Agents of Missouri.

Mr. Carleton, executive vp of the Charles L. Crane Agency Co. in St. Louis, and other association officers were installed at the organization's annual convention recently by Missouri Director of Insurance Jay Angoff.

Newly elected officers include: President Phil Garvin of Joplin, Mo.-based Garvin Insurance Corp.; Vp Charles T. Brown of Baker Welman Brown Insurance in Kennett, Mo.; and Secretary/Treasurer Richard E. Clift of St. Louis-based Bowersox Insurance Agency.

Also installed as association officers were: IIAA State National Director Don Brain Jr. of Jardine Insurance Brokers Midwest in Kansas City, Mo.; and PIA National Director Paul Dobinsky of Dobinsky Insurance in St. Louis.

In addition, Tom Bailey, chairman of the association's Health Insurance Subcommittee and co-owner of Bailey-Bertz & Associates in Liberty, Mo., received the Professional Insurance Agent of the

Year award, the PIAA of Missouri's highest honor.

Mr. Bailey was honored for his efforts to educate constituents and legislators about the health care insurance reform proposed during the last session of the state Legislature.

The PIAA of Missouri represents about 700 independent insurance agencies in Missouri.

#### Broker expansion

SAN DIEGO—Robert F. Driver Co. Inc., California's second-largest independent insurance broker, has acquired Wilson & Steddom Insurance Services Inc. of San Diego.

The acquisition is part of the continuing expansion strategy of San Diego-based Robert F. Driver. Earlier this year, Driver bought Allen Mason Insurance in Escondido, Calif.

Two Wilson & Steddom principals—Ron Wilson and Rick Steddom—will join Driver as part of the recent deal.

Mr. Wilson, founder and president of Wilson & Steddom, will become a vp at Driver.

Mr. Wilson is a property/casualty and employee benefit specialist.

Mr. Steddom, who was a vp at Wilson & Steddom, will become an account executive at Driver,

specializing in property/casualty insurance.

Robert F. Driver last year had gross revenues of nearly \$23 million.

It was the 31st largest broker of U.S. business in the 1994 *Business Insurance* rankings.

#### Agency restructures

ARLINGTON HEIGHTS, Ill.—The 3-J Co., which does business as The Assurance Agency Ltd. in Arlington Heights, Ill., recently announced a restructuring of its corporate operations.

Among the changes, effective July 18: James G. Blackburn, former president of 3-J Co., is chairman of the board; Jerome E. Powell, former executive vp, is vice chairman; Jeffrey B. Blackburn, former senior vp, is president and chief administrative officer; and William L. Prester, who formerly worked in the agency's transportation division, is executive vp and chief operating officer.

Jeffrey Blackburn will work with Mr. Prester in overseeing The Assurance Agency's production, marketing and operations.

The Assurance Agency specializes in property/casualty insurance for construction, long-haul transportation and manufacturing firms.

It was founded in 1961. **BI**

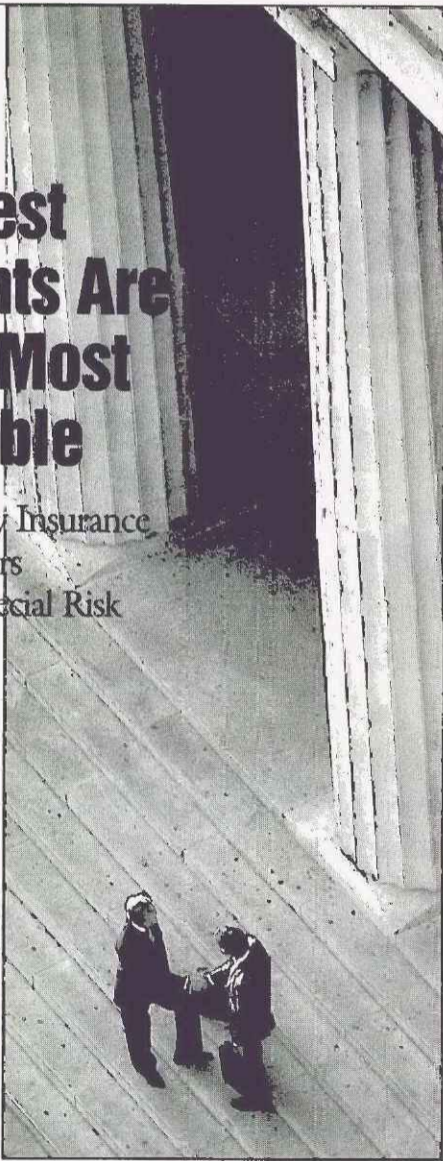
## Your Best Legal Clients Are Also The Most Vulnerable

Professional Liability Insurance  
For Lawyers  
From Jamison Special Risk

The old saying, "the bigger they are, the harder they fall," is apt and fitting when used to describe today's best attorneys. They work in dangerous territory. And they need the best protection you can offer — Professional Liability Insurance from Jamison Special Risk, Inc.

For over fifty years, Jamison has provided comprehensive, competitive professional liability products to help attorneys weather whatever storms might appear on the horizon. Depth of coverage, financial stability and solid claims paying ability are just the beginning. As a facilities manager for an international insurance giant, JSR has the strength, expertise and coverage you need to help make your best legal clients a little more secure in the world.

For more information, call Sean Pattwell at Jamison Special Risk, Inc. (201) 731-2092.



**JSR**  
Jamison Special Risk, Inc.

100 Executive Drive  
West Orange, New Jersey 07052

## READER REPLY SERVICE

### Agent/Broker Topics

#### Issue of September 5

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**BUSINESS INSURANCE**  
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Chicago, IL 60605-1702

## Business Insurance

### FREE LITERATURE FOR READERS

Issue Date: SEPTEMBER 5, 1994

Card Expiration: OCTOBER 31, 1994

All questions must be answered to process inquiries.

PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

- My organization is best described as:
 

<input type="checkbox"/> Mfg/Svcs	<input type="checkbox"/> Ins Agent	<input type="checkbox"/> Adj/Apprs
<input type="checkbox"/> Association	<input type="checkbox"/> Ins Broker	<input type="checkbox"/> TPA
<input type="checkbox"/> Union	<input type="checkbox"/> Ins/Reins Co	<input type="checkbox"/> Health care Inst
<input type="checkbox"/> Government	<input type="checkbox"/> Actry/Conslt	<input type="checkbox"/> Other
<input type="checkbox"/> Educational Inst	<input type="checkbox"/> Attorney	
- Number of employees:
 

<input type="checkbox"/> 150 or less	<input type="checkbox"/> 151 - 499	<input type="checkbox"/> 500 - 999
<input type="checkbox"/> 1,000 - 4,999	<input type="checkbox"/> 5,000 or more	<input type="checkbox"/> Unknown
- My title is best defined as:
 

<input type="checkbox"/> Administrative Mgt	<input type="checkbox"/> Benefits Mgt
<input type="checkbox"/> Financial Mgt	<input type="checkbox"/> Loss Prevention Mgt
<input type="checkbox"/> Risk Mgt	<input type="checkbox"/> Other
- My purchasing involvement for the requested products is to:
 

<input type="checkbox"/> recommend only	<input type="checkbox"/> specify	<input type="checkbox"/> approve
---	----------------------------------	----------------------------------
- Do you now receive a personally addressed copy of *Business Insurance*?
 

<input type="checkbox"/> Yes	<input type="checkbox"/> No, so please send subscription info
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Circle the numbers below that correspond to the companies listed on our Advertiser Index for the September 5, 1994 issue. Cards with more than 20 items circled will not be processed. This card expires October 31, 1994.

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
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76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
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

Please print clearly

Name \_\_\_\_\_  
Title \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone ( ) \_\_\_\_\_

A M E R I C A ' S U M B R E L L A <sup>SM</sup>



*Anyone in a long-term relationship knows what it takes to help it flourish and grow. Trust. Patience. Understanding. The Travelers' commitment to these values is how we protect our customers and help them prosper.*

*Through our investment and pension services, we can help you plan for the financial security of your company and your employees. We offer a broad range of corporate investment options including Guaranteed Separate Accounts and Guaranteed Interest Contracts. And, as always, your investment is tailored to meet your company's specific requirements.*

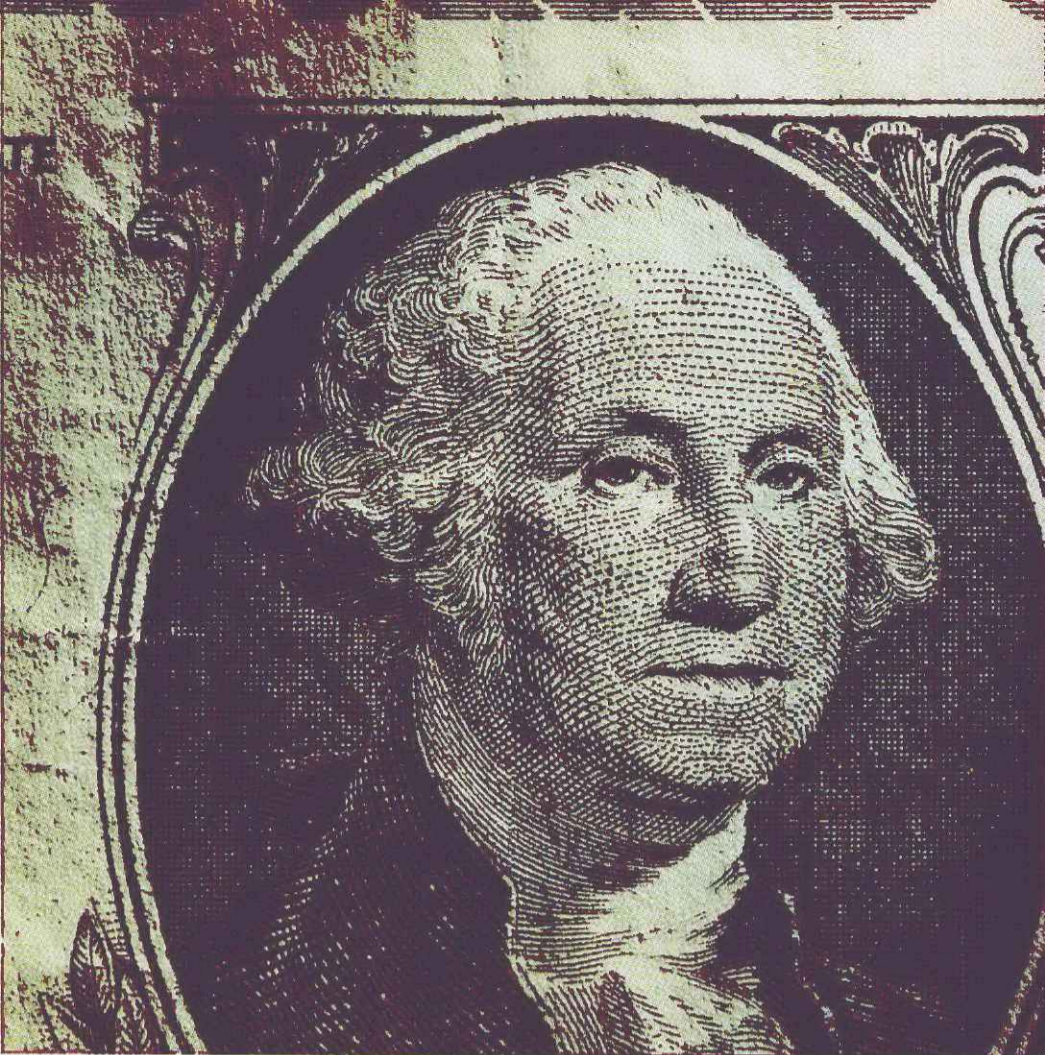
*In addition, we'll help you prepare for your own retirement with the same Tax Sheltered Annuity plans we provide for millions of workers, retirees and their families. And we protect these important investments with over \$10 billion in annuity reserves.*

**With 130 years in the insurance business,  
we know about lasting relationships.**

*Over the years, millions of people have invested their future under America's umbrella. And in doing so, gained the security to reflect on the past.*

© 1994 The Travelers Insurance Company and its Affiliates, Hartford, CT 06183.

**TheTravelers**  
Insurance Companies



# They're Both Protected By Our Managed Disability.

ITT Hartford's uniquely comprehensive approach to Managed Disability affords an equal degree of protection to the gentleman on the right and the gentleman on the left.

We help keep your employees healthy and productive, make sure they get appropriate treatment and motivate them to get back to work fast. And, because the gentleman on the left is in great demand these days, but in increasingly short supply, our Managed Disability is also designed to dramatically reduce a company's disability costs.

Such out-of-the-ordinary protection of your employees and your profits stems

from the most comprehensive approach to Managed Disability yet created.

ITT Hartford achieves impressive results by seamlessly combining salary continuation, short- and long-term disability programs, and by working in partnership with you, your employees and their physicians.

And that's only part of the story. So contact your local ITT Hartford Representative to learn more about how ITT Hartford's Managed Disability can protect your company's assets—from its newest employee all the way up to the President.



**ITT HARTFORD**

# GATT accord good for all

By Dean R. O'Hare

THE U.S. CONGRESS TOOK a major step down the road toward free global trade by ratifying the North American Free Trade Agreement last fall. Now, Congress has a unique opportunity to advance the cause of free trade beyond our own hemisphere by ratifying a less heralded but even more critical piece of legislation, the Uruguay Round Agreement, stemming from the General Agreement on Tariffs and Trade. But there is a risk that Congress—distracted by the protracted health care debate and other issues—will fail to act now while there is positive momentum to complete the pact.

Today, many Americans are profoundly worried about jobs, wages and what the future holds for their families. Although there are no simple solutions for creating economic stability, the GATT agreement promises much more for the future of our country and the global economy.

The agreement will allow exporters to ship goods more cheaply and allow service companies like my own to have the same opportunity to enter foreign markets as we afford our foreign competitors here.

Over the last five years, U.S. exports accounted for half of total U.S. economic growth, supporting more than 9 million jobs.

According to Treasury Department figures, if the GATT agreement is approved, between 300,000 and 700,000 new U.S. jobs would be created by the year 2004, and U.S. families would experience an average increase in income of \$1,700 per year.

The country as a whole would also benefit through an increase in real gross domestic product of \$100 billion to \$200 billion and an increase in exports of \$150 billion. Failure to pass the GATT agreement, however, would not only deprive our nation and its citizens of these economic opportunities, it could also lead to renewal of more restrictive trade barriers

## Approving pact would enhance global free trade

around the world.

The Uruguay Round of the GATT talks concluded in December 1993 after seven long years of wrangling. The negotiations, involving 116 countries, produced an agreement that lowers tariffs on imported goods and creates rules covering services for the first time (BI, Dec. 20, 1993). In addition, the agreement includes protections for creative works and inventions that are often copied illegally, such as books, movies and audiotapes.

Services exports and their positive impact on our trade deficit can only improve as U.S. providers of tourism, insurance, engineering and professional services win access to foreign markets, just as producers of computer parts, grain, fruit and other products gain access to markets closed by import bans and other trade barriers.

In the insurance industry, for example, foreign insurers have a substantial share of the U.S. market. The Uruguay Round agreement seeks to ensure that U.S. providers will have the same opportunity to enter foreign markets as we afford our foreign competitors here. This is not the case in many countries today.

This is not to say the agreement is perfect. The talks on financial services, including insurance, did not achieve meaningful trade liberalization, and consequently, the negotiations will continue for several more months as our government presses our trading partners to improve their market access commitments. Fortunately, by extending the talks,

U.S. negotiators avoided a situation that would have legitimized market barriers abroad while forcing the United States to maintain an open market here.

As the world's economies grow, export demand increases. And, as markets are opened, trade will increase and job growth will follow. Even the naysayers who have complained that reduced tariffs will result in a budget shortfall must recognize that over the long term, trade liberalization is critical to our ability to compete in the world economy and create high-wage jobs.

Equally important to the benefits accrued to our own economy are the benefits our trading partners will receive. These cannot come a moment too soon. Germany, France, the United Kingdom and Japan, among our largest trading partners, have all felt the effects of recession in recent years. The Paris-based Organization for Economic Cooperation & Development estimates that the GATT agreement would boost world merchandise trade by as much as 10% annually through 2002, or by \$27 billion. This obviously is a welcome shot in the arm for developed and developing countries alike.

Indeed, the GATT agreement will be good for what ails the world economy and our own economy, too. But before America can benefit from the pact's effects next year, Congress must pass the agreement. I urge Congress to move swiftly to endorse a better economic future and approve the GATT agreement. **BI**



Dean R. O'Hare is chairman and chief executive officer of the Chubb Corp. in Warren, N.J. He is also chairman of the Washington-based Coalition of Service Industries.

# Summer reading for risk, benefit managers

## Books & Ideas

"A Practical Guide to Finite Risk Insurance and Reinsurance"

By R. George Monti and Andrew Barile

Published by John Wiley & Sons,  
1 Wiley Drive, Somerset, N.J.  
08876; 800-225-5945

1994

\$135

"Employee Benefit Reference Manual 1994"

By Swiss Life Insurance & Pension Co.

40 General Guisan-Quai  
8022 Zurich, Switzerland;  
411-284-3797

1994

\$200 (including postage)

By Kevin M. Quinley

ARE YOU WONDERING how to while away these last summer days during the void created by the major league baseball strike? Perhaps these two books on risk management could help.

Risk managers who are interested in the somewhat esoteric world of finite risk coverages should consider "A Practical Guide to Finite Risk Insurance and Reinsurance," published by Executive Enterprises Inc. Driven by market demand, finite risk covers have expanded in recent years, changing shape continually. This new text, an

update of an earlier version, has been revised to capture the key changes in the finite risk field over the past two years.

Authors R. George Monti and Andrew Barile are well-suited for the task. Mr. Monti has his own Chatham, N.J., law firm. Mr. Barile, a principal in his own New York-based risk management consulting firm, has 33 years of experience in reinsurance.

The book unfolds in three main sections, further subdivided into aspects of reinsurance.

Section One is an "Introduction to Finite Risk Covers." Section Two deals with finite risk protection for policyholders, self-insureds and captives. The final segment concerns finite risk protection for ceding companies.

The book also offers six case studies of major, current-market financial reinsurance transactions. Also included is new material regarding the relatively new category of finite risk coverage that the book refers to as "financial insurance."

This book, which comes in a three-ring binder, will be a useful reference for any risk manager or insurance professional who seeks to learn more about the arcane world of finite risk covers.

To the uninitiated, finite risk covers seem terra incognita, but this book does a good job of de-mystifying the entire area. Brokers who are interested in expanding their intellectual vistas will also find it useful.

One omission that could have made this an even better resource is a glossary of key terms and phrases.

Neophyte risk managers will find the material difficult at times, but the text is likely aimed at intermediate to advanced risk practitioners.

If this guide seems a little technical, then the "Employee Benefit Reference Manual" may be more suitable.

Those risk and insurance professionals working with employee benefits may wish to obtain a copy of this reference book. This is an annual publication from Swiss Life, but the 1994 edition is the most comprehensive ever, covering 44 countries, including new entries for Hungary, Russia and Venezuela.

This manual offers information on social security, legislation, private benefit plans, funding methods and taxation policy. While it does not pretend to be exhaustive (some might say exhausting), it should furnish benefit managers with the most essential data for making decisions about employee benefit programs.

Following the introduction in 1993 of a tear-out pocket summary covering social security legislation, Swiss Life has

updated and once again included this at the back of the manual.

While the reference is thorough, altruism is not Swiss Life's sole aim here. This book was a collaborative effort between Swiss Life and its network partners (read "clients") worldwide. Together, they form the Swiss Life Network, providing group life and pension coverage to multinational clients on a local level and multinational pooling and experience rating internationally.

The book is a bit pricey at \$200 for a soft-cover edition, but Swiss Life intended this to be a complimentary resource for its clients. The material is as dry as the Sahara, and no one will mistake this text as take-to-the-beach summer reading. Still, for those who manage employee benefit programs that are global in scope, it could be a valuable reference. **BI**

Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.



Continued from page 26

Clients	
Total	800
Average participants/plan	1,300
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1993 revenues	
Total	\$165,000,000
401(k) plan administration	\$30,000,000

**Services began:** 1982.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include investment and trustee services, interactive voice response, multimedia live operator outsourcing and traditional communication.

**Service area:** Nationwide.  
**Locations:** Administrative offices in Los Angeles; San Francisco; Stamford, Conn.; Tampa, Fla.; Atlanta; Louisville, Ky.; Chicago; Boston; Detroit; Parsippany, N.J.; Syracuse, N.Y.; Cleveland and Columbus, Ohio; Philadelphia; Dallas. Consulting offices in Baltimore; Minneapolis; Albany, N.Y.; Pittsburgh; Houston.

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

**Officers:** Reed Keller, vice chairman; Anthony F. Martin; Andre L. Iha, Eddy Kimura, Linda B. Xanthos, defined contribution partners.

**Contact:** Derek Romanoux.

### CoreStates Trust & Investment Group

P.O. Box 7558, FC 1-3-86-9, Philadelphia, Pa. 19101; 800-401-6463; fax: 215-973-8603

Staff	
Total	853
Involved in 401(k) plan services	85
Designations held:	3 CEBSS, 1 CPA, 2 attorneys

Clients	
Total	273
Average participants/plan	350
Minimum participants/plan	50
Maximum participants/plan	Unlimited

**Services began:** 1981.  
**Parent:** CoreStates Financial Corp.  
**Software:** Purchased from outside vendor, accommodates 99 investment funds and 35 types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on compliance issues, employee communications. Manages investment of funds. Other services include prototype plan documents; trustee, custodial, Form 5500 and Form 1099 tax reporting; mutual funds and financial planning.

**Service area:** Nationwide.  
**Locations:** Administrative offices in Pennington, N.J.; Lancaster, Pa.

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

**Officers:** Mark E. Stalnecker, chief trust/investment services officer; Paul G. Finegan, chairman-CoreStates Investment Advisors; Ed E. Keidat, senior vp-Employee Benefit Trust; Don Frankenberg, president-Philadelphia International Investment Corp.; Dave Schoffstall, executive vp-Personal Financial Services.

**Contact:** Marietta Castellano, vp-Employee Benefit Trust sales.

### W.F. Corroon

26 Century Blvd., 5 South, Nashville, Tenn. 37214; 615-872-3900; fax: 615-872-3999

Staff	
Total	336
Involved in 401(k) plan services	62
Designations held:	21 CEBSS, 8 CPAs, 6 ASA/FSAs, 14 attorneys

Clients	
Total	420
Average participants/plan	400
Minimum participants/plan	1
Maximum participants/plan	Unlimited

**Services began:** 1983.  
**Parent:** Willis Corroon.  
**Software:** Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include training of in-house staff, Form 5500 preparation, education videos and enrollment kits.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in San Diego; Wichita, Kan.; Baltimore; St. Louis; Cleveland.

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

**Officers:** Bob Cross, CEO/president; B.J. Ralston, COO/senior vp; Mike Kriel, senior vp; Hal Busby, vp-daily administration; Kelly C. Haynes, conversion coordinator; Dana Lang, vp/controller.

### Cross & Associates

8280 Montgomery Road, Cincinnati, Ohio 45236; 513-745-9119; fax: 513-985-5606

Staff	
Total	32
Involved in 401(k) plan services	9
Designations held:	1 attorney

Clients	
Total	35
Average participants/plan	50
Minimum participants/plan	10
Maximum participants/plan	Unlimited

**Services began:** 1992.  
**Software:** Purchased from outside vendor.

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

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

**Service area:** Indiana, Kentucky, Ohio.  
**Charges:** Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.

**Officers:** Richard B. Cross, CEO; B.M. Riggs, director-finance/operations.

**Contact:** Richard B. Cross.



### Delaware Charter Guarantee & Trust Co.

1013 Centre Road, Wilmington, Del. 19805; 302-993-8042; fax: 302-999-9554

Staff	
Total	270
Involved in 401(k) plan services	50
Designations held:	1 CEBSS

Clients	
Total	230
Average participants/plan	163
Minimum participants/plan	1
Maximum participants/plan	Unlimited

1993 revenues	
Total	\$19,000,000
401(k) plan administration	\$2,000,000

**Services began:** 1984.  
**Parent:** Principal Financial Group.

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

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

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

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, complexity of plan, time and expense.

**Officers:** Richard Prey, president; Dan O'Neill, vp-MIS; Tom Kline, vp/control-

ler; Nina K. Keesling, vp-marketing; Susan Judge, vp-administration.  
**Contact:** Nina Keesling.

### Deloitte & Touche

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

Staff	
Total	725
Involved in 401(k) plan services	100
Designations held:	CEBSs, CPAs, ASA/FSAs, attorneys

Clients	
Total	1,000
Average participants/plan	500
Minimum participants/plan	350
Maximum participants/plan	20,000

1993 revenues	
Total	\$82,000,000
401(k) plan administration	\$5,000,000

**Services began:** 1983.  
**Software:** Leased from outside vendor, record keeping provided by third party, accommodates 400 investment funds and 35 types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include access to trustee, investment management and mutual fund services.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Los Angeles; Stamford, Conn.; Boston; Detroit; Minneapolis; Parsippany, N.J.; New York; Tulsa, Okla.; Dallas; Houston. Additional consulting offices in Miami, Atlanta, Chicago, Philadelphia.

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

**Officers:** Maurice Smith, managing director-human resources consulting; Robert Starkey, national service line leader-defined contribution plans; Mark Schneider, national tax benefits leader; Ainar Ayala, partner in charge-New York; Tim Phoenix, partner in charge-Dallas; Jane Smith, partner in charge-Detroit.

**Contact:** Robert Starkey, 213-688-5424.

### Diversified Group Brokerage Corp.

369 N. Main St., Marlborough, Conn. 06447; 203-295-9583; fax: 203-295-8164

Staff	
Total	110
Involved in 401(k) plan services	3

Clients	
Total	45
Average participants/plan	50
Minimum participants/plan	5
Maximum participants/plan	2,000

**Services began:** 1991.

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

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

**Service area:** Nationwide.

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

**Contact:** Ben Gaetano, director-401(k) pension services.

### The Dreyfus Corp.

200 Park Ave., New York, N.Y. 10166; 800-762-9523; fax: 212-922-6299

Staff	
Total	2,100
Involved in 401(k) plan services	200

Clients	
Total	600
Average participants/plan	500

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

**Administration:** Accommodates loan

provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include customized literature, enrollment support, educational seminars, train-the-trainer program, voice response system and retirement distribution analysis.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Uniondale, N.Y.

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

**Officers:** Howard Stein, chairman/CEO; Joseph S. DiMartino, president/COO; Elie Genadry, president-Dreyfus Group Retirement Plans; Robert W. Stone, executive vp-Dreyfus Group Retirement Plans.

### Dun & Bradstreet Pension Services Inc.

3507 Frontage Road, Suite 200, Tampa, Fla. 33607; 800-325-6860; fax: 800-344-1258

Staff	
Total	185
Involved in 401(k) plan services	100
Designations held:	2 CEBSS, 2 CPAs, 13 ASA/FSAs, 1 attorney

Clients	
Total	1,700
Average participants/plan	147
Minimum participants/plan	1
Maximum participants/plan	10,000

**Services began:** 1985.  
**Parent:** Dun & Bradstreet Corp.

**Software:** Written and maintained in-house, accommodates 10 investment funds and six types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include wholesale arrangements for marketing support and record keeping services.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Los Angeles, Newport Beach, San Diego and San Mateo, Calif.; Charlotte, N.C.

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

**Officers:** Jack Lyon, president; E. William Moore, vp-marketing/sales.

**Contact:** E. William Moore.



### EBG & Associates Inc.

68 E. Wacker Place, Suite 900, Chicago, Ill. 60601; 312-580-2250; fax: 312-580-2252

Staff	
Total	35
Involved in 401(k) plan services	7
Designations held:	1 CPA, 1 ASA/FSA, 1 attorney

Clients	
Total	150
Minimum participants/plan	1
Maximum participants/plan	10,000

**Services began:** 1984.

**Software:** Written and maintained in-house, accommodates 10 investment funds and 10 types of contributions, software may be used by clients in-house.

**Administration:** Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Written communication of plan features to employees. Consults on legal issues, compliance issues. Other services include custom programming, customized documentation and software training.

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

**Officers:** Emmanuel B. Garcia Jr., president; Mary Jo Arthur, vp/actuary.  
**Contact:** Frank H. Roberts.

### Employee Benefit Management Services

550 N. 31st St., Suite 210, Billings, Mont. 59101; 406-245-3575; fax: 406-259-7871

Staff	
Total	48
Involved in 401(k) plan services	3
Designations held:	1 CPA, 1 attorney

Clients	
Total	23
Average participants/plan	40
Minimum participants/plan	5
Maximum participants/plan	300

**Services began:** 1981.

**Software:** Purchased from outside vendor, accommodates 19 investment funds and nine types of contributions.

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

**Service area:** Northwest.  
**Charges:** Determined by number of participants, complexity of plan, frequency valuations.

**Officers:** F.H. Larson, president; Nicki Larson, vp; Joel Lankford, treasurer.

**Contact:** Sharon Knuckey, executive director.

### Employee Benefit Specialists Inc.

450 Sansome St., Suite 555, San Francisco, Calif. 94111-3313; 800-229-7638; fax: 415-788-7846

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

Clients	
Total	65
Average participants/plan	80
Minimum participants/plan	1
Maximum participants/plan	350

**Services began:** 1988.

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

**Administration:** Does not use unit value or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds. Other services include trust accounting, participant statements, loan and termination calculations, Form 5500 preparation, allocation accounting, plan documents and investment assistance.

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

**Officers:** Joan L. Rhodes, president/CEO; Elizabeth Juen, CFO; Chimana Rhodes, vp.

**Contact:** Joan L. Rhodes.

### Employee Benefits Management Corp.

5525 Oakdale Ave., Suite 450, Woodland Hills, Calif. 91364; 818-347-9309; fax: 818-347-9251

Staff	
Total	6
Involved in 401(k) plan services	3

Clients	
Total	20
Average participants/plan	50
Minimum participants/plan	10
Maximum participants/plan	3,000

1993 revenues	
Total	\$65,000
401(k) plan administration	\$65,000

**Services began:** 1988.  
**Software:** Leased from outside vendor, accommodates 50 investment funds and six types of contributions.

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

**Client support:** Written communication of plan features to employees. Consults on plan

Continued from previous page for retiring and terminating plan participants.

**Service area:** California: Los Angeles, Orange and Ventura counties.

**Locations:** Administrative and consulting offices in Camarillo, Calif.

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

**Officers:** Michael S. Link, president; Karoli S. Hayes, vp.

**The Epler Co.**

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

<b>Staff</b>	
Total	14
Involvement in 401(k) plan services	5
Designations held: 1 CEBS, 1 ASA/FSA, 1 attorney	

<b>Clients</b>	
Total	12
Average participants/plan	500
Minimum participants/plan	30
Maximum participants/plan	10,000

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

**Administration:** Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

**Service area:** Primarily California.  
**Locations:** Administrative and consulting offices in Woodland Hills, Calif.

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

**Officers:** Jane Barry, president; Elaine Kalin, Lin Ball, vps.  
**Contact:** Jane Barry.

**E.R.I.S.A. Inc.**

6600 N. Lincoln Ave., Suite 330, Lincolnwood, Ill. 60645; 708-674-1883; fax: 708-674-5751

<b>Staff</b>	
Total	6
Involvement in 401(k) plan services	3
Designations held: 1 CPA, 1 attorney	

<b>Clients</b>	
Total	13
Average participants/plan	35
Minimum participants/plan	2
Maximum participants/plan	500

<b>1993 revenues</b>	
Total	\$450,000
401(k) plan administration	\$75,000

**Services began:** 1988.  
**Software:** Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.

**Administration:** Does not use unit value or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Spanish translations and seminars.

**Service area:** Illinois, Indiana, Wisconsin.

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

**Officers:** Michael R. Iselin, president; Richard M. Perlin, vp.  
**Contact:** Richard M. Perlin.

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

277 Park Ave., New York, N.Y. 10172; 212-773-6166; fax: 212-773-5986

<b>Staff</b>	
Total	400
Involvement in 401(k) plan services	49
Designations held: 4 CEBSs, 31 CPAs, 49 ASA/FSAs, 54 attorneys	

<b>Clients</b>	
Total	275
Average participants/plan	500
Minimum participants/plan	1
Maximum participants/plan	Unlimited

<b>1993 revenues</b>	
Total	\$54,000,000
401(k) plan administration	\$5,000,000

**Services began:** 1987.  
**Software:** Purchased from outside vendor, accommodates 20 investment funds and 30 types of contributions, software may be used by clients in-house.

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

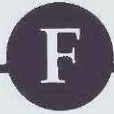
**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include outsourcing, operation consulting, systems consulting, VRS customization, vendor selection, total benefits and human resources assistance.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Los Angeles, Washington, Indianapolis, New York, Cleveland, San Antonio.

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

**Officers:** Albert J. Kleinberg, national director-Actuarial, Benefits & Compensation Consulting services.

**Contact:** C. William Burke, national director-Administrative Consulting services.



**Fidelity Institutional Retirement Services Co.**

82 Devonshire St., ZZ6, Boston, Mass. 02109; 617-330-0335; fax: 617-439-0782

<b>Staff</b>	
Total	1,400
Involvement in 401(k) plan services	1,000

<b>Clients*</b>	
Total	1,688
Average participants/plan	NA
Minimum participants/plan	50
Maximum participants/plan	Unlimited

\* Client figures represent National plans and Corporate plans combined. Corporate plans are designed for companies with less than 1,000 employees. Average National plan is 3,000 participants; average Corporate plan is 200 participants.

**Services began:** 1982.  
**Parent:** Fidelity Investments.

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

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

**Client support:** Daily valuations, toll-

free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include voice response system, asset allocation information and assistance, transaction confirmation, PC-based savings/investment tools, self-directed brokerage non-qualified plan services and employee educational curriculum.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Covington, Ky.; Dallas.

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

**Officers:** Robert J. Reynolds, president;  
*Continued on next page*

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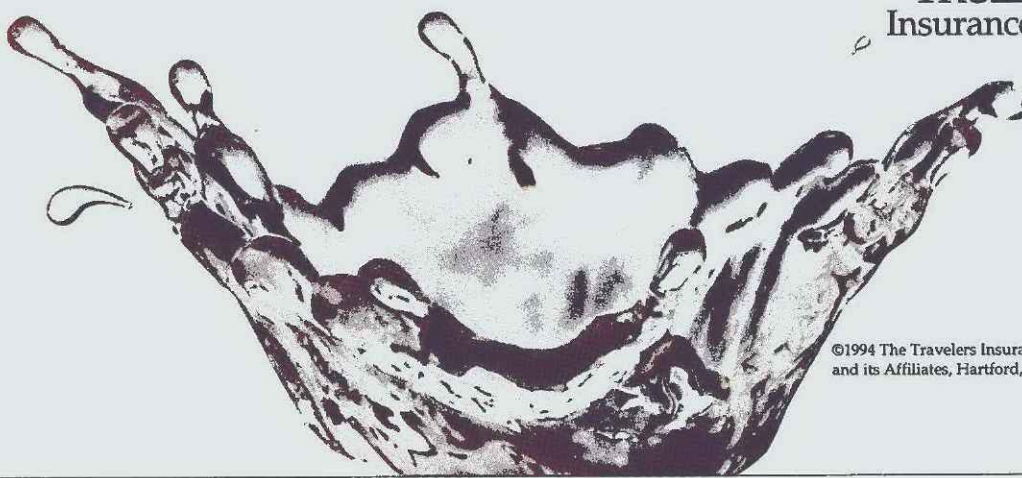
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Continued from previous page

Ellyn A. McColgan, executive vp-client services; Peter J. Smail, senior vp-sales; Steven E. Elterich, senior vp-systems; Cynthia Egan, senior vp-client management.

Contact: Peter J. Smail.

**First Fidelity Bank N.A.**

765 Broad St., C76507, Newark, N.J. 07102; 201-430-4870; fax: 201-565-1877

<b>Staff</b>	
Total	92
Involvement in 401(k) plan services	58
Designations held: 6 CEBSs, 2 attorneys	
<b>Clients</b>	
Total	217
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	10,000

<b>1993 revenues</b>	
Total	\$13,500,000
401(k) plan administration	\$5,000,000

Services began: 1982.

**Software:** Leased from outside vendor, accommodates 20 investment funds per plan and 99 types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include trustee/custodian of assets, recurring payments, design and conducting of employee seminars, prototype plans with summary plan description, investment management and advisory services.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Shelton, Conn.; Allentown and Philadelphia, Pa.  
**Charges:** Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.  
**Officers:** Kevin Knight, Joseph Ready, Mary Mulhern, senior vps; Kathy Lowry, general vp; Marty Farrell, vp.  
**Contact:** Clifford Bakley, vp.

**First Trust**

336 Robert St., 6th Floor, St. Paul, Minn. 55101; 612-244-1314; fax: 612-244-4203

<b>Staff</b>	
Total	1,100
Involvement in 401(k) plan services	85
<b>Clients</b>	
Total	345
Average participants/plan	145
Minimum participants/plan	1
Maximum participants/plan	Unlimited

<b>1993 revenues</b>	
Total	\$13,500,000
401(k) plan administration	\$5,000,000

Services began: 1981.

**Parent:** First Bank System.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Form 5500 preparation, investment management, performance measurement and interactive voice response.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Denver; Chicago; Duluth, Minneapolis and Rochester, Minn.; Billings, Mont.; Fargo, N.D.; Sioux Falls, S.D.; Milwaukee.  
**Charges:** Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.  
**Officers:** John Murphy, chairman/chief investment officer; Matthew Wagner, executive vp-corporate/institutional trust; Thomas Plumb, Deborah Maschoff, senior vps-institutional trust; Michael Eidem, vp-sales/marketing.  
**Contact:** MaryLou Leitschuh.

**First Trust Corp.**

717 17th St., Suite 2600, Denver, Colo. 80202; 800-525-2124; fax: 303-292-2227

<b>Staff</b>	
Total	600
Involvement in 401(k) plan services	15
Designations held: 1 CPA	
<b>Clients</b>	
Total	110
Average participants/plan	75
Minimum participants/plan	50
Maximum participants/plan	2,000

<b>1993 revenues</b>	
Total	\$282,000,000
401(k) plan administration	\$32,231

Services began: 1982.

**Parent:** Fiserv Inc.

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

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

design, compliance issues, employee communications.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management.

**Officers:** Kenneth R. Jensen, chairman; Gordon G. Rockafellow, president/COO; Jacqueline K. Freudenstein, senior vp-human resources/operations; Mary L. Mohr, senior vp; Daniel R. Bartlett, senior vp-finance/treasurer/corporate secretary.  
**Contact:** Tom Atkinson, 800-525-2124 ext. 5824.

**Fleet Investment Services**

100 Westminster St., Providence, R.I. 02903; 401-278-6518; fax: 401-278-6670

<b>Staff</b>	
Total	161
Involvement in 401(k) plan services	161
Designations held: 1 CEBS, 1 CPA, 1 attorney	
<b>Clients</b>	
Total	306
Average participants/plan	300

<b>1993 revenues</b>	
Total	\$282,000,000
401(k) plan administration	\$32,231

Services began: 1981.

**Parent:** Fleet Financial Group Inc.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include prototype documents, mandatory testing, Form 5500 preparation, distribution checks and Form 1099R filing, enrollment and ongoing participant communication and education.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Hartford, Conn.; Bangor and Portland, Maine; Boston and Springfield, Mass.; Manchester, N.H.; Albany, Buffalo, Long Island, Newburgh, Rochester and Utica, N.Y.

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

**Officers:** John H. Parker, division head; Joe Jennings, Jeffrey Wirth, Patricia MacMillan, Galan Daukas, vps.  
**Contact:** Marshall Raucci Jr.

**Fort Dearborn Life Insurance Co.**

233 N. Michigan Ave., Chicago, Ill. 60601; 312-938-5662; fax: 312-938-1345

<b>Staff</b>	
Total	280
Involvement in 401(k) plan services	42
Designations held: 2 ASA/FSAs, 3 attorneys	
<b>Clients</b>	
Total	160
Average participants/plan	55
Minimum participants/plan	10
Maximum participants/plan	Unlimited

<b>1993 revenues</b>	
Total	\$200,000,000
401(k) plan administration	\$30,000,000

Services began: 1988.

**Parent:** Health Care Service Corp. (Blue Cross/Blue Shield of Illinois).

**Software:** Leased from outside vendor, accommodates 20 investment funds and 20 types of contributions.

**Administration:** Does not use cash or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include quarterly employee newsletter and toll-free service.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Calabasas, Calif.; Luther-ville, Md.; Quincy, Mass.; Roseland, N.J.

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

**Officers:** David Weber, CEO; Carl Ricciardelli, president; Larry Newsom, vp-retirement saving/corporate counsel; John McKee, vp/actuary; David Pavletich, vp/treasurer.  
**Contact:** Heidi Lannen, manager-retirement savings operations.

**Fringe Benefits Design Inc.**

5101 College Blvd., Suite 100, Leawood, Kan. 66211; 913-451-0100; fax: 913-451-2162

<b>Staff</b>	
Total	82
Involvement in 401(k) plan services	15
Designations held: 6 CPAs, 5 ASA/FSAs, 2 attorneys	
<b>Clients</b>	
Total	400
Average participants/plan	75

<b>1993 revenues</b>	
Total	\$5,100,000

Services began: 1985.

**Software:** Purchased from outside vendor, accommodates 18 investment funds and eight types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include translation of plan information into foreign language and customized employee certificates with employer logo.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Des Moines, Iowa; Minneapolis; Oklahoma City.

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

**Officers:** Paul M. Smith Sr., CEO; Bryan J. Smith, chairman/COO; Michael R. Juffa, president; Raymond D. Wynant, CFO; Matthew X. Smith, vp-administration.  
**Contact:** Bryan J. Smith.

**Fringe Benefits Management Co.**

1720 S. Gadsden St., Tallahassee, Fla. 32301-5547; 904-425-6200; fax: 904-425-6220

<b>Staff</b>	
Total	184
Involvement in 401(k) plan services	15
Designations held: 1 CPA, 2 attorneys	
<b>Clients</b>	
Total	7
Average participants/plan	400
Minimum participants/plan	50
Maximum participants/plan	Unlimited

<b>1993 revenues</b>	
Total	\$12,000,000
401(k) plan administration	\$480,000

Services began: 1985.

**Software:** Written and maintained in-house, record keeping provided by third party, accommodates various investment funds and various types of contributions.

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include enrollment, education and customer service.

**Service area:** Nationwide.

**Locations:** Consulting offices in Miami.

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

**Officers:** Mike Sheridan, president; Lorraine Ritch, Debra Tougas, vps; Agnes McMurray, executive vp; Mel Yoder, senior vp.  
**Contact:** Christine Rizzetto, manager-retirement plan administration.

“Suddenly, I was getting calls about pensions, health insurance and 401(k) plans ...”

Maureen Ruelas  
Human Resources Representative  
Talley Defense Systems



“Last year, when our benefits administrator retired, I was given responsibility for Talley’s benefits programs. From day one, I began to receive calls from employees asking for information and advice about their insurance and retirement plans. I knew parts of the answers, but I realized I needed additional training in benefits management and I needed it fast!”

My supervisor suggested that I look into the CBP (Certified Benefits Professional) seminars that are available from the American Compensation Association (ACA).

My immediate challenge was calculating pensions and dealing with 401(k) plans. What I needed was an overview of the entire process, from beginning to end. I needed to know how to talk about pensions and 401(k) plans with our employees and managers.

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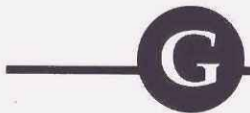
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**Godwins Booke & Dickenson**

123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4949; fax: 312-701-4960

<b>Staff</b>	
Total	1,150
Involvement in 401(k) plan services	250

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Clients	
Total	450
Average participants/plan	740
Minimum participants/plan	1
Maximum participants/plan	Unlimited

**Services began:** 1981.  
**Parent:** Aon Corp.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include retirement planning and investment guide.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in 28 cities nationwide.

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

**Officers:** Donald C. Ingram, chairman/COO; Robert W. Ryan, regional manager-Central; Walter L. Ogle, regional manager-Gulf; Paul G. Chicos, regional manager-Northeast; Roger L. Vaughn, regional manager-Southeast.

**Contact:** Linda P. Holleman, senior vp, 910-748-1120.

**Great-West Life & Annuity Insurance Co.**

8505 E. Orchard Road, Englewood, Colo. 80111; 303-689-3000; fax: 303-689-5760

Staff	
Total	3,100
Involved in 401(k) plan services	275

Clients	
Total	2,755
Average participants/plan	70
Minimum participants/plan	20
Maximum participants/plan	Unlimited

1993 revenues	
Total	\$2,241,300,000
401(k) plan administration	\$499,700,000

**Services began:** 1985.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

**Administration:** Does not use cash or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include diversified investment options and lifestyle funds.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Phoenix; Los Angeles, San Diego, San Francisco and San Jose, Calif.; Denver; Hartford, Conn.; Fort Lauderdale, Jacksonville and Tampa, Fla.; Atlanta; Chicago; Indianapolis; Maine; Boston; Detroit and Grand Rapids, Mich.; Minneapolis; Kansas City and St. Louis, Mo.; Newark, N.J.; Charlotte, N.C.; Cleveland and Columbus, Ohio; Portland, Ore.; Philadelphia; Nashville, Tenn.; Dallas; Houston; Seattle.

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

**Officers:** Bill McCallum, president/CEO; Alan MacLennan, executive vp-employee benefits; Jim Motz, senior vp-employee benefits; Bob Kavanagh, senior vp-employee benefits sales; Marty Rosenbaum, vp-employee benefits products.

**Contact:** Rita Guthrie, 401(k) operations, 303-689-4187.



**HPL&S Inc.**  
 125 S. Wilke Road, Arlington Heights, Ill. 60005; 708-392-2999; fax: 708-392-1053

Staff	
Total	26
Involved in 401(k) plan services	16
Designations held: 4 CPAs, 3 ASA/FSAs, 2 attorneys	

Clients	
Total	220
Average participants/plan	50
Minimum participants/plan	1
Maximum participants/plan	5,000

1993 revenues	
Total	\$2,400,000
401(k) plan administration	\$700,000

**Services began:** 1983.  
**Software:** Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.

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

**Client support:** Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include assistance in selection of investment vehicle, and 415 coordination with other plans maintained by sponsor.

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

**Officers:** Mark Schwartz, president; George Castillo, Thomas J. Doherty, vps;

William C. Ludwig, treasurer; Ira A. Post, secretary.  
**Contact:** Thomas J. Doherty.

**Halliwell & Associates Inc.**

18th Floor, 2 Gateway Center, Pittsburgh, Pa. 15222; 412-288-0822; fax: 412-288-0863

Staff	
Total	23
Involved in 401(k) plan services	5

Clients	
Total	21
Average participants/plan	125
Minimum participants/plan	25
Maximum participants/plan	5,000

1993 revenues	
Total	\$2,551,569
401(k) plan administration	\$633,795

**Services began:** 1984.  
**Software:** Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.

**Administration:** Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Consults on legal issues, plan design, compliance issues, employee communications.

**Service area:** Ohio, Pennsylvania, West Virginia.

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

**Officers:** Paul D. Halliwell, president; Thomas S. Baily, vp.

**Contact:** William E. Hough, senior consultant.

**Harris Trust & Savings Bank**

111 W. Monroe, Chicago, Ill. 60690-0755; 312-461-2121; fax: 312-987-4181

Staff	
Total	3,752
Involved in 401(k) plan services	83
Designations held: 6 CEBSs, 9 CPAs, 6 attorneys	

Clients	
Total	83
Average participants/plan	1,912
Minimum participants/plan	1
Maximum participants/plan	Unlimited

**Services began:** 1981.

**Parent:** Bank of Montreal.  
**Software:** Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include personal financial services.

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

**Officers:** Nancy B. Wolcott, executive vp; Susan L. Kenyon, Catherine S. McBreen, Barry A. Barretta, vps.  
**Contact:** Cecil R. Coleman, vp.

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*When I Decide to Do Something, I Don't Have Time to Waste.*

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Continued from previous page

**Hay/Huggins Co.**

229 S. 18th St., Philadelphia, Pa. 19103; 215-875-2827; fax: 215-875-2833

<b>Staff</b>	
Total	110
Involvement in 401(k) plan services	5
Designations held: 1 CEBS, 1 CPA, 1 ASA/FSA	
<b>Clients</b>	
Total	22
Average participants/plan	250
Minimum participants/plan	75
Maximum participants/plan	Unlimited

**Services began:** 1986.

**Parent:** Hay Group.

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

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

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

**Service area:** Nationwide.

**Locations:** Consulting offices in New York.

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

**Officers:** Ken Shapiro, president; Kurt Fichthorn, Donald Samples, Michael Cotter, Joseph Sapora, executive vps.

**Hazlehurst & Associates Inc.**

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30346; 404-395-9880; fax: 404-512-6230

<b>Staff</b>	
Total	160
Involvement in 401(k) plan services	89
Designations held: 1 CEBS, 1 CPA, 20 ASA/FSAs, 1 attorney	
<b>Clients</b>	
Total	120
Average participants/plan	5,600
Minimum participants/plan	250
Maximum participants/plan	100,000

**Services began:** 1982.

**Parent:** The Northern Trust Corp.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds. Other services include participant education/communications, Section 415 calculation system and salary deferral illustrations.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Seattle.

**Charges:** Determined by number of participants, complexity of plan, assets

under management, time and expense, frequency valuations.

**Officers:** James G. Pope, president; R. David Parsons, principal actuary; T. Ray McKinney, David M. Gladstone, Dennis F. Sain, executive vps.

**Contact:** Dennis F. Sain.

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

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-883-8321

<b>Staff</b>	
Total	3,511
Involvement in 401(k) plan services	343
Designations held: 18 CEBSs, 30 CPAs, 5 attorneys	
<b>Clients</b>	
Total	300
Average participants/plan	5,233
Minimum participants/plan	2,500
Maximum participants/plan	Unlimited

**1993 revenues**

Total .....\$356,000,000

**Services began:** 1981.

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

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

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

communications. Other services include access to mutual fund and trustee services.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Newport Beach, Calif.; Rowayton, Conn.; Atlanta; Boston; Bedminster, N.J.; The Woodlands, Texas. Additional consulting offices in Phoenix; Los Angeles, San Francisco and Walnut Creek, Calif.; Denver; Washington; Tampa, Fla.; Chicago; Detroit; Minneapolis; St. Louis; New York; Charlotte, N.C.; Cleveland and Dayton, Ohio; Philadelphia; Pittsburgh; Dallas; Houston; San Antonio; Richmond, Va.; Seattle; Milwaukee.

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

**Officers:** Dale Gifford, CEO; Gerald Wilson, chairman; Richard Hutson, director-business development; Gail Kellogg, director-defined contribution administration; Thomas Schmitz, director-total benefit administration.

**Contact:** Barbara Rueth, marketing manager.

**Hicks & Co.**

55 Independence Circle, Suite 206, Chico, Calif. 95926; 916-891-4975; fax: 916-891-5941

<b>Staff</b>	
Total	9
Involvement in 401(k) plan services	6
Designations held: 1 attorney	
<b>Clients</b>	
Total	250
Average participants/plan	25
Minimum participants/plan	1
Maximum participants/plan	500

**1993 revenues**

Total .....\$250,000  
401(k) plan administration .....\$190,000

**Services began:** 1985.

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

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

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

**Service area:** California: Bay area, Sacramento and Northern California.

**Locations:** Administrative offices in Walnut Creek, Calif.

**Charges:** Determined by number of participants, frequency valuations.

**Officers:** Tom Hicks.

**A. Foster Higgins & Co. Inc.**

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

<b>Staff</b>	
Total	1,300
Involvement in 401(k) plan services	50
Designations held: 8 CEBSs, 2 CPAs, 20 ASA/FSAs, 10 attorneys	
<b>Clients</b>	
Total	150
Average participants/plan	2,500
Minimum participants/plan	1
Maximum participants/plan	100,000

**1993 revenues**

Total .....\$164,000,000

**Services began:** 1982.

**Parent:** Johnson & Higgins.

**Software:** Purchased from outside vendor, accommodates 99 daily/20 quarterly investment funds and 30 money types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include investment consulting services, investment education and full employee communications.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Los Angeles; Princeton, N.J.; Dallas. Additional consulting offices in Costa Mesa, Calif.; Stamford, Conn.; Washington; Atlanta; Philadelphia; Seattle.

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

frequency valuations.

**Officers:** Robert F. Powell, chairman/CEO; John N. Feldtmose, president.

**Contact:** Guz J. Sanchez, principal/national practice leader, 609-520-2443.

**Hogg Robinson Consulting Group Inc./Hogg Robinson Benefit Services**

355 Lexington Ave., 3rd Floor, New York, N.Y. 10017; 212-867-4100; fax: 212-953-7765

<b>Staff</b>	
Total	265
Involvement in 401(k) plan services	31
Designations held: 2 CEBSs, 1 CPA, 4 ASA/FSAs	
<b>Clients</b>	
Total	125
Average participants/plan	375
Minimum participants/plan	50
Maximum participants/plan	20,000

**1993 revenues\***

Total .....\$22,000,000  
\* Revenues from Hogg Robinson Benefit Services only.

**Services began:** 1981.

**Parent:** Bain Hogg Group.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include employee education and non-qualified 401(k) plans.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Culver City, Calif.; Boca Raton, Fla.; Atlanta; Chicago; Marshfield, Mass.; Southfield, Mich.; Albuquerque, N.M.; Philadelphia; Dallas.

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

**Officers:** Richard I. Citron, chairman; Gerard E. Desmond, president/CEO-Hogg Robinson Consulting Group Inc.

**Contact:** Gerard E. Desmond.



**J&K Retirement Inc.**

5201 Washington, Suite 4, Downers Grove, Ill. 60515; 708-852-8882; fax: 708-852-8901

<b>Staff</b>	
Total	7
Involvement in 401(k) plan services	7
Designations held: 1 ASA/FSA	
<b>Clients</b>	
Total	90
Average participants/plan	118
Minimum participants/plan	1
Maximum participants/plan	5,000

**1993 revenues**

Total .....\$501,000  
401(k) plan administration .....\$344,000

**Services began:** 1986.

**Software:** Leased from outside vendor, accommodates 30 investment funds and 10 types of contributions.

**Administration:** Does not use cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

**Service area:** Nationwide.

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

**Officers:** James L. Hillman, president; Kathryn M. Hillman, vp.

**Contact:** James L. Hillman.

**Howard Johnson & Co.**

375 Park Ave., Suite 3707, New York, N.Y. 10152; 212-758-5900; fax: 212-758-3625

<b>Staff</b>	
Total	240
Involvement in 401(k) plan services	170

Continued on next page

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Continued from previous page

<b>Clients</b>	
Total	360
Average participants/plan	3,500
Minimum participants/plan	1,000
Maximum participants/plan	Unlimited

**Services began:** 1981.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

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

**Client support:** Daily valuations, service for account balance inquiries, service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include live operator assistance.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Los Angeles; San Francisco; Washington; Chicago; Portland, Ore.; Seattle and Spokane, Wash.; London.

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

**Officers:** Howard J. Johnson, chairman/CEO; Nancy B. Greer, CFO/executive vp; Charles R. Southall, executive vp; John R. Claus, executive vp/director-client information systems; Brendan O'Farrell, executive vp-London.  
**Contact:** Nancy M. Rizzuto.

**W.J. Jones Administrative Services Inc.**

1983 Marcus Ave., Suite 125, Lake Success, N.Y. 11042; 516-775-5420; fax: 516-775-6601

<b>Staff</b>	
Total	90
Involved in 401(k) plan services	10
Designations held: 2 CEBSs, 1 CPA, 1 ASA/FSA	

<b>Clients</b>	
Total	10
Average participants/plan	2,200
Minimum participants/plan	100
Maximum participants/plan	Unlimited

<b>1993 revenues</b>	
Total	\$7,500,000
401(k) plan administration	\$1,000,000

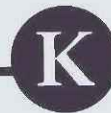
**Services began:** 1983.  
**Software:** Written and maintained in-house, accommodates 10 investment funds and unlimited types of contributions.

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

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

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

**Officers:** John P. Sherlock, president; Robert F. Sherlock, Kevin J. Sherlock, vps; Ellen Goodman, director-retirement plan services.  
**Contact:** John P. Sherlock.



**KBM Management Inc.**

5860 Heritage Landing Drive, East Syracuse, N.Y. 13057; 315-449-0229; fax: 315-449-3115

<b>Staff</b>	
Total	54
Involved in 401(k) plan services	14
Designations held: 1 CPA, 1 ASA/FSA	

<b>Clients</b>	
Total	133
Average participants/plan	500
Minimum participants/plan	1
Maximum participants/plan	Unlimited

<b>1993 revenues</b>	
Total	\$3,000,000
401(k) plan administration	\$450,000

**Services began:** 1987.  
**Software:** Purchased from outside vendor, accommodates 48 investment funds and unlimited types of contributions.

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

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

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

**Officers:** Robert Menikheim, CEO; Terry J. Musto, COO; Mary D'Ambrosio, vp; Philip C. Mower, senior actuary; Dave Evans, principal.  
**Contact:** Terry J. Musto or Mary F. D'Ambrosio.

**KPMG Peat Marwick**

1 Boston Place, Boston, Mass. 01890; 617-723-7700; fax: 617-973-2971

<b>Staff</b>	
Total	365
Involved in 401(k) plan services	130
Designations held: 10 CEBSs, 31 CPAs, 40 ASA/FSAs, 10 attorneys	

<b>Clients</b>	
Total	1,100
Average participants/plan	1,200

Minimum participants/plan	1
Maximum participants/plan	Unlimited

**1993 revenues\***

Total	\$1,800,000,000
401(k) plan administration	\$11,100,000

\* U.S. revenues only.

**Services began:** 1981.  
**Software:** Purchased from outside vendor, accommodates 400 investment funds and 35 types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include qualified plan account distribution counselling, pre-retirement planning, individual investment performance reporting at participant account level, interactive loan modeling, investment supervision, computer-based retirement planning.

**Service area:** Nationwide.

**Locations:** Administrative offices in Dallas. Consulting offices in 60 offices throughout the United States, Puerto Rico and District of Columbia.

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

**Officers:** Jon C. Madonna, chairman; James G. Brocksmith Jr., deputy chairman.

**Contact:** Charles E. Humphrey, national leader-defined contribution plan services, 617-973-2732; Neal A. Weber, compensation & benefits practice leader-southwest, 214-754-2954; Lester L. Oliver, national practice leader, compensation & benefits, 213-955-8837.

**Kimball Akins & Bigwood Inc.**

800 South St., Waltham, Mass. 02154-1439; 617-894-2111; fax: 617-894-3781

<b>Staff</b>	
Total	20
Involved in 401(k) plan services	12
Designations held: 4 ASA/FSAs, 1 attorney	

**Clients**

Average participants/plan	135
Minimum participants/plan	1
Maximum participants/plan	Unlimited

**Services began:** 1982.

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

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

**Client support:** Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include actuarial, group and flex benefit consulting, design and financial analysis services.

**Service area:** Massachusetts, New Hampshire, New York, Vermont.

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

**Officers:** C. Charles Akins Jr., president; Emmet M. Bonner, Joanne O'Donnell, Richard S. Fitts, vps.  
**Contact:** Richard S. Fitts.

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**ITT HARTFORD**

Continued from previous page

**Kwasha Lipton**

2100 N. Central Road, Fort Lee,  
N.J. 07024; 201-592-1300;  
fax: 201-592-7608

Staff	
Total	450
Involvement in 401(k) plan services	95
Designations held: 51 ASA/FSAs, 5 attorneys	

Clients	
Total	165
Average participants/plan	7,000
Minimum participants/plan	300
Maximum participants/plan	Unlimited

**Services began:** 1981.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of con-

tributions, software may be used by clients in-house.

**Administration:** Does not use cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include voice response system; review and approval/denial of hardship withdrawal requests; loan modeling, approval and repayment; answering employee questions; processing of rollovers; QDRO services and interfacing with investment managers and

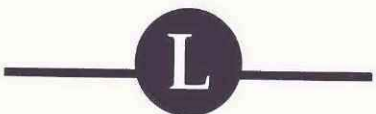
trustees.

**Service area:** Nationwide.

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

**Officers:** David A. Skovron, chief executive partner; Robert S. Byrne, chief operating partner; James T. Brickman, chief recording partner.

**Contact:** Sid Mendelson, partner.



**LFS Benefit Services Inc.**

271 W. Cerritos Ave., Anaheim,  
Calif. 92805-6549; 714-774-8051;  
fax: 714-239-6862

**Staff**

Total	16
Involvement in 401(k) plan services	3

**Clients**

Total	90
Average participants/plan	75
Minimum participants/plan	1
Maximum participants/plan	2,000

**Services began:** 1981.

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

**Administration:** Does not use cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to em-

ployees. Consults on legal issues, plan design, compliance issues, employee communications.

**Service area:** Nationwide.

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

**Officers:** Alfred O. Long, president/CEO; Mark E. Long, vp-operations; Marcia E. Lichte, vp-sales/marketing.

**Contact:** Alfred O. Long.



**MPS Ltd.**

3 E. 54th St., New York, N.Y.  
10022-3108; 212-838-8500;  
fax: 212-750-0582

**Staff**

Total	9
Involvement in 401(k) plan services	3
Designations held: 1 CPA, 1 ASA/FSA, 4 attorneys	

**Clients**

Total	90
Average participants/plan	40
Minimum participants/plan	1
Maximum participants/plan	500

**Services began:** 1986.

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

**Administration:** Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include IRS reporting, participant statements and summary plan descriptions.

**Service area:** Nationwide.

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

**Officers:** Morton Herman, CEO; Marc Levinson, Michael Frank, Roger Brandwein, vps; Gerald Howard, CFO.

**Mammel & Associates Inc.**

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

**Staff**

Total	90
Involvement in 401(k) plan services	20
Designations held: 1 CEBS, 4 ASA/FSAs	

**Clients**

Total	170
Average participants/plan	250
Minimum participants/plan	1
Maximum participants/plan	10,000

**Services began:** 1991.

**Parent:** Redland & Associates Inc.

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

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

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

**Service area:** Nationwide.

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

**Officers:** Carl Mammel, chairman; Gary Hurley, vice chairman; Donn Jones, executive vp/secretary; John Sarich, treasurer; Mark Weber, Tony Sorrentino, vps.

**Contact:** Donn B. Jones.

**Marine Midland Bank**

250 Park Ave., New York, N.Y. 10177;  
212-503-2724; fax: 212-503-6780

**Staff\***

Total	500
Involvement in 401(k) plan services	200
Designations held: 7 CEBSs, 12 attorneys	

**Clients**

Total	200
Average participants/plan	300
Minimum participants/plan	1
Maximum participants/plan	5,000

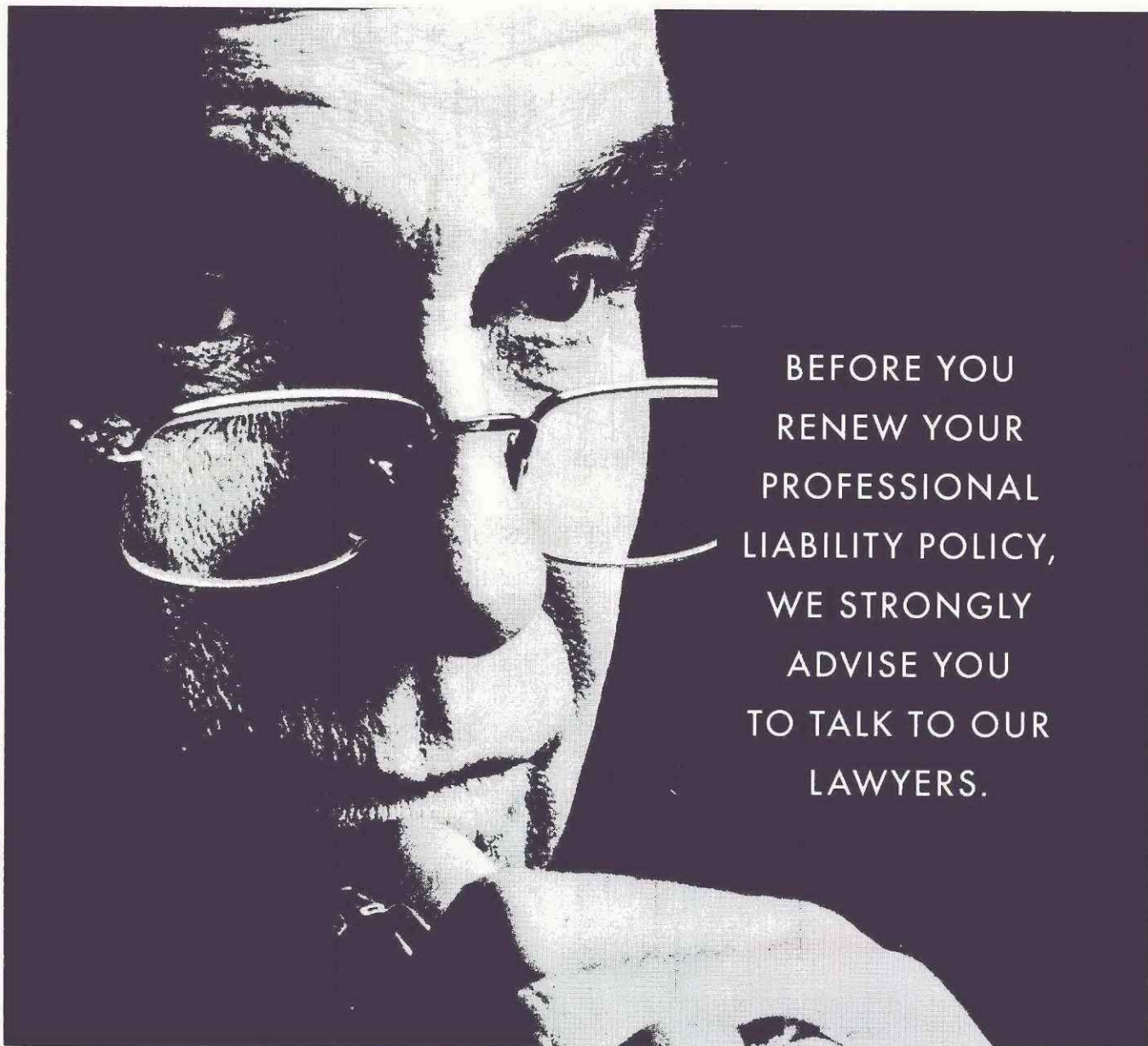
\* Staff figures represent investment services division only.

**Services began:** 1981.

**Software:** Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions,  
*Continued on next page*

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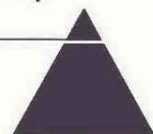


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Continued from previous page  
software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include individual enrollment and education meetings.

**Service area:** Northeast.

**Locations:** Administrative and consulting offices in Albany, Buffalo, Rochester and Syracuse, N.Y.

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

**Officers:** Stephen J. Hartman, administrative vp/director; Moira L. Patterson, James Esposito, James McDonald, Kenneth Sniatecki, vps.

**Contact:** Moira L. Patterson.

**Meeker Sharkey Consultants**

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

<b>Staff</b>
Total.....14
Involvement in 401(k) plan services.....8
Designations held: 1 CEBS, 2 ASA/FSAs

<b>Clients</b>
Total.....75
Average participants/plan.....100
Minimum participants/plan.....1
Maximum participants/plan.....1,000

<b>1993 revenues</b>
Total.....\$1,000,000
401(k) plan administration.....\$400,000

**Parent:** Meeker Sharkey Financial Services.

**Software:** Purchased from outside vendor, accommodates 48 investment funds and nine types of contributions.

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

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

**Service area:** Connecticut, New Jersey, New York, Pennsylvania.

**Locations:** Consulting offices in Mt. Laurel, Piscataway and Wall, N.J.

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

**Officers:** Kenneth H. Spencer, chairman; Gerhard J. Gebauer, president.

**Contact:** Kenneth H. Spencer.

**Mellon Bank**

1 Mellon Bank Center, Room 1415, Pittsburgh, Pa. 15285-0001; 412-234-0792; fax: 412-234-0359

<b>Staff</b>
Total.....978
Involvement in 401(k) plan services.....204

<b>Clients</b>
Total.....199
Average participants/plan.....1,980

**Services began:** 1983.

**Software:** Written and maintained in-house, purchased from outside vendor, accommodates 300 combinations of investment funds and types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include enrollment meetings, train-the-trainer seminars, retirement planning and pre-retirement seminars.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Boston, New York.

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

**Officers:** Timothy Keaney, senior vp; John Hopper, assistant vp; Robert Kutulis, Robert Malenfant, Diana Fraser, vps.

**Contact:** Diana Fraser.

**William M. Mercer Inc.**

1166 Ave. of the Americas, New York, N.Y. 10036; 212-345-7000; fax: 212-345-7423

<b>Staff</b>
Total.....3,147
Involvement in 401(k) plan services.....350

<b>Clients</b>
Total.....1,000
Average participants/plan.....2,000
Minimum participants/plan.....100
Maximum participants/plan.....Unlimited

**Parent:** Mercer Consulting Group Inc. **Software:** Written and maintained in-house, leased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include integration of 401(k) services with compensation and employee benefit programs, investment manager selection/performance measurement and 401(k) modeling.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Birmingham, Ala.; Los Angeles, Orange and San Francisco, Calif.; Denver, Stamford, Conn.; Tampa, Fla.; Atlanta; Chicago and Deerfield, Ill.; Indianapolis; Louisville, Ky.; Baltimore; Boston; Detroit; Minneapolis; Kansas City and St. Louis, Mo.; Morristown, N.J.; Albuquerque, N.M.; Rochester, N.Y.; Cincinnati, Cleveland and Columbus, Ohio; Portland, Ore.; Pittsburgh; Dallas, Fort Worth and Houston, Texas; Richmond, Va.; Seattle.

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

**Officers:** Peter Coster, chairman; Timothy J. Lynch, Vikesh Mahendroo, executive vps.

**Contact:** Robert B. Aglira, managing director, 215-963-4216.

**Merrill Lynch**

800 Scudders Mill Road, Plainsboro, N.J. 08536; 609-282-3010; fax: 609-282-3743

<b>Staff</b>
Total.....700
Involvement in 401(k) plan services.....350

<b>Clients</b>
Total.....213
Average participants/plan.....3,500
Minimum participants/plan.....1
Maximum participants/plan.....Unlimited

**Services began:** 1983.

**Parent:** Merrill Lynch & Co. Inc. **Software:** Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

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

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

**Service area:** Nationwide.

**Locations:** Administrative offices in Somerset, N.J.

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

**Officers:** G. Stephen Thoma, senior vp/director-business financial services; Richard Hanson, first vp/director-business finance group; Donna M. Winn, vp/director-group employee services marketing/operations; Barry Gross, vp/director-retirement/investment services; Rene Campis, vp/director-group employee services sales/client service.

**Contact:** Kim M. Evans.

**Minnesota Mutual Life**

400 Robert St. N., St. Paul, Minn. 55101-2098; 612-223-4286; fax: 612-298-3793

<b>Staff</b>
Total.....175
Involvement in 401(k) plan services.....120
Designations held: 7 CEBSs

<b>Clients</b>
Total.....525
Average participants/plan.....95
Minimum participants/plan.....25
Maximum participants/plan.....2,500

**Services began:** 1982.

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

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include retirement planning and termination counseling.

**Service area:** Nationwide.

**Locations:** Consulting offices in Los Angeles; San Francisco; Atlanta; Chicago; Detroit; Bloomington, Minn.; Charlotte, N.C.; Cleveland; Philadelphia; Houston; Seattle.

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

**Officers:** Randy Wallake, vp; Jenean Cordon, second vp/actuary; Dick Manke, second vp-pension administration.

**Contact:** Joan Curtiss, manager-pension marketing.



**NYL Benefit Services Co.**

1 University Office Park, Box 8992, Waltham, Mass. 02254; 617-899-9111; fax: 617-899-4303

<b>Staff</b>
Total.....90
Involvement in 401(k) plan services.....75
Designations held: 8 CEBSs, 2 CPAs, 3 ASA/FSAs, 2 attorneys

<b>Clients</b>
Average participants/plan.....450
Minimum participants/plan.....100
Maximum participants/plan.....Unlimited

**Services began:** 1981.

**Parent:** New York Life Asset Management.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include trust services.

**Service area:** Nationwide.

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

**Officers:** Joel Disend, president; David Vangel, Chris Blair, senior vps.

**National Benefit Consultants Inc.**

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

<b>Staff</b>
Total.....28
Involvement in 401(k) plan services.....8
Designations held: 2 CPAs, 1 ASA/FSAs

<b>Clients</b>
Total.....102
Average participants/plan.....75

**Services began:** 1981.

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

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

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

Other services include IRS filings, compliance testing, trust asset accounting, document submission for favorable determination letters, annuity services, IRA's and investment timing.

**Service area:** Nationwide.

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

**Officers:** Hal Lambert, president; Michael Stacey, vp; Brian Stevens, secretary/treasurer.

**National Benefit Services Inc.**

6 N. Michigan Ave., Suite 1104, Chicago, Ill. 60602; 312-372-2150; fax: 312-372-7673

<b>Staff</b>
Total.....7
Involvement in 401(k) plan services.....5

<b>Clients</b>
Total.....100
Average participants/plan.....100
Minimum participants/plan.....1
Maximum participants/plan.....2,500

**Services began:** 1982.

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

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

**Client support:** Online access, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications.

**Service area:** Nationwide.

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

**Officers:** Gerald I. Kalish, president; Karen S. Bonn, senior vp.

**National City Bank**

1900 E. Ninth St., Cleveland, Ohio 44114; 216-575-2000; fax: 216-575-2649

<b>Staff*</b>
Total.....900
Involvement in 401(k) plan services.....60
Designations held: CEBSs, attorneys

<b>Clients</b>
Average participants/plan.....570

\* Staff figures represent trust department only.

**Parent:** National City Corp.

**Software:** Purchased from outside vendor, accommodates unlimited investment funds and 35 types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries.

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- Fiduciary

ies, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Form 5500 reporting, prototype document and Form 1099 filing.

**Service area:** Indiana, Kentucky, Michigan, Ohio.

**Locations:** Administrative and consulting offices in Indianapolis; Louisville, Ky.; Akron, Cleveland, Dayton, Toledo and Youngstown, Ohio.

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

**Officers:** Timothy J. Driscoll, senior vp; Jeffrey M. Biggar, regional trust executive-Cleveland; Gary L. Galbreath, regional trust executive-Columbus; John W. Woods II, regional trust executive-Kentucky; William Olds Jr., regional trust executive-Indianapolis.

**Norwest Bank Minnesota, N.A.**

6th & Marquette, Minneapolis, Minn. 55479-0035; 612-667-5023; fax: 612-667-4620

<b>Staff</b>
Total.....100
Involvement in 401(k) plan services.....90
Designations held: 3 CEBSs, 3 attorneys

<b>Clients</b>
Total.....140
Average participants/plan.....1,250
Minimum participants/plan.....50
Maximum participants/plan.....50,000

**Services began:** 1982.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include investment education, asset allocation software, employee meetings and human resources training.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Denver; Fort Wayne, Ind.; Des Moines, Iowa; Omaha, Neb.; Fargo, N.D.; Sioux Falls, S.D.; Sheboygan, Wis.

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

**Officers:** Laurie B. Nordquist, business manager; Joyce Traynor, sales manager; Larry Irsfeld, service manager; Jim Ross, investment services manager.

Continued on next page

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Continued from previous page  
Contact: Joyce Traynor.

### Nowlin & Associates

2000 Southbridge Parkway, Suite 400,  
Birmingham, Ala. 35209;  
205-870-3870; fax: 205-870-9025

#### Staff

Total .....30  
Involved in 401(k) plan services .....5  
Designations held: 3 CPAs, 1 attorney

#### Clients

Total .....250  
Average participants/plan .....300  
Minimum participants/plan .....10  
Maximum participants/plan .....Unlimited

Services began: 1987.

Software: Written and maintained in-house.

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

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

Service area: Nationwide.

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

Contact: Olin B. Barnes III, associate.

### The Nyhart Co. Inc.

3505 N. Washington Blvd.,  
Indianapolis, Ind. 46205; 317-923-2391

#### Staff

Total .....106  
Involved in 401(k) plan services .....18  
Designations held: 1 CEBS, 1 CPA, 3 ASA/FSA, 2 attorneys

#### Clients

Total .....58  
Average participants/plan .....500  
Minimum participants/plan .....1  
Maximum participants/plan .....Unlimited

Services began: 1982.

Software: Purchased from outside vendor, accommodates 100 investment funds and 20 types of contributions.

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

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

Service area: Nationwide.

Locations: Administrative and consulting offices in Evansville, Ind.

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

Officers: Daryl Dean, president/CEO; Jeffrey S. Line, vp/general counsel; Nancy Cooper Pitt, vp-defined contributions; Jay Hanselmann, vp/chief actuary; Grace Stewart, vp-administration.

## P

### Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300,  
Westlake, Ohio 44145;  
216-871-8611; fax: 216-871-7485

#### Staff

Total .....25  
Involved in 401(k) plan services .....6  
Designations held: 2 attorneys

#### Clients

Total .....175  
Average participants/plan .....100

#### 1993 revenues

Total .....\$1,500,000  
401(k) plan administration .....\$400,000

Services began: 1983.

Software: Leased from outside vendor, accommodates 25 investment funds and 10 types of contributions.

Administration: Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include an interactive PC-based information system providing participants with a personal retirement planner, loan processor and other applications.

Service area: Mid Atlantic, Southeast.

Locations: Administrative and consulting offices in Charlotte, N.C.

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

Officers: John R. Parsons, Mark S. Sommers, Richard S. Wargo, Annette Abramczyk.

Contact: Donald N. Dalessandro or Mark S. Sommers.

### Pension & Benefit Associates Inc.

225 S. Lake Ave., Suite 710,  
Pasadena, Calif. 91101;  
818-792-8888; fax: 818-792-2889

#### Staff

Total .....15

Involved in 401(k) plan services .....12  
Designations held: 1 CPA, 1 ASA/FSA,  
2 attorneys

#### Clients

Average participants/plan .....135  
Minimum participants/plan .....10  
Maximum participants/plan .....5,000

Services began: 1983.

Software: Leased from outside vendor, accommodates 25 investment funds and five types of contributions.

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

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

Service area: Nationwide.

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

Officers: Allan I. Grossman, chairman; Donald W. Meaders, chairman-executive committee; Sandra Rittenhouse, COO; Jay Lorentson, senior supervising actuary; Theodore M. Thurston, senior vp-marketing.

Contact: Sandra Rittenhouse or Theodore M. Thurston.

### Pension Benefits Inc.

565 E. Swedesford Road, Suite 209,  
Wayne, Pa. 19087; 610-964-8040;  
fax: 610-964-7842

#### Staff

Total .....7  
Involved in 401(k) plan services .....5

#### Clients

Total .....125  
Average participants/plan .....75  
Minimum participants/plan .....10  
Maximum participants/plan .....500

#### 1993 revenues

Total .....\$450,000  
401(k) plan administration .....\$200,000

Services began: 1986.

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

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

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

Service area: Nationwide.

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

Officers: Jeffrey Horstman, president; Richard W. Silliman, vp; Susan Neumullen, vp-operations.

### Pension Resources

401 N. Michigan Ave., Chicago,  
Ill. 60611; 312-245-1740;  
fax: 312-644-4423

#### Staff

Total .....20  
Involved in 401(k) plan services .....15  
Designations held: 2 CPAs, 1 ASA/FSA,  
2 attorneys

#### Clients

Total .....300  
Average participants/plan .....50  
Minimum participants/plan .....1  
Maximum participants/plan .....Unlimited

#### 1993 revenues

Total .....\$2,300,000  
401(k) plan administration .....\$1,000,000

Services began: 1981.

Parent: Friedman, Eisenstein, Raemer & Schwartz.

Software: Leased from outside vendor, accommodates 25 investment funds and 20 types of contributions.

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

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

Service area: Nationwide.

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

Officers: Michael Schwartz, partner; Irwin Steinberg, managing partner; Irwin Friedman, chairman.

Contact: Michael Schwartz.

### Pension Review Services

45 Executive Drive, Plainview,  
N.Y. 11803; 516-349-0505;  
fax: 516-349-0015

#### Staff

Total .....11  
Involved in 401(k) plan services .....3  
Designations held: 1 ASA/FSA, 1 attorney

#### Clients

Total .....30  
Average participants/plan .....50  
Minimum participants/plan .....1  
Maximum participants/plan .....500

Services began: 1987.

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

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

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

Service area: Nationwide.

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

Officers: Benjamin E. Feller, president.

### Principal Mutual Life Insurance Co.

711 High St., Des Moines, Iowa  
50392-0001; 800-543-4015 ext. 82042;  
fax: 515-248-2118

#### Staff

Total .....14,000  
Involved in 401(k) plan services .....2,500  
Designations held: 27 CEBSs, 5 attorneys

#### Clients

Total .....17,000  
Average participants/plan .....50  
Minimum participants/plan .....1  
Maximum participants/plan .....Unlimited

#### 1993 revenues

Total .....\$13,500,000,000  
401(k) plan administration .....\$2,900,000,000

Services began: 1981.

Parent: The Principal Financial Group.

Software: Written and maintained in-house, accommodates 12 investment funds and five types of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include Form 5500 series filings, electronic reporting of plan data, enrollment meetings, auditor's package, plan documents, amendments and booklets.

Service area: Nationwide.

Locations: Administrative offices in Mason City and Waterloo, Iowa. Consulting offices in 52 locations throughout the United States.

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

Officers: G. David Hurd, chairman; David J. Drury, CEO/president; Ronald E. Keller, Charles E. Rohm, Theodore M. Hutchison, executive vps.

### Professional Consultants Inc.

2510 Lake Lansing Road, Lansing,  
Mich. 48912; 517-372-7611;  
fax: 517-372-2770

#### Staff

Total .....24  
Involved in 401(k) plan services .....12

#### Clients

Total .....325  
Average participants/plan .....75  
Minimum participants/plan .....1  
Maximum participants/plan .....2,000

#### 1993 revenues

Total .....\$1,500,000  
401(k) plan administration .....\$450,000

Services began: 1982.

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

Administration: Does not use unit value or full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

employee communications.

Service area: Michigan.

Locations: Administrative offices in Grand Rapids, Mich.

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

Officers: James R. Steckley, president; Mary H. McCune, Gary B. Borucki, vps; Gray Tuttle, secretary.

Contact: Mary H. McCune.

## R

### Retirement Resources

3333 New Hyde Park Road, New  
Hyde Park, N.Y. 11042; 516-365-3749;  
fax: 516-365-3378

#### Staff

Total .....17  
Involved in 401(k) plan services .....10  
Designations held: 4 CEBSs, 1 ASA/FSA

#### Clients

Total .....40  
Average participants/plan .....71  
Minimum participants/plan .....20

Services began: 1988.

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

Administration: Does not use cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Connecticut, New Jersey, New York, Pennsylvania.

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

Officers: Steven L. Roemer, president.

### Retirement Trust Resources

171 N. Clark St., Suite 10-RTR,  
Chicago, Ill. 60601-3294;  
312-223-5200

#### Staff

Total .....70  
Involved in 401(k) plan services .....52  
Designations held: 1 CEBS, 3 CPAs

#### Clients

Total .....89  
Average participants/plan .....296

#### 1993 revenues

Total .....\$5,600,000  
401(k) plan administration .....\$1,500,000

Services began: 1985.

Parent: Chicago Title & Trust Co.  
Software: Purchased from outside vendor, accommodates 20 investment funds and 15 types of contributions.

Administration: Does not use unit value accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Midwest, Southeast.  
Locations: Administrative and consulting offices in Atlanta.

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

Officers: Andrew P. Mayo, vp/business unit manager; Daniel R. Joyce, Robert F. Stauk, vps.

Contact: Andrew P. Mayo, 312-223-5200, or Mitzi Furumoto, 404-262-0100.

## S

### San Diego Associates Inc.

3550 Camino Del Rio N., Suite 206,  
San Diego, Calif. 92108;  
619-283-7800; fax: 619-283-8686

#### Staff

Total .....6  
Involved in 401(k) plan services .....4

Continued on next page

## CHADBOURNE & PARKE

is pleased to announce that

### JONATHAN F. BANK

(resident in Los Angeles)

and

### PETER R. CHAFFETZ

(resident in Los Angeles and New York)

have joined the firm as Partners

and

### STUART M. DE HAAFF

(resident in Los Angeles)

and

### STEVEN C. SCHWARTZ

(resident in New York)

have joined the firm as Counsel

practicing in the Insurance and Reinsurance Department.

June 10, 1994

Continued from previous page

Clients	
Total	100
Average participants/plan	250
Minimum participants/plan	10
Maximum participants/plan	Unlimited
1993 revenues	
Total	\$975,000
401(k) plan administration	\$390,000

**Services began:** 1984.  
**Software:** Written and maintained in-house, accommodates unlimited investment funds and unlimited types of contributions.

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

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

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

**Officers:** David N. Peterson, president; Bruce N. Kesler, director.

### Schiller's Qualitybased Pensions

113 W. Hillsdale Blvd., Suite G,  
 San Mateo, Calif. 94403-4215;  
 415-571-6131; fax: 415-573-5966

Staff	
Total	2
Involved in 401(k) plan services	2
Clients	
Total	5
Average participants/plan	10
Minimum participants/plan	2
Maximum participants/plan	300
1993 revenues	
Total	\$50,000
401(k) plan administration	\$5,000

**Services began:** 1993.  
**Software:** Purchased from outside vendor, accommodates 15 investment funds and unlimited types of contributions.

**Administration:** Does not use cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include investment newsletters, no-load funds and direct vendor accounting.

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

**Officers:** Craig Schiller, owner.

### Sedgwick Noble Lowndes

5350 Poplar Ave., Memphis,  
 Tenn. 38119; 901-761-1550;  
 fax: 901-684-4075

Staff	
Total	753
Involved in 401(k) plan services	110
Designations held: 43 CEBSs, 8 CPAs, 27 ASA/FSAs, 11 attorneys	
Clients	
Total	560
Average participants/plan	375
Minimum participants/plan	100
Maximum participants/plan	5,000
1993 revenues	
Total	\$86,000,000

**Services began:** 1981.  
**Parent:** Sedgwick Group P.L.C.  
**Software:** Leased from outside vendor, accommodates 30 investment funds and 20 types of contributions, software may be used by clients in-house.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include defined compensation non-qualified product, trustee and custody services.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Hartford and New Haven, Conn.; Worcester, Mass.

**Charges:** Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.  
**Officers:** Michael McKenzie, senior vp; Les Revzon, Rosemary Delsesto Graham, Harry Sterling, Michael Picard, vps.  
**Contact:** Michael McKenzie.

### J.E. Stone & Associates Inc.

5555 San Felipe, Suite 1100, Houston,  
 Texas 77056-2726; 713-622-8930;  
 fax: 713-622-6705

Staff	
Total	28

frequency valuations.  
**Officers:** Kenneth G. Martin, chairman/CEO; Scot E. Smith II, COO; James B. Wiertelak, CFO; Edward H. (Ted) Wood, client development director; Susan T. Gilbert, client/technical services director.

**Contact:** Mary E. Simcox, national practice leader-defined contribution services, 516-741-5560.

### The Segal Co.

1 Park Ave., New York, N.Y.  
 10016-5895; 212-251-5000;  
 fax: 212-251-5490

Staff	
Total	660
Involved in 401(k) plan services	75
Designations held: 5 CEBSs, 3 CPAs, 12 ASA/FSAs, 4 attorneys	
Clients	
Total	110
Average participants/plan	600
Minimum participants/plan	300

**Services began:** 1981.  
**Software:** Purchased from outside vendor, accommodates unlimited investment funds and unlimited types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Manages investment of funds through an alliance. Other services include Form 5500 reports; summary plan descriptions; benefit statements; annual Form 1099R reporting; administrative materials; preparation and submission of plan documents; access to investment, trustee and communications services.

**Locations:** Consulting offices in Phoenix; Los Angeles; San Francisco; Denver; Hartford, Conn.; Washington; West Palm Beach, Fla.; Atlanta; Chicago; New Orleans; Boston; Minneapolis; Cleveland; Houston; Seattle; Edmonton, Alberta, Canada; Toronto.

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

**Officers:** Robert D. Krinsky, chairman; Howard Fluhr, president/CEO; Dale Grant, vice chairman; Richard Frenzel, executive vp.  
**Contact:** Robert A. Liberto, 212-251-5324.

### Shawmut Investment Advisers

1 Federal St., Boston, Mass. 02211;  
 617-292-2000; fax: 617-292-2412

Staff	
Total	750
Involved in 401(k) plan services	100
Designations held: 2 CEBSs, 1 CPA, 1 attorney	
Clients	
Total	103
Average participants/plan	68
Minimum participants/plan	1
Maximum participants/plan	Unlimited
1993 revenues	
401(k) plan administration	\$1,250,000

**Parent:** Shawmut National Corp.  
**Software:** Leased from outside vendor, accommodates 20 investment funds and 15 types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include defined compensation non-qualified product, trustee and custody services.

**Service area:** Nationwide.  
**Locations:** Administrative and consulting offices in Hartford and New Haven, Conn.; Worcester, Mass.

**Charges:** Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.  
**Officers:** Michael McKenzie, senior vp; Les Revzon, Rosemary Delsesto Graham, Harry Sterling, Michael Picard, vps.  
**Contact:** Michael McKenzie.

### J.E. Stone & Associates Inc.

5555 San Felipe, Suite 1100, Houston,  
 Texas 77056-2726; 713-622-8930;  
 fax: 713-622-6705

Staff	
Total	28

Involved in 401(k) plan services.....8  
 Designations held: 1 CEBS, 3 ASA/FSAs

Clients	
Total	16
Average participants/plan	2,500
Minimum participants/plan	100
Maximum participants/plan	Unlimited

**Services began:** 1987.  
**Software:** Purchased from outside vendor, accommodates 10 investment funds and 10 types of contributions.

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

**Client support:** Toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include loans, voice response, assistance with trustee selection, investment mix and GIC portfolios.

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

**Officers:** J.E. Stone, director; J.E. Ford, managing director; K.L. Haynes, T.F. McCord, C.P. Peters III, C.R. Rennpage, E.B. Sanborn, principals.  
**Contact:** Phil Peters.

### SunBank Capital Management N.A.

200 S. Orange Ave., 8th Floor,  
 Orlando, Fla. 32801; 407-237-4352;  
 fax: 407-237-4285

Staff	
Total	135
Involved in 401(k) plan services	35
Designations held: 1 CEBS, 1 attorney	
Clients	
Total	135
Average participants/plan	200
Minimum participants/plan	1
Maximum participants/plan	10,000

**Services began:** 1982.  
**Parent:** SunTrust Banks Inc.  
**Software:** Purchased from outside vendor, accommodates 30 traditional/20 daily investment funds and 11 traditional/20 daily types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include prototype or master plan document.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

### Towers Perrin

1500 Market St., Philadelphia,  
 Pa. 19102; 215-246-6000

Staff	
Total	5,000
Involved in 401(k) plan services	600
Clients	
Total	150
Average participants/plan	5,000
Minimum participants/plan	2,000
Maximum participants/plan	Unlimited
1993 revenues	
Total	\$709,000,000

**Services began:** 1981.  
**Software:** Written and maintained in-house, accommodates 15 investment funds and 15 types of contributions.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include investment management consulting, plan audits, administrative forms design and

integrated administration of other employee benefits.

**Service area:** Nationwide.  
**Locations:** Administrative offices in Los Angeles, Boston, Dallas. Consulting offices in 30 locations nationwide.

**Charges:** Determined by number of participants, complexity of plan, time and expense, frequency valuations.  
**Officers:** John Lynch, CEO.  
**Contact:** Kathleen Lynn, 215-246-4160.

### Transamerica Life Insurance & Annuity Co.

1150 S. Olive St., Los Angeles,  
 Calif. 90015; 213-742-3301;  
 fax: 213-741-7742

Clients	
Total	1,500
Minimum participants/plan	2
1993 revenues	
Total	\$2,400,000,000

**Services began:** 1985.  
**Parent:** Transamerica Corp.  
**Software:** Leased from outside vendor, accommodates 25 investment funds and 10 types of contributions.

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include customized enrollment meetings, ongoing plan assistance, quarterly financial and legislative updates and newsletters.

**Service area:** Nationwide.  
**Locations:** Consulting offices in San Francisco; Washington; Atlanta; Chicago; Boston; Paramus, N.J.; Cleveland; Philadelphia; Dallas; Houston; Seattle.

**Charges:** Determined by number of participants, frequency valuations.

**Officers:** Rudy Veerjee, president/CEO; Nicki Bair, vp-group pension; Jim Wilson, national sales director; Monica Weekes, vp-marketing; Julia Kelly, vp-technology/operations.  
**Contact:** Jim Wilson, national sales director.

### The Vanguard Group of Investment Cos.

300 Vanguard Blvd., Suite M32,  
 Malvern, Pa. 19355; 800-523-1036;  
 fax: 610-669-4035

Staff	
Total	48
Involved in 401(k) plan services	37
Designations held: 10 CEBSs, 3 ASA/FSAs	
Clients	
Total	730
Average participants/plan	80
Minimum participants/plan	15
Maximum participants/plan	7,500
1993 revenues	
Total	\$1,200,000
401(k) plan administration	\$850,000

**Services began:** 1986.  
**Parent:** Nationwide Insurance.  
**Software:** Written and maintained in-house, accommodates 26 investment funds and 12 types of contributions.

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include prototype or master plan document.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

Staff	
Total	37,000
Involved in 401(k) plan services	1,000
Clients	
Total	518
Average participants/plan	2,000

**Services began:** 1982.  
**Software:** Written and maintained in-house, accommodates 400 combinations of investment funds and sources.

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include non-discretionary trust services, including custodial services; plan-level accounting; plan distributions and tax reporting services.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations (daily valuation and processing).

**Officers:** John C. Bolge, chairman/CEO; John J. Brennan, president; James H. Cately, senior vp-institutional; F. William McNabb, vp-institutional marketing; John E. Barth, vp-institutional client services.



### Wausau Retirement Plan Services

2000 Westwood Drive, Wausau,  
 Wis. 54401-7881; 715-842-6110;  
 fax: 715-843-3674

Staff	
Total	48
Involved in 401(k) plan services	37
Designations held: 10 CEBSs, 3 ASA/FSAs	
Clients	
Total	730
Average participants/plan	80
Minimum participants/plan	15
Maximum participants/plan	7,500
1993 revenues	
Total	\$1,200,000
401(k) plan administration	\$850,000

**Services began:** 1986.  
**Parent:** Nationwide Insurance.  
**Software:** Written and maintained in-house, accommodates 26 investment funds and 12 types of contributions.

**Administration:** Does not use full share accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include prototype or master plan document.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

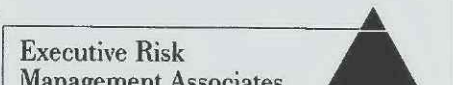
**Service area:** Nationwide.  
**Charges:** Determined by number of participants, assets under management, frequency valuations.

**Officers:** Anthony Gray, chairman/CEO; John Race, president/chief administrative officer; Elliott Perny, Victor Zollo Jr., Stuart Vanarsdale, executive vps.

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# Business still on health watch

WASHINGTON—Health care reform legislation in Congress appears dead, but employers aren't letting their guard down.

They say they are ready to lobby lawmakers if still-evolving incremental or "mainstream" reform proposals include provisions that could be damaging to employer plans.

"While we have played a major role in turning around health care reform, we can't quit until it is over. We may be in the driver's seat, but we are not going to pull into any rest stops just yet," said Sean Sullivan, president of the National Business Coalition on Health.

In fact, more than three dozen business groups signed a letter last week criticizing elements of a so-

called mainstream proposal being assembled by a bipartisan group of senators led by John Chafee, R-R.I., and John Breaux, D-La.

Still, after business executives, health insurers, Health and Human Services Secretary Donna Shalala and Sen. Dave Durenberger, D-Minn., met last week, Dr. Paul Ellwood of the Jackson Hole Group said he thought the measure has a better than even chance of passing.

Dr. Ellwood said he would be contacting business leaders soon to drum up support. "Most of us who

have worked on this any length of time feel this is a unique opportunity to get a market-oriented plan."

Employers have faulted parts of the mainstream plan, including:

- State flexibility. States would be allowed to establish single-payer programs, with only the largest employers—perhaps those with more than 5,000 employees—allowed to maintain their own plans.

Employers complain that they would no longer be able to design their own plans and all but the largest companies would lose the ability to self-insure.

- Limiting employer tax deductions. While this provision is being

overhauled, its intent is to take away an employer's ability to take a tax deduction for health care costs that exceed a certain amount. Under an earlier version, employers would be allowed only to deduct costs up to 110% of the average cost of health plans in relevant areas.

Employers say tax caps are inherently unfair, because companies with older and less healthy workforces would have higher costs and be more likely to lose tax breaks.

Other parts of the mainstream plan have been in virtually every reform bill considered by Congress. These include:

- Curbs on pre-existing medical condition exclusions.

Currently, an estimated 70% of indemnity plans have some type of coverage limitation for pre-existing

conditions ranging from three months up to two years.

Under the mainstream proposal, employers could still impose waiting periods of undetermined length on new employees who had let their previous coverage lapse. Waiting periods, though, could not be imposed on new employees who had not let their coverage lapse.

That is designed to reduce the likelihood that individuals would drop coverage when they are healthy and then try to obtain coverage only when they develop a medical problem.

- Establish community rating for employers with fewer than 100 employees and for individuals. Insurers could still adjust rates for age.

—By Jerry Geisel and Dave Lenckus



Continued from previous page non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, written communication of plan features to employees. Consults on legal issues; plan design; compliance issues; employee communications, including personalized employee meetings covering plan design and investment education.

**Service area:** Nationwide.

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

**Officers:** James M. Magalska, COO; Thomas J. Erickson, Timothy Mulloy, vps.

## Wells Fargo Bank N.A.

420 Montgomery St., San Francisco, Calif. 94549; 415-396-3131; fax: 415-956-9362

### Staff

Total .....230  
Involved in 401(k) plan services .....160  
Designations held: 10 CEBSS, 2 CPAs, 2 ASA/FSAs, 2 attorneys

### Clients

Total .....180  
Average participants/plan .....1,000  
Minimum participants/plan .....1  
Maximum participants/plan .....Unlimited

**Services began:** 1981.

**Parent:** Wells Fargo & Co.

**Software:** Written and maintained in-house for large market (accounts with over 500 participants and \$5 million in assets), record keeping provided by third party for small market accounts, accommodates 10 small market/100 large market investment funds and 10 small market/100 large market types of contributions.

**Administration:** Does not use cash accounting. Accommodates loan provisions, performs 401(k) and 401(m) non-discrimination tests.

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

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in San Mateo, Calif.

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

**Contact:** Neal Ringquist, vp-sales/marketing.

## Williams, Thacher & Rand

630 Third Ave., New York, N.Y. 10017; 212-949-1344; fax: 212-682-9147

### Staff

Total .....204  
Involved in 401(k) plan services .....62  
Designations held: 6 CEBSS, 1 CPA, 16 ASA/FSAs, 1 attorney

### Clients

Total .....245  
Average participants/plan .....500

**Services began:** 1981.

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

**Administration:** Accommodates loan

provisions, performs 401(k) and 401(m) non-discrimination tests.

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include plan document preparation and filing; annual government reporting, including Form 5500 and related forms; administration manuals; data collection software; comprehensive benefit statements and investment surveys.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Washington; Indianapolis; Baltimore; Philadelphia; Richmond, Va.

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

**Officers:** Charles Thacher, Robert Williams, Thomas Rand, Terry Stokes, principals.

**Contact:** Richard DeSalvo, director-business development.

## The Wyatt Co.

601 13th St. N.W., Suite 1000, Washington, D.C. 20005; 202-508-4600; fax: 202-508-4688

### Staff

Total .....3,500  
Involved in 401(k) plan services .....300  
Designations held: CEBSS

### Clients

Total .....2,150  
Average participants/plan .....700  
Minimum participants/plan .....100  
Maximum participants/plan .....Unlimited

### 1993 revenues\*

Total .....\$410,000,000  
\* Fiscal year ending 6/30/93.

**Services began:** 1981.

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

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

**Client support:** Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity, online access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include investment managers and trustees, consulting services, administrative systems and employee education.

**Service area:** Nationwide.

**Locations:** Administrative and consulting offices in Anchorage, Alaska; Phoenix; Irvine, Los Angeles, San Diego, San Francisco and Santa Clara, Calif.; Denver; Stamford, Conn.; Miami; Atlanta; Honolulu; Chicago; Boston; Detroit and Grand Rapids, Mich.; Minneapolis; Little Falls, N.J.; New York; Cleveland and Columbus, Ohio; Portland, Ore.; Philadelphia; Memphis, Tenn.; Dallas; Houston; Richmond, Va.; Seattle; Milwaukee.

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

**Officers:** A.W. (Pete) Smith Jr., president/CEO; Paul Daoust, executive vp/COO.

**Contact:** Louis Valentino, 212-725-7550. **BI**

## READER REPLY SERVICE

### PRODUCTS & SERVICES LISTING

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## Business Insurance

### FREE LITERATURE FOR READERS

Issue Date: SEPTEMBER 5, 1994

Card Expiration: OCTOBER 31, 1994

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PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

- My organization is best described as:
 

<input type="checkbox"/> Mfg/Svcs	<input type="checkbox"/> Ins Agent	<input type="checkbox"/> Adj/Apprs
<input type="checkbox"/> Association	<input type="checkbox"/> Ins Broker	<input type="checkbox"/> TPA
<input type="checkbox"/> Union	<input type="checkbox"/> Ins/Reins Co	<input type="checkbox"/> Health care
<input type="checkbox"/> Government	<input type="checkbox"/> Actry/Conslt	<input type="checkbox"/> Inst
<input type="checkbox"/> Educational Inst	<input type="checkbox"/> Attorney	<input type="checkbox"/> Other _____

- Number of employees:
 

<input type="checkbox"/> 150 or less	<input type="checkbox"/> 151 - 499	<input type="checkbox"/> 500 - 999
<input type="checkbox"/> 1,000 - 4,999	<input type="checkbox"/> 5,000 or more	<input type="checkbox"/> Unknown

- My title is best defined as:
 

<input type="checkbox"/> Administrative Mgt	<input type="checkbox"/> Benefits Mgt
<input type="checkbox"/> Financial Mgt	<input type="checkbox"/> Loss Prevention Mgt
<input type="checkbox"/> Risk Mgt	<input type="checkbox"/> Other _____

- My purchasing involvement for the requested products is to:
 

<input type="checkbox"/> recommend only	<input type="checkbox"/> specify	<input type="checkbox"/> approve
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<input type="checkbox"/> Yes	<input type="checkbox"/> No, so please send subscription info
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91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
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# Reform

Continued from page 1  
40% in polls taken by The Gallup Organization.

Some say it is premature to write the political obituary of comprehensive health care reform legislation, pointing to the remaining time in the congressional session and the refusal of both congressional leaders and the administration to give up.

"I'm not prepared to do a post-mortem," said Ron Pollack, executive director of Families USA, a Washington-based reform advocacy group.

In fact, business groups say they are anxiously watching as a so-called mainstream group of Republicans and Democrats tries to stitch together a reform package (see story, page 40).

But members of Congress are saying that a comprehensive approach is dead.

"I think there is a growing consensus that an incremental approach is all that we can do politically," said Sen. Christopher Dodd, D-Conn.

An incremental approach, though, was the last thing the administration had in mind when it launched its health care reform crusade.

Just five days after his inauguration, President Clinton charged a new task force, chaired by Hillary Rodham Clinton, with developing within 100 days a legislative package that would ensure coverage for all.

But the structure of the task force and its modus operandi would become the administration's first and biggest mistake.

The group, which eventually grew to include about 500 members, consisted almost exclusively of academics, consultants and government regulators. Conspicuous by their absence were employers, insurance companies and chairmen of congressional committees with jurisdiction over health care legislation.

While task force members boasted awesome academic credentials, they lacked "a whit of political sense," observed Ed Howard, executive vp of the Alliance for Health Care Reform, a Washington-based non-profit organization established to educate opinion leaders on the need for health care reform.

By excluding those groups, the administration "fed the skepticism of people out there who are apprehensive to begin with," said John Motley, a lobbyist with the National Federation of Independent Business.

Early on, employers were invited to meet with the task force, and most notably with Ira Magaziner, a friend of the Clintons and a former consultant who directed the group.

But employers and insurers soon concluded that the meetings were little more than a farce.

The task force was just "going through the motions," said James Klein, executive director of the Assn. of Private Pension & Welfare Plans.

"They didn't care much for our arguments. They stopped listening," said Charles Kahn, executive vp of the Health Insurance Assn. of America.

Others say that rather than cajoling, task force members threatened employers and insurers.

Dr. Paul Ellwood, president of the Jackson Hole Group, which developed the concept of managed competition but was critical of the task force's efforts, said Mr. Magaziner made the group feel that "we

were the bad guys—that if we didn't shape up, we would have problems."

The task force operated amid a near information blackout. Occasionally it floated trial balloons, often withdrawing them the next day, but it kept most details close to its vest.

The administration paid a high price for that strategy.

By losing the normal give and take of ideas with a broader group, the task force couldn't gauge how its proposals would be received and make the necessary adjustments to quell opposition as much as possible.

The administration "lost a sense of reality of what the public and employers wanted," said Leslie Aubin, senior director of government relations with the National Assn. of Wholesaler Distributors.

Legislators, including those who chaired committees that would later determine the fate of the Clinton plan, also were excluded.

That cost the administration other key "reality checks," said Sylvester Schieber, director of The Wyatt Co.'s Research and Information Center in Washington.

Others, though, say the administration was far more open in putting together health care reform legislation than Congress.

"I would take the process the administration took in a heartbeat," said Walter Maher, director federal relations for Chrysler Corp. in Washington. "It is a far more inclusive process than what is going on on Capitol Hill today," with lawmakers trying to deal behind closed doors to patch together health care reforms, he said.

wheeling and dealing can be traced to the numerous times the administration delayed unveiling its plan.

A May 1, 1993, deadline the administration imposed on itself slipped to late May, then mid-June and finally to mid-September.

For the most part, many say, the delays were the result of a flawed administration strategy. Rather than initially present a broad outline of a reform package, the administration decided to write the legislation, a task that chewed up weeks of valuable time.

And the effort was not appreciated.

Legislators deeply resented that the administration usurped Congress' traditional prerogative of assembling bills.

By writing a bill, "the administration cheated itself out of nine months of good will," said Jon Glaudemans, vp for planning and development at Aetna Health Plans in Middletown, Conn.

Meanwhile, the administration made its next big blunder: It launched a public relations war against health insurers.

In its first briefing paper outlining the details of the health care reform package President Clinton would present to Congress, the administration blamed health insurers for much of the health care system's woes. The package, it said, would eliminate the insurers' "price baiting and gouging" tactics.

Health insurers called the administration attack sheer demagoguery. "Their strategy was to make us Public Enemy No. 1," said the HIAA's Mr. Kahn.

"That backfired," said Bernard Tresnowski, president of the Blue Cross & Blue Shield Assn. of Chicago.

The HIAA fought back, but perhaps not how the administration anticipated. It launched a multi-million dollar advertising campaign attacking the administra-

tion's health care reform package. The ads became so well-known that it was enough to say "Harry and Louise," and everyone would know you were referring to the fictional suburban couple worried about the Clinton plan.

Some observers believe Harry and Louise played a key role in turning public opinion.

The middle class' fear that the "guy who screwed up your mail and your driver's license will screw up your health insurance" replaced their concerns that they could lose their health insurance, said Wyatt's Mr. Schieber.

But, rather than ignore the ads, the administration and especially Mrs. Clinton attacked them. That strategy was disastrous, according to those who believe it makes more sense to work with or ignore critics.

"I would not have dignified" the ads by criticizing them, said Texas Insurance Commissioner Robert Hunter.

Insurers weren't the only administration targets. A managed care reform proposal by Rep. Jim Cooper, until then a somewhat obscure Tennessee Democrat, received national attention when Mrs. Clinton attacked it.

"The administration made a hero out of Jim Cooper. They helped him become a huge credible voice," said the NAW's Ms. Aubin.

While employers had been edgy since the Clinton task force appeared indifferent to their views, many big employers turned against the administration only after it released its formal legislative package.

Several employer trade groups had sounded the call for health care reform before President Clinton took office, backing universal coverage and an employer mandate to reduce cost-shifting.

"Employers could have been a natural ally of the administration or at least neutral," said the APP-WP's Mr. Klein.

But the central element of the administration's package—requiring all but the largest firms to abandon their own health care plans and pay premiums to state-established purchasing alliances—was absolutely unacceptable to employers.

Employers feared they would end up as premium payers only and have no control over health plan costs.

"The administration completely underestimated employer commitment to their health care plans," said Sean Sullivan, president of the National Business Coalition on Health.

To some, health care purchasing alliances represented a back door means of introducing a single-payer system, said Fred Hamacher, vp of compensation and benefits at Dayton Hudson Corp. in Minneapolis.

At the same time, the administration loaded down its proposal with provisions that further fueled employer opposition. States were to be given the authority to force employers into their own single-payer systems, a concept anathema to big multistate employers, which wanted a uniform benefit package.

In addition, employers that continued to operate their own health care plans and ran afoul of certain rules would have been hit with huge financial penalties.

Universal health care coverage—the administration's central goal—could have been achieved without what Mr. Klein describes as "extraneous" provisions. But their inclusion guaranteed a great groundswell of employer opposi-

tion.

One by one, early backers of reform—such as the Business Roundtable, the U.S. Chamber of Commerce and the National Assn. of Manufacturers—an-nounced their opposition to the Clinton plan.

Benefit managers' chief objection was that it tried to do too much and gave government too much control over the health care system.

"Xerox Corp. has felt we needed comprehensive reform, but we can have comprehensive reform that doesn't rearrange one-seventh of the economy," said Helen Darling, manager of health care strategy and programs at the Stamford, Conn.-based company.

Putting that portion of the economy into the hands of government is the stuff nightmares are made of, agreed Robert Penzkover, director of employee benefits at The Quaker Oats Co. in Chicago.

Small employers were more focused on another key element of the administration's proposal: the employer mandate. For small employer trade groups, there was no compromise on the issue, and they believed the administration made a serious miscalculation in thinking it could push a mandate through over their opposition.

"The decision to pick on the employer community because they thought it was the easiest way to finance reform was a serious mistake," according to the NFIB's Mr. Motley.

"They were living back in the 1970s. Now, it is the small employer community that has all the clout," he added.

Some big employers also worried that a mandate could devastate their profits, because a mandate would have forced some employers to upgrade their health care plans and cover part-timers,

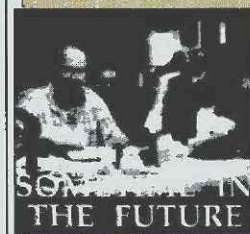
## How health reform died

1993

- January** Hillary Rodham Clinton chairs new task force charged with developing reform bill within 100 days.
- May** First deadline passes. Business opposition begins to surface on reports that Clinton plan will feature an employer mandate and mandatory purchasing alliances.
- June** Release of Clinton proposal delayed. Slowing cost increases in 1993 reduce pressure for comprehensive reform.



- August** Release delayed until September.
- September** In address to Congress, President Clinton outlines package that includes purchasing alliances, employer mandate, price controls, universal coverage and federal subsidies for early retiree coverage. Health Insurance Assn. of America begins its anti-Clinton plan "Harry & Louise" ads.



- October** Administration's health reform offensive begins: Mrs. Clinton dazzles Capitol Hill leaders.
- November** President introduces detailed proposal—all 1,342 pages of it. But administration puts offensive on hold until January.
- December** Employer skepticism increases as studies show administration plan would increase their health care costs.

1994

- January** Opposition mounts in Congress. President says he will compromise on everything but universal coverage.
- February** Business opposition intensifies. Business Roundtable, U.S. Chamber of Commerce and the National Assn. of Manufacturers formally reject Clinton package. Congressional Budget Office reports that package is seriously underfinanced.

- March** Leaders in Congress declare one key element of Clinton bill—purchasing alliances—dead. House Ways and Means subcommittee narrowly passes bill including both mandate and big expansion of Medicare.

- May** Administration loses powerful ally when Rep. Daniel Rostenkowski, facing corruption charges, steps down as head of Ways and Means.



- June** Several congressional committees pass reform bills; House Energy and Commerce Committee deadlocked.

- July** Senate Finance Committee approves a reform bill with no employer mandate.

- August** Large companies like IBM begin their own campaigns against bills introduced by majority leaders in both houses. House delays debate until September. Sen. George Mitchell threatens to keep Senate in session until bill passes, but then drops threat, acknowledging that he lacks the votes for a broad reform bill. Administration indicates more modest bill might be acceptable.

GRAPHIC BY KIM ROME

who often aren't covered.

Robert Dankmyer, vp-employee benefits at Marriott Corp. in Bethesda, Md., did some number crunching with Senate staffers to prove that point. An examination of a random sample of firms' annual reports showed that they earned between \$1,000 and \$60,000 of profits per employee. The figures show that for firms

Continued on next page

# Reform

Continued from previous page with narrower margins, added health care costs would splatter their books with red ink, Mr. Dankmyer said.

"That was not a perspective those staffers had," he said.

The administration's push for health care reform also encountered its share of bad luck.

For example, the public's commitment to health care reform waned as workers' job status—and therefore their health insurance security—improved during a growing economy, Chrysler's Mr. Maher noted.

Also critical was the loss of Rep. Daniel Rostenkowski, D-Ill., as the chairman of the Ways and Means Committee.

The administration had been counting on Mr. Rostenkowski to steer its proposal through the committee, the first big test the health care reform legislation would face in Congress.

But Rep. Rostenkowski, a loyal Clinton ally and perhaps the congressional high priest of legislative dealmaking, was indicted on corruption charges in May. He was forced to relinquish his committee chairmanship to Rep. Sam Gibbons, D-Fla., who lacked the Illinois Democrat's skill at forging compromise.

While Rep. Gibbons dropped the administration's mandatory health care alliance provision, he included a provision employers opposed just as vehemently: expanding Medicare to cover the uninsured and employees at small firms, which would have tripled its current enrollment to between 90 million and 100 million.

Employers feared that expanding Medicare, which has rates that often fall short of compensating providers for their expenses, would worsen cost-shifting. More

large firms joined small firms in their opposition to health care reform legislation.

Meanwhile, time ticked away in the Senate. Finally, in July the Finance Committee, the last committee to act, passed legislation.

That gave House and Democratic leaders just a few weeks to assemble bills from the different versions that committees already had passed.

It seemed to some that nothing had been learned from the mistakes made by the Clinton administration. While the administration's effort had been ridiculed in part because of its size—1,342 pages—the House and Senate bills were even larger at just over 1,400 pages.

"They seemed to have learned nothing. Instead of starting all over with a simpler bill, they used the Clinton bill" as a base, said NBCH's Mr. Sullivan.

By then, employer opposition, initially limited to the small business community opposed to an employer mandate, became a virtually united front.

And public support had dwindled for comprehensive reform. A Gallup survey conducted last month found that more Americans would be relieved than angry if Congress did nothing.

With so little time left and with no sign that any kind of consensus could be reached on a comprehensive bill, legislators are essentially giving up.

House and Senate Democratic leaders have said they would return to health care reform after Labor Day with the idea of putting together a much smaller proposal. But they hold out no promises.

Professor Reinhardt said that health care reform's status could be summed up in a twist of a Winston Churchill quote: "Never has so much been done by so many to achieve so little." **BI**

# Superfund

Continued from page 2

dorsed—a complex system of prospective and retrospective premium taxes to finance the proposed Environmental Insurance Resolution Fund.

Levied on the underwriters of certain types of liability insurance, the taxes would raise \$810 million annually for 10 years (BI, Aug 22). The proposed EIRF is intended to reduce coverage litigation by paying a portion of cleanup costs for policyholders that promise not to sue their insurers.

The S&P report was released as Congress is moving closer to acting on Superfund reauthorization. Floor debate could start next Monday on a House version of a reauthorization bill, and the Senate Finance Committee is scheduled to hold its first hearing next week on the EIRF taxes.

Prospective premium taxes would account for the bulk of the EIRF's funding in years five through 10.

According to S&P, the insurers with the biggest exposure to the prospective taxes—as measured by their share of 1993 premiums in the combined lines of coverage likely to be taxed—are: American International Group Inc., with 7%; Aetna Casualty & Surety Co., 3.8%; Chubb Corp., 3.7%; and Continental Corp., 3.5%

In all, S&P found that 40 insurance companies represent 70.2% of the market share for lines of coverage likely to be subject to the EIRF's prospective taxes.

The S&P calculations are based on what lines of insurance the Treasury Department has indicated likely would be subject to the tax, including: fire, commercial multiperil, product liability, commercial automobile, inland marine, other liability and virtually all other commercial lines except workers compensation, medical malpractice, and accident and health insurance.

"Obviously, you never know until it's done, but the broad shape of the bill has taken shape," said Mr. Levin. "There may be some lines added or lines removed," he said.

In addition, final details of the tax arrangement have yet to be worked out and certain lines, such as directors and officers liability insurance, are likely to be exempt.

"For some insurers, such as AIG and Chubb, S&P believes these (exempt) lines may represent up to one-half of reported 'other liability' direct premiums. Information on U.S. premiums of foreign insurers is also unavailable. Therefore, the shares shown do not indicate

precisely each insurer's share of the proposed tax," S&P pointed out in its report.

On the other hand, not all cleanup sites are covered by the proposed EIRF tax, which applies only to sites on the Environmental Protection Agency's national priority list.

The "very large number" of sites remaining under state jurisdiction represent "significant additional potential costs to insurers," S&P said.

and timing of environment claims and funding requirements continues to become clearer. To date, few insurers are believed to have established adequate reserves for these potential payments," according to the S&P survey.

"When we issue reports on these companies, we'll be commenting on their environmental exposures," said Mr. Levin.

He added that S&P will probably issue a second report on the issue after a Superfund reform bill

## For whom the Superfund bell tolls

	Composite share of "other liability" market 1948-65 <sup>1</sup>	Current market share (1993 est.) <sup>2</sup>
Aetna	6.8	3.8
Allstate	1.8	1.8
American Financial	1.6	1.4
AIG	5.6	7.0
Chubb	2.7	3.7
CIGNA	4.5	2.7
CNA	4.7	3.3
Commercial Union	1.3	1.0
Continental	4.3	3.5
Fireman's Fund	3.4	1.9
General Accident	0.6	0.9
General Re	1.5	—
Home	2.5	1.9
ITT/Hartford	6.1	3.0
Kemper	1.3	1.3
Liberty Mutual	4.2	1.4
Lincoln National	0.9	1.1
Motors Insurance	2.2	—
Nationwide	3.5	2.7
North American Re	0.9	—
Ohio Casualty	0.6	0.6
Reliance	1.3	2.2
Royal	1.9	1.4
St. Paul	0.7	2.2
State Farm	0.6	3.0
Talegen	4.4	2.0
TIG	0.7	0.9
Travelers	5.9	2.2
USF&G	4.4	1.7
Zurich/Maryland Casualty	2.0	2.1

<sup>1</sup> Based on premium income net of ceded reinsurance. Shares based on premium income of U.S. insurers only; data includes foreign business of U.S. insurers. Other liability includes CGL, E&O and some professional liability lines. <sup>2</sup> Includes "other liability" and other lines likely subject to superfund tax. Source: Standard & Poor's Corp.

GRAPHIC BY MIKE GARVEY

Although prospective taxes account for much of EIRF's funding in later years, retrospective taxes on premiums from 1968 to 1985 would account for 70% of the EIRF's funding during its first four years.

To help assess which companies issued the most policies in the past likely to generate future environmental claims, S&P examined premium volume of "other liability" lines from a longer time period, 1948 to 1985.

The "other liability" category, S&P pointed out, includes some coverages—like most professional liability policies and product liability—that might not be subject to environmental claims. At the same time, this category doesn't include certain lines of business like commercial multiperil that could be subject to environmental claims.

Aetna led the list of insurers with the largest composite share of "other liability" lines during the period 1948-1985 with 6.8%; ITT Hartford had 6.1%; Travelers, 5.9%; and AIG with 5.6%.

Together, the 30 insurers on the list accounted for 83% of the composite share for the 1948-1985 period.

Mr. Levin said S&P will contact individual insurers and reinsurers to determine more specifically how the proposed Superfund tax could affect them.

"More importantly, S&P will closely follow companies, with particular emphasis on those listed in the tables, as the likely level

becomes law and the exact nature of the EIRF taxes is known.

Meanwhile, the Senate Finance Committee will hold a hearing on the Clinton administration's Superfund reform legislation on Sept. 14.

The committee's examination of the portions of S. 1834 that deal with revenue matters, particularly the proposed resolution fund, will take place against a backdrop of increased lobbying by both supporters and opponents of the EIRF.

The EIRF, which won the endorsement of the House Ways and Means Committee on Aug. 19, has split the property/casualty industry into feuding camps over how to raise the new taxes required to fund the EIRF (BI, Aug. 29; Aug. 22).

One of the insurance trade groups opposing the EIRF, the Alliance of American Insurers, sent a letter to Finance Committee Chairman Daniel Patrick Moynihan, D-N.Y., on Aug. 29, calling on him to remove the portion of the bill that would create the EIRF.

"Time is growing short for Superfund reform this session. The attempt to reach consensus on EIRF funding cannot succeed and it is putting overall Superfund reform at risk," wrote David M. Farmer, the Alliance's senior vpfederal affairs.

Mr. Farmer wrote that questions regarding Superfund litigation and liability "could be dealt with next year in a more orderly fashion." **BI**

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## INTERNATIONAL

Employers  
liability  
facility  
now open

By CAROLYN ALDRED

LONDON—A new 200 million pound (\$307.4 million) employers liability insurance facility will provide coverage to dozens of companies that lost coverage last month for their workers in North Sea oil and gas fields.

Major oil companies, leading energy underwriters and three brokerages—Sedgwick Group P.L.C., Alexander Howden Ltd. and C.T. Bowring & Co. Ltd.—put together the alternative coverage facility in the wake of policy cancellations by Lloyd's of London underwriter John Murphy (BI, Aug. 15).

Mr. Murphy had sent out cancellation notices, many of which took effect Aug. 21, after Assicurazioni Generali S.p.A. said it could not confirm reinsurance coverage of the risks. Mr. Murphy, lead underwriter on syndicate 1156, managed by Bankside Syndicates Ltd., was the only London underwriter offering unlimited employers liability coverage for offshore workers and had captured a huge percentage of the offshore market (BI, Aug. 1).

Mr. Murphy now joins other underwriters that already provide more limited employers liability coverage for the offshore market.

The new facility is led by Sun Alliance Insurance Group P.L.C. and Lloyd's underwriters Ian Agnew and Stephen Catlin, with other insurers in the London and Lloyd's markets participating.

An aggregate limit of 200 million pounds covering all policyholders is provided for any one incident. This means that a maximum of 200 million pounds would be available for a single incident, such as a North Sea oil rig explosion, regardless of the number of policyholders involved.

The coverage is excess of 2 million pounds (\$3.1 million), which is the minimum that British law requires employers to have. That amount of coverage is still widely available in the market.

The new facility "has been put together as an industry solution," said Graham Leggett, divisional director of Sedgwick Energy Ltd.

Sedgwick and other leading energy insurance brokers had been having extensive discussions with the oil industry even before the cancellation notices because the market for offshore employers liability coverage has been very limited for 18 months, Mr. Leggett noted.

Most reinsurers capped previously unlimited employers liability coverage for companies working offshore two years ago, following concerns of large losses. These concerns came about after the 1988 Piper Alpha platform disaster in which more than 160 oil rig workers died, leading to 120 million pounds (\$184.4 million) of employers liability claims, some of which still have not been settled (BI, July 11, 1988).

As a result of the capacity crunch, many small offshore contractors have struggled to obtain sufficient limits of employers liability cover at affordable rates, brokers say.

Continued on next page

## Mixed bag for Scandinavian insurers

By MARIA KIELMAS

Three of Scandinavia's largest insurers reported mixed fortunes in the first six months of the year.

Sweden's Skandia Group and Finland's Pohjola Group both reported improved underwriting results, while underwriting profits were down at Norway's UNI Storebrand A/S. Lackluster bond and equity markets eroded investment income for all three companies.

Including unrealized losses on bonds, Stockholm-based Skandia posted a first-half net loss of 2.41 billion Swedish kronor (\$311.4 million), compared with net income of 1.66 billion Swedish kronor (\$215.6 million) in the first half 1993. Booming bond markets fueled the 1993 profits.

Gross premiums written rose 35% to 27.3 billion Swedish kronor (\$3.54 billion) in the first half of 1994, compared with the year-earlier period.

Skandia's fastest growing market was annuity business, for which gross premiums rose 108% to 12.86 billion kronor (\$1.67 billion) from 6.17 billion kronor (\$1.08 billion).

First-half underwriting income rose 31.3% to 378 million kronor (\$48.95 million) from 288 million kronor (\$34.6 million) last year.

Premium growth in its commercial lines division has been weak because of the recession, affecting an otherwise healthy underwriting result. The industrial division registered an underwriting loss because of poor claims experience while the marine and offshore division showed a profit.

Skandia's direct non-life operations outside the Nordic countries

Bain Hogg  
sets sights  
on top three

LONDON—Not content to remain the world's seventh-largest broker, Bain Hogg Group is setting its sights on moving into the top three within five years.

The merger of London brokers Bain Clarkson Ltd. and Hogg Group P.L.C. is official today.

Chief Executive Officer Ron Forrest said that the company will seek a listing on the London Stock Exchange within two years and aims to be among the world's top three brokers within five years.

Bain Hogg will spend the next two years consolidating the merged firms' operations and building on their combined strengths to produce a "good track record" and prepare itself for a public offering.

The proceeds of an eventual offering will help finance a further and final major acquisition that will propel Bain Hogg into the *Business Insurance* top three ranking, said Mr. Forrest.

"There is a lot of scope for organic growth but inevitably at least one more deal needs to be done to reach the top three. This is one reason why we are looking for a flotation. It will give us the opportunity to use our paper for a merger when we have consolidated this merger. We need one more deal to fulfill our strategic objectives," he said.

—By Adrian Ladbury

## Skandia, Pohjola, UNI Storebrand all plagued by investment returns

posted underwriting income of 7 million kronor (\$906,500) in the first half, compared with a 66 million kronor (\$7.9 million) underwriting loss last year.

Skandia's British insurance operations showed a nearly nine-fold increase in underwriting income to 96 million kronor (\$12.5 million) in the first half, compared with income of 10 million kronor (\$1.3 million) in the first half of 1993.

Skandia's two Italian subsidiaries reported narrower underwriting losses in the first six months, and expect further improvement from rate hikes after the recent removal of fixed tariffs on automobile liability insurance.

ity insurance.

The result for Skandia's combined non-life insurance activities in North America was an underwriting loss of 29 million Swedish kronor (\$3.8 million) in the first half.

Of that, reinsurance business showed a profit of 21 million kronor (\$2.7 million), down 22% from 27 million kronor (\$3.2 million) last year. Direct non-life insurance operations posted an underwriting loss of 50 million Swedish kronor (\$6.5 million), slightly better than a loss of 53 million Swedish kronor (\$6.4 million) last year.

Profits from reinsurance operations improved to 139 million Swed-

ish kronor (\$18 million) from 49 million Swedish kronor (\$5.9 million) last year. Most of the increased profits came from non-life reinsurance operations while life reinsurance was stable.

Meanwhile, Skandia's policy of no longer buying Swedish government bonds, announced by CEO Bjorn Wolrath in July, has been questioned by stock market analysts.

Mr. Wolrath said the move—which came at a time when the bond markets were already on a decline—was because of the government's failure to tackle Sweden's soaring national debt. In its first-

Continued on next page

## Laying down the law

Court battles unsettling?  
Mediator suggests trying  
ADR to resolve disputes

By KATE TILLEY

SYDNEY, Australia—Facing off in court is not the only way to settle insurance disputes. Unfortunately, the insurance industry worldwide has been slow to recognize the benefits of alternative dispute resolution.

Insurers and reinsurers are "the most backward" in recognizing the need to give negotiators the authority to make a settlement, according to a former chief justice of an Australian supreme court.

Sir Laurence Street, former chief justice of the Supreme Court in New South Wales and now a mediator in insurance disputes, told the Assn. Internationale de Droit des Assurances IXth World Congress that the view that mediation is "a Mickey Mouse solution" is a total misconception.

The reinsurance industry in London, in particular, is "way behind in seeing the benefits of mediation. They are seeing it only as a pretrial exercise, and it's not commercially rational to do that," Sir Laurence said.

But John Goldring, a Sydney professor of law, told a separate AIDA Congress session that Australia is seeing a swing toward non-court forms of dispute resolution.

The Australian insurance industry has developed a draft code of practice for the non-life industry that includes dispute resolution processes. Alan Mason, deputy chief executive of the Insurance Council of Australia, which represents most Australian underwriters, said the self-regulatory code was agreed to in principle last month by a federal government task force.

The task force and federal insurance regulators are working out the details of implementation.

The Claims Review Panel, an independent body that hears insurance disputes in Australia, will supervise and monitor the code.

The task force also is discussing dispute resolution with the National Insurance Brokers Assn.

Sir Laurence explained that a mediator's role is to facilitate a negotiating environment so parties can resolve their own dispute by consensus, he said. Mediators, acting as "dispute resolution architects," can use many techniques. But they cannot get involved and have to remain neutral, he noted.

The three stages of successful mediation are communication between the parties, mutual understanding of perspectives and finally negotiation.

Both parties may initially be unable to appreciate that there are gray areas but, through an exchange of views, they can be helped to "open their minds," Sir Laurence said.

"It's not ultimately satisfactory, in fact it's pretty crude, to ask a judge to decide one way or another. That's not as good a resolution as a compromise between the two."

Sir Laurence said it is easier, but more expensive and time consuming, to settle disputes as a judge

Continued on next page

Reinsurance,  
liability issues  
bedevil experts  
at AIDA debate

By KATE TILLEY

U.S. paint manufacturer Safer Products Inc. has received numerous claims for personal injuries and property damage caused by exposure to the lead in the paint it distributed worldwide from 1950 to 1970.

Until a management buyout last year, Safer Products since 1965 had been a subsidiary of Even Safer Products P.L.C. of Britain, which had worldwide umbrella, public and products liability coverage with Pay Claims Insurance Co. Ltd. of London. That coverage was placed by broker Quicksilver & Co.

Pay Claims bought reinsurance from a Swiss company from 1965 to 1970, a German company from 1970 to 1980, and a French reinsurer since then.

Pay Claims settled the lead paint suits for \$20 million, and has begun negotiations with the three reinsurers it believes were on the risk during the relevant periods.

That tangled hypothetical was the backdrop for a lively if inconclusive debate that touched on arbitration, follow-the-fortunes clauses, the U.S. judicial system and insurers' responsibilities to reinsurers.

The debate was held during at the Assn. Internationale de Droit des Assurances's World Congress in Sydney, Aug. 14-18. AIDA is an international insurance law association.

A panel of experts, including reinsurance executives and lawyers, first considered which country's law would apply.

If an English court was considering the primary policy, it would probably apply English law, said London Queen's Counsel John Thomas. "That's the country with which the policy has the closest connection. . . . The language is English and it contains London market-style clauses."

U.S. courts, on the other hand, would probably apply U.S. law, said Katherine B. Posner, from the New York law firm Condon & Forsyth.

"The courts generally find a way to apply United States' law and rarely, even with a Lloyd's contract," apply any other law to a coverage dispute, she said.

Even though it frustrates European courts, "United States courts seek to protect U.S. claimants and corporations," said Harry F. Creutzmann, vp of General Reinsurance Corp. of Stamford, Conn.

Because the subsidiary is the only paint producer, because it began manufacturing and distributing paint before it became a subsidiary of Even Safer Products, and because the claimants are in the United States, "you'd be hard pressed to find a U.S. court willing to turn its back and allow an English

Continued on next page

## INTERNATIONAL

## Mediate

Continued from previous page  
than as a mediator. "You can never be sure of the outcome of litigation, and you pay a big price to embark on a game of chance," he noted.

Parties can "lose their sense of reality when lawyers are running a case." Mediation lets them negotiate for themselves, he said, adding that they must be prepared to make concessions and re-evaluate their positions.

"It hurts to give up what you believe is your rightful position, but you must consider, can I live with this deal?"

Sir Laurence said 90% of disputes that go to mediation are resolved. The 10% that are not usually are cases in which a party has a preset limit to its authority to negotiate. "Even \$50 million and \$100 million claims can be resolved in a day, but the participants need the authority to negotiate and settle in a day."

Gerald Raftesath, chairman of LEADR, a Sydney-based non-profit organization of lawyers who participate in alternative dispute resolution, and a partner with the Sydney office of law firm Malleon Stephen Jacques, said mediation does not result in winners or losers, but in "achievable workable solutions."

Mr. Raftesath chaired a hypothetical mediation in which participants resolved an insurer's rejection of a policyholder's claim.

He said the mediated solution "may not correspond to legal guidelines or general community standards, but suits individual needs and interests better than a court-imposed solution."

"It focuses on the future, rather than the rights and wrongs of the past," Mr. Raftesath said.

Sir Laurence said the fundamental difference between mediation and arbitration or litigation is the mediator has no authority to impose

a decision. While mediators generally have legal qualifications, that is not a prerequisite. Nor does the mediator need to be highly skilled in the subject of the dispute.

David Hill, a partner with the Sydney office of law firm Minter Ellis Morris Fletcher, said insurers need to build the use of mediation into their own claims handling procedures. "Mediation is friendlier than having your day in court."

In answer to a question, Mr. Raftesath said if one party is unwilling to resolve a dispute, the mediator's skills become even more important. The mediator needs to present "what if" scenarios. "But you can't actually break his head open. . . . There's no perfect answer."

Geoff Masel, an insurance consultant with the Melbourne office of law firm Phillips Fox and session moderator, said a mediator needs to know when it is best to end the session. "The outcome may be a decision to go to litigation, and that's a proper option if the parties agree. It does not necessarily mean the mediation is a failure."

Mr. Raftesath agreed. "Sometimes there can be a narrowing of the issues, and a better focus, even if there's no settlement."

Judith Heap, from the Sydney office of law firm Malleon Stephen Jacques, helped to re-enact a hypothetical mediation for the session. She said mediators could not "bludgeon participants into a resolution." And Mr. Hill stressed that if there is inequality between the parties, the mediator cannot "level the playing field, because the mediator is then taking sides."

Mr. Masel said the mediator's real skill is in maintaining confidentiality and finding a path through the dispute. "You can get a situation where someone's prepared to pay 70%, someone 40%, and another 20%. You know you've got a deal, you've just got to work out how to structure it." ■

## Dispute

Continued from previous page  
court to hear it," Mr. Creutzmann argued.

Even though the reinsurance contracts contained arbitration clauses, U.S. courts may still hear the dispute, panelists said.

"If an American state has a greater interest in the subject of the dispute, you can have an express provision that is not given effect by the U.S. courts," said Ms. Posner. "I think it's bad law, but I was making the point to show it can happen."

Ms. Posner said there was not necessarily a legal principle involved. "Protection of the insured is the motivating factor; they are looking for ways to maximize coverage."

Whichever court ultimately has jurisdiction, Pay Claims may have trouble securing recovery from its reinsurers, the experts said.

Pay Claims could argue that it is entitled to recover under the contracts' follow-the-fortunes clause

es—which state that once a risk is ceded, the reinsurer is bound to the same fate as the insurer.

But the follow-the-fortunes clause would have no real legal effect because it stated that the reinsurer would "follow the liabilities, not the settlements," argued Stephen M. Lewis of Clifford Chance in London. Similarly, he said, the contracts' ultimate net loss clause will not bind the reinsurers.

That clause refers to losses occurring in specific policy years and the \$20 million settlement was an overall sum, with no allocation to specific years, he explained. "It's not possible for Pay Claims to reconstruct the settlement to divide it into (separate policy) years."

Because Pay Claims settled without notifying the Swiss reinsurer, it should not expect the company to participate in the settlement, said Wilhelm Zeller, a director of German reinsurer Cologne Re.

By contrast, under the hypothetical scenario, Pay Claims had notified the German reinsurer, which

indicated it considered the settlement unreasonable, and the French reinsurer had participated in the settlement negotiations but reserved its rights on the basis that the other reinsurers had to contribute.

An English attorney, Queens Counsel Ian Hunter, disagreed. He said that once a primary insurer entered a settlement in good faith, it became a liability and the reinsurer would be expected to pay its percentage share.

But he said the status of a \$20 million lump-sum payment was difficult. "How do you allocate it between policy years?" he asked.

If Pay Claims tried to aggregate all the losses to one event to maximize coverage, Cologne Re's Mr. Zeller said he would strongly resist. "Each claim or victim is an event, and I would hope the deductible is of the extent that the reinsurers will not have to pay."

Mr. Lewis, though, argued that if all the lead paint was produced in one plant in the United States, that was probably sufficient for a court to find it was one event.

Pay Claims would probably be able to recover from the reinsurers for the \$5 million of the settlement that was punitive damages, said Ms. Posner. She noted that some U.S. states barred insurance for punitive damages, but said that the policyholder could find a jurisdiction that would allow it to recover for punitive damages from the insurer.

Finally, the experts turned their attention to the arbitration clauses in the reinsurance contracts.

Arbitration is now "in fashion worldwide," said Mr. Thomas. Still, there are not enough qualified arbitrators and even the best are often restricted by qualification clauses in contracts.

"We have tried to encourage people not to insist on restrictive qualifications; a broader form allows people like lawyers and actuaries to sit in on arbitrations," he said. ■

SYDNEY, Australia—The next congress of the international insurance law association—the Assn. Internationale de Droit des Assurances—will be held in Morocco in 1998.



The meeting will be in Marrakesh in the spring, but the dates for that congress have not yet been set.

For more information, contact the congress secretariat: FMSAR 154, Boulevard d'Anfa, Casablanca, Morocco; 212-2-391850, fax: 212-2-391854.

The AIDA congress is held every four years. This year, it was hosted by Sydney Aug. 14-18, marking the first time the congress had been held outside Europe.

The 1994 congress was attended by 500 delegates, including 270 from 42 countries, and was organized by the Australian Insurance Law Assn., which hosted the international congress in lieu of its own annual conference.

The AILA's 1995 conference will be in Melbourne, Victoria, April 26-28. For more information on the AILA meeting, contact the conference coordinator, Graymore Williams Pty. Ltd., 9/2-4 Claremont St., South Yarra, Victoria, Australia 3141; 61-3-826-0288, fax: 61-3-827-0047.

—By Kate Tilley

## Facility

Continued from previous page

The new facility will help overcome this problem by applying a set rate based on a percentage of the policyholders' payroll.

"The facility works on set rating for set limit. Small contractors are treated the same way as everyone else," said Mr. Leggett.

"We've all been enormously impressed by the way that the insurance industry has responded to the problem. The degree of cooperation and understanding they have dem-

onstrated is enormous."

News of the new facility was publicized to oil contractors and companies on Friday, Aug. 19, and some risks were covered by Sunday, Aug. 21, the day many of the Murphy syndicate contracts expired.

Within the first few days of operation, Mr. Leggett estimates, the facility was insuring workers representing 25% of the British offshore oil and gas firms' payroll. He expects more firms to take up the new cover during the next few weeks, as more Murphy contracts expire and other offshore firms opt for the new cover. ■

## Insurers

Continued from previous page  
half results, Skandia reported that it no longer holds any Swedish bonds.

However, this policy has left some stock market analysts confused. One London analyst who asked not to be identified said that Skandia's policy of cutting its losses in Swedish bonds is a good policy for a portfolio manager but may not be the best strategy for investing an insurance company's reserves.

"Why did Skandia sell out of Swedish bonds?" asked the analyst.

"It's one thing to say that you disagree with the government and another to sell out of all Swedish bonds. The idea for insurers is to match bonds to liabilities," he said.

However, about half of Skandia's assets as of June 30 were invested in other corporate and government bonds.

Poor returns in the bond market had an adverse effect on UNI Storebrand. The Oslo-based company reported first-half consolidated operating income of 962 million Norwegian kroner (\$139 million), down 28% from 1.35 billion kroner (\$179.6 million) a year ago.

Investment income fell 72.3% to 980 million kroner (\$144.7 million) from 3.54 billion kroner (\$470.8 million) in first-half 1993.

First-half underwriting profits for UNI Storebrand's non-life and life insurance companies were 205 million and 1.09 billion Norwegian kroner (\$29.6 million and \$157.6 million), respectively. Those returns are down sharply from the first half of 1993.

Gross premiums written for non-life business rose 7% to 3.31 billion Norwegian kroner (\$440.2 million) in the first half of 1994.

The company's life insurance unit registered a 49% increase in premium volume to 3.34 billion Norwegian kroner (\$482.6 million).

UNI Storebrand posted an operating loss of 225 million Norwegian kroner (\$32.5 million) on international reinsurance in the first half. Losses by U.S. subsidiary Christiana Re Corp. accounted for 55% of that loss. Earlier, the company reported that its Oslo-based reinsurance operations will be run off.

Negotiations between UNI Storebrand and an unidentified U.S. investor group for the sale of Christiana Re are continuing. The two signed a letter of intent in March, which calls for a transaction by year end.

Finland's Pohjola reported net income of 1 million Finnish marks (\$175,200) in the first half, compared with a net loss of 37 million marks (\$7 million) a year earlier.

The insurer posted first-half underwriting income of 222 million Finnish marks (\$38.9 million), compared with a loss of 104 million Finnish marks (\$19.7 million) in 1993.

Net investment income fell 18.9% to 433 million Finnish marks (\$75.9 million) from 534 million Finnish marks (\$101.1 million). First-half operating profits were flat at 6 million Finnish marks (\$1.1 million).

Premium volume rose 2% to 2.11 billion Finnish marks (\$369.7 million) from 2.01 billion Finnish marks (\$380.7 million) in 1993.

Underwriting results for domestic direct insurance improved 54.8% to 254 million Finnish marks (\$44.5 million) from 164 million marks (\$31.1 million) for first-half 1993. The loss ratio for this business improved to 81% from 82%.

Hull insurance written by the Helsinki-based insurer ran at a loss because of a few large losses. A March ferry accident alone produced losses of 8 million Finnish marks (\$1.4 million) for the company.

Credit insurance improved but still registered a loss of 33 million Finnish marks (\$5.8 million), compared with a loss of 93 million Finnish marks (\$17.6 million) a year ago. ■

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# Court OKs Kaiser's denial of patient's liver transplant

By CHRISTINE WOOLSEY

SAN FRANCISCO—An HMO did not abuse its power of discretion in denying a \$100,000 liver transplant because the procedure did not meet medical criteria as required for coverage under the health plan, a federal appeals court has ruled.

Ralph Barnett, who received coverage from the health maintenance organization through his employer, Magnolia Upholstery, requested financial approval from Kaiser Foundation Health Plan Inc. for a liver transplant due to his deteriorating health.

In denying the request, Kaiser relied on the opinion of Mr. Barnett's treating physician, as well as a recommendation made by the medical group's Liver Transplant Advisory Board, a committee of liver specialists.

According to court papers, Mr. Barnett suffers from Hepatitis B and is e-antigen positive, which carries with it a greater risk that a new liver could become infected with the virus, and a transplant would be unsuccessful.

Mr. Barnett sought treatment from Dr. Mary Pauly at Kaiser-Sacramento Medical Center. After investigating the option of a transplant, Dr. Pauly concluded in early 1992 that a liver transplant was not medically appropriate for Mr. Barnett because of his e-antigen positive status. Her opinion was backed by Kaiser's Liver Transplant Advisory Board.

Mr. Barnett's brother appealed the denial to Kaiser's Member Grievance Committee in November 1992, which forwarded the appeal to the chairman of the Advisory Board. In December, the chairman affirmed the denial, saying the transplant was excluded under the experimental and investigational procedure exception to the service agreement. He also said the transplant was not medically appropriate because of Mr. Barnett's medical condition and history.

Mr. Barnett sued the plan in December 1992 and in February 1993, the district court sided with Kaiser. Mr. Barnett then obtained

a liver transplant from another hospital through individual financial arrangements.

On appeal, Mr. Barnett alleged that Kaiser denied paying for the transplant because of its cost, not because the procedure was inappropriate.

In upholding the district court's ruling, the 9th U.S. Circuit Court of Appeals in San Francisco rejected Mr. Barnett's argument that Kaiser was operating under a conflict of interest since it had a financial stake in providing the transplant.

"There is no evidence that the Advisory Board's decision was anything other than a medical judgment call," wrote Judge Procter Hug for the three-judge appellate panel. "There is no evidence the decision was motivated by financial concerns for cost savings to the Kaiser Health Plan."

In addition, the court found Kaiser's reasons for denying the transplant were rooted in medical research, which says patients with e-antigen positive status have a very poor chance of surviving a liver transplant.

"We conclude that Kaiser and the district court properly found that (Mr.) Barnett did not satisfy the medical criteria because of his e-antigen positive status," Judge Hug wrote.

The court also found that Kaiser's Advisory Board properly relied on its evaluation of a liver shortage in making its determination. "We conclude that the Advisory Board based its decision on its own medical judgment, though it evaluated the shortage of livers along with reduced survival rate of e-antigen positive patients. The doctors, as part of their professional responsibility, were legitimately concerned with distribution of livers to patients with the best chances of survival," Judge Hug wrote.

Furthermore, the court stated, the mere fact that another hospital agreed to conduct a transplant does not negate Kaiser's decision.

*Barnett vs. Kaiser Foundation Health Plan, No. 93-15390, 9th U.S. Circuit Court of Appeals.*

## Confed Life

Continued from page 2

dian group business, including Great-West Life Assurance Co., which earlier won Confed's U.S. group life and health business (BI, Aug. 29).

Meanwhile, U.S. investors holding roughly \$2.2 billion in Confed guaranteed investment contracts are waiting to see how the GICs will be handled by the Michigan Insurance Department, which is acting as the rehabilitator of Confed's U.S. operations.

One question GIC investors have is whether Michigan regulators will hold on to U.S. assets backing the GICs or turn the assets and the GIC liabilities over to Confed's Canadian liquidator.

Some GIC holders see advantages to having the business turned over to the Canadian liquidator. In Canada, for instance, they would likely be treated as policyholders and thus have a higher payment priority than general creditors.

In addition, Confed's U.S. assets include a large volume of inter-company investments that may prove to be of little value once the

company is liquidated, GIC observers say.

One disadvantage of a move to Canada, though, is the possibility of a "fire sale" of Confed's assets in a speedy Canadian liquidation, which could bring less for policyholders than the assets would fetch otherwise.

Despite the unanswered questions, many Confed GIC holders in the United States remain confident that they will recover most if not all of their principal investment.

Two defined benefit plans covering between 40,000 and 45,000 Michigan state employees hold six Confed GICs with face values totaling about \$97 million, confirmed D. Daniel McLellan, legal counsel to the Michigan Civil Service Commission.

The plans include a Section 457 plan—a type of retirement savings plan for public employees—holding about \$77 million in Confed GICs and a 401(k) plan holding about \$20 million. Together, the Confed GICs represent slightly less than 5% of the plans' roughly \$2 billion in assets, he said.

If the GIC business remains with the U.S. rehabilitator, any losses to Michigan state employ-

## Home policy covers lead paint liability

NEW YORK—The Home Insurance Cos. is launching a lead-based paint liability policy to cover lead contamination claims against building owners, banks and others.

Addressing an exposure that is typically excluded from general liability policies, Home surplus lines units are offering the lead-based paint liability coverage on a claims-made and reported basis with annual aggregate limits of up to \$1 million or higher on a case-by-case basis.

The policy will cover bodily injury and legal defense costs within policy limits, with multiple properties covered under a single policy.

Coverage will not be triggered unless an injured third party was a resident of an insured building on the policy inception date. In addition, the policy's definition of "bodily injury" includes a requirement that the injured party surpass a specific level of lead in his or her blood.

The policy is aimed at residential and commercial building owners, banks, mortgage companies, schools, municipalities, public housing authorities and others that may face lead paint liability claims.

Home will conduct property inspections as part of its underwriting process. The insurer is looking to cover well-maintained buildings whose owners nevertheless could be hit with lead contamination claims, according to Home officials.

"What we want to protect is the responsible apartment owner who maintains his building," observed Frank Patalano, Home executive vp and president of its specialty lines group.

"There is a demand for this from people who are not running slums," added Robert B. Spiro, a Home senior vp.

Mr. Patalano said the program could generate anywhere from \$10 million to \$40 million in gross premiums.

Policyholders will most likely opt for the \$1 million limit, and

## Products & Services

self-insured retentions will typically range between \$25,000 and \$50,000, Mr. Spiro said.

Home's own retention will amount to \$500,000 on a \$1 million policy, with the balance ceded to a large reinsurance company that Home officials declined to name.

While Home expects the northeast and mid-Atlantic regions to produce much of its business, it also sees a significant potential market for the policy in the Midwest, California and the South, Mr. Spiro noted.

The program will be underwritten by Home Insurance Co. of Illinois and Home Insurance Co. of Wisconsin through Baltimore-based Surex Environmental Underwriters Ltd., appointed by Home as exclusive national administrator.

The lead-based paint liability program has grown out of another Home program that is administered by Surex Managers Ltd.: Since 1990, Home and Surex have written a lead abatement program in which Home insured the U.S. Department of Housing and Urban Development against claims for lead contamination during the abatement process on HUD properties.

### Customized underwriting

WARREN, N.J.—Chubb Group of Insurance Cos. is rolling out a fully automated commercial insurance policy and rating program designed to provide blanket and tailored coverages to midsize and large businesses.

Customarq, which has already been approved in 29 states, seeks to integrate the underwriting and pricing functions via Chubb's proprietary mainframe computer. This would allow agents and brokers to quickly and accurately issue commercial package policies to customers.

One of the key features of Customarq is its organization into

self-contained coverage modules, which allows users to select elements of coverage required by policyholders via their own personal computers.

Users also have the option of bypassing those coverages that are unnecessary.

Standard in Customarq is a \$250,000 blanket limit on additional property coverages that can be allocated by the policyholder upon a loss.

Allocations generally would be for accounts receivable, electronic data processing equipment, valuable papers, fine arts, extra expenses and employees' personal property.

Customarq automatically covers damage to boiler and machinery and computerized equipment caused by breakdown and explosions.

Also included in Customarq's basic coverage is \$250,000 for up to 180 days on newly acquired property and \$250,000 in worldwide contingent income coverage. Such coverage could apply in the case of a stalled or canceled delivery.

Customarq, which was unveiled at Chubb's New Jersey headquarters last month, was designed by Chubb systems personnel over a three-year period. The program is intended to permit underwriters to price policies according to a policyholder's needs and exposures, thus eliminating rules and exceptions under policy forms issued by the Insurance Services Office.

Under Customarq, "each customer can obtain a fully automated, fully customized response to his or her specific vulnerabilities," said Paul Stewman, a Chubb senior vp who led the product's development team.

The program is also designed to increase Chubb's internal operating efficiencies by improving response time and eliminating the need for paper and rating manuals. BI

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ees would be covered by the state life/health guaranty fund, which covers individual participants up to \$100,000, Mr. McLellan said.

While the guaranty fund imposes an aggregate cap of \$5 million on most private retirement plan claims, there is no cap for public entity funds. Under a National Assn. of Insurance Commissioners model act, many other state guaranty funds would respond similarly, according to a spokesman for the National Organization of Life and Health Insurance Guaranty Assns.

"We are in extraordinarily good shape," Mr. McLellan observed. "There is some risk the principal may be nicked a little bit" but the Michigan retirement funds will probably not see a significant loss, he said.

Any transfer of the GIC business to Canada, though, would raise the new question of whether the Michigan guaranty fund would then respond to losses, Mr. McLellan added.

Separately, several state insurance departments took action last week against Confederation Life, including suspension orders by the North Carolina and Oklahoma departments. BI

# Retiree medical costs rising, study finds

By SALLY ROBERTS

While employers are effectively holding down health care cost increases for active employees, retiree medical care costs continue to rise in double digits, a new study shows.

Median health claims costs for retirees younger than age 65 and not yet eligible for Medicare rose 11% in 1993 to \$4,219 per retiree from \$3,792 in 1992. Likewise, median claims costs for retirees over 65 rose 13% to \$983 from \$872 per retiree.

Cost trends for retiree medical claims are slowing down, though not as significantly as medical costs for active employees, according to George B. Wagoner, a managing director in the Richmond, Va., office of William M. Mercer Cos. Inc.

Employers have been very active in implementing managed care for active employees, Mr.

Wagoner said.

"It has been applied to a lesser degree for retirees," Mr. Wagoner explained.

The reason is simple: Retirees may be spread all over the United States while active employees live close to where they work, making it easier for employers to enroll them in health maintenance organizations and other managed care plans, he said.

In addition, people tend to incur more and costlier health claims during the latter part of their lives compared with younger, active employees, he said.

The recent study looked at the costs of 262 retiree medical plans during the first five months of 1994 as part of Mercer's annual series on retiree medical plan valuations.

According to the study, the average deductible for pre-Medicare retirees rose 9.1% in 1993 to \$204 from \$187 per retiree in 1992. Av-

erage pre-Medicare out-of-pocket maximums increased 22.2% to \$1,513 per retiree from \$1,238 in 1992.

The average deductible for re-

by the retiree and 80% paid by the employer on average.

Post-Medicare coverage was split as 25% paid by the retiree and 75% paid by the employer on average.

The premiums for retirees' covered dependents were generally split as 25% paid by the retiree and 75% paid by the employer for pre-Medicare premiums and 30% and 70%, respectively, for post-Medicare premiums.

Mercer also reported that the interest rate assumptions it uses in valuating retiree medical plan obligations have changed.

Specifically, the discount rate—the interest rate used to determine the present value of future cash flows—has dropped one percentage point for conducting valuations, according to Mr. Wagoner.

The median discount rate used for this year's valuations was 7% compared with an 8% rate used

last year. In essence, that would mean the value of money set aside for future obligations has declined.

At the same time, though, the assumed long-term medical trend also decreased one percentage point to 6% compared with 7% recorded a year ago, Mr. Wagoner noted.

For most employers, these two trends will offset each other when accounting for liabilities under the Financial Accounting Standards Board's No. 106 rules, Mr. Wagoner said.

Financial Accounting Standard 106 requires employers to account for future retiree health obligations in their income statements, rather than on a pay-as-you-go basis.

Copies of William M. Mercer Inc.'s "Post-retirement Medical Valuations Clearinghouse" are not available to the public.

**Retirees often are spread out, so it's hard to enroll them in managed care, says George Wagoner.**

tirees eligible for Medicare was \$189 in 1993, up 5.6% from \$179 a year earlier. Medicare-eligible retirees' out-of-pocket maximums increased 22.7% to \$1,551 on average from \$1,264.

Of the pre-Medicare retiree benefit plans analyzed by Mercer, the cost sharing for retiree premiums was approximately 20% paid

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<b>Financial</b>	
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Secretaries, Treasurers, controllers and other Financial Personnel	3,700
<b>Risk/Employee Benefits:</b>	
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	15,138
<b>Sub-total</b>	<b>27,859</b>
Associations	371
Government, Unions and Educational Institutions	986
<b>Commercial Consumers</b>	<b>29,216</b>
Insurance Agents and Brokers	8,607
Insurance Companies	8,258
Accountants, Actuaries, Attorneys & Consultants	3,576
Managers & Health Care	1,941
Providers	1,351
Others Allied to the Field	52,949
<b>TOTAL</b>	<b>52,949</b>

★ Source Business/Occupational breakdown of qualified circulation, November 29, 1993 Issue, as submitted to BPA for December 1993 BPA Publisher's Statement.

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# Privilege

*Continued from page 2*

The dozens of insurers wrote tens of millions of dollars of primary comprehensive general liability and blanket excess coverage for Rorer and Revlon.

The insurers argued that because Rorer and Armour initiated the coverage litigation, they raised the issue of whether Rorer knew before purchasing its liability coverage that it would likely be held liable for the hemophiliacs' claims. As a result, Rorer and Armour waived any client privilege to documents containing legal advice that may reveal the company's so-called state of mind before purchasing the coverage, the insurers argued.

At the federal district court level, a magistrate and a judge ruled for the insurers, noting that the documents were relevant to the issue of whether Rorer expected the claims before purchasing coverage.

But in its 3-0 decision, the 3rd Circuit panel ruled that the company's attorney/client privilege can't be violated just because its so-called state of mind when the documents were created is an issue or because documents are relevant in the case.

"As the attorney/client privilege

**Rorer's attorney/client privilege cannot be violated, the 3rd Circuit ruled.**

insurers intended to assure a client that she or she can consult with counsel in confidence, finding that confidentiality may be waived depending on the relevance of the communication completely undermines the interest to be served. Clients will face the greatest risk of disclosure for what may be the most important matters," the court ruled.

Rorer would have waived that privilege only if its lawsuit claimed that it should be covered because it acted on the advice of its attorneys, the court ruled.

The insurers also cannot tap the work product that Rorer's attorneys maintain in their own files.

However, the court ruled that the attorney/client privilege does not extend to facts Rorer may have communicated to its attorneys.

Robert F. Cusumano, attorney for primary insurer Home Indemnity Co., believes the lower court will give the insurers access to the facts in the documents concerning when Rorer knew it would be liable for the hemophiliacs' claims.

The problem with the process is that it gives Rorer the discretion to determine what constitutes facts and what is legal opinion, said Mr. Cusumano of Simpson, Thacher & Bartlett of New York.

But, Rorer attorney Stephen J. Mathes, of Hoyle, Morris & Kerr in Philadelphia, said he does not believe the district court will reopen the discovery process.

Meanwhile, many of the company's liability insurers have filed cross claims against each other over issues like which policies would have to respond to claims.

*Rhone-Poulenc Rorer Inc. and Armour Pharmaceutical Co. vs. The Home Indemnity Co. vs. Aetna Casualty & Surety Insurance, 3rd U.S. Circuit Court of Appeals; Nos. 93-1962 and 93-1975.*

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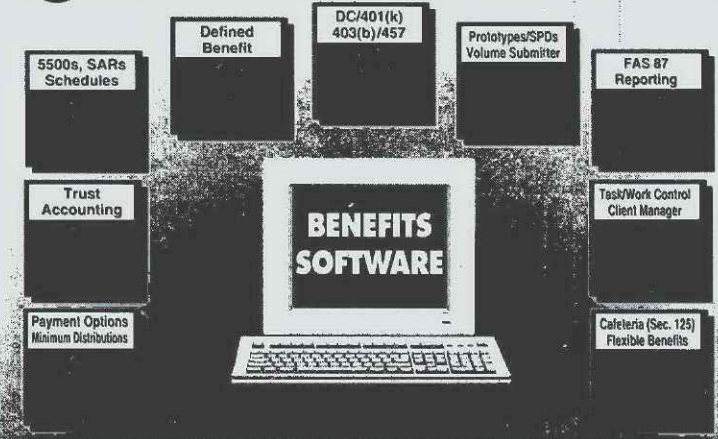
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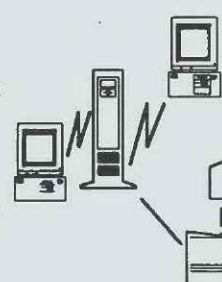
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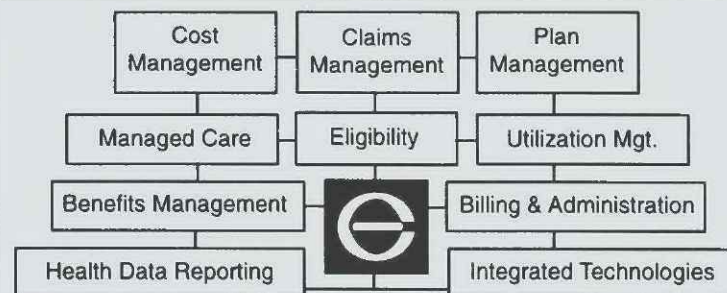
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## Largest U.S. reinsurers' first-half results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

Reinsurers	Net reinsurance premiums written 1994	Net reinsurance premiums written 1993	Policyholders surplus (reinsurers only)	Net income 1994	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1994	Combined ratio 1993
1. General Re	1,186,405	1,083,890	3,637,972	222,667	905,463	79.8	312,051	26.3	106.1	103.2
2. Employers Re	1,024,328	882,260	1,645,294	116,242	816,903	81.8	240,425	23.5	105.2	104.2
3. American Re	692,876	627,691	1,112,523	76,831	462,373	71.8	223,584	32.3	104.0	100.1
4. Berkshire Hathaway	517,069	269,097	N/A	N/A	239,628	93.9	40,557	15.9	109.8	125.8
5. North American/Swiss Re	387,478	382,622	591,930	(9,505)	288,260	75.0	149,487	38.6	113.6	110.6
6. Transatlantic/Putnam	369,351	283,730	552,071	38,705	295,271	79.3	107,492	29.1	108.4	107.8
7. Prudential Re	327,540	362,835	569,232	(17,413)	296,822	91.8	103,072	31.5	123.3	107.9
8. Munich Re	319,200	321,186	711,558	15,461	278,079	86.3	106,377	33.3	119.6	118.1
9. The St. Paul Cos.	276,720	202,822	N/A	N/A	201,842	87.7	70,095	25.3	113.0	121.3
10. Hartford Re Mgt. Co.	265,221	184,223	N/A	N/A	206,198	86.4	60,527	22.8	109.3	99.8
11. Constitution Re	261,370	213,248	281,981	7,405	172,363	71.7	83,792	32.1	103.7	103.7
12. TIG Re Co.	223,862	170,431	350,841	21,644	149,061	75.9	62,423	27.9	103.8	111.3
13. NAC Re	186,107	147,483	401,735	10,863	109,903	67.0	74,679	40.1	107.1	111.6
14. F&G Re	173,617	253,931	N/A	N/A	96,399	61.0	45,855	26.4	87.4	93.4
15. National Re	167,963	176,481	355,579	24,781	124,461	69.4	48,948	29.1	98.6	100.2
16. Kemper Re	156,565	132,037	399,696	2,334	128,634	81.7	47,507	30.3	112.0	116.1
17. SCOR U.S. Group	130,562	109,882	240,473	(21,641)	114,207	95.8	44,842	34.3	130.1	101.9
18. Zurich Re Centre	115,813	41,026	601,159	(22,452)	82,629	90.1	39,129	33.8	123.9	134.9
19. Underwriters Re	103,257	100,808	246,467	8,890	78,247	83.4	24,645	23.9	107.3	107.9
20. Signet Star Re	99,002	0	232,038	(7,525)	82,388	90.0	25,854	26.1	116.1	-
<b>Totals for Top 20</b>	<b>6,984,306</b>	<b>5,945,683</b>	<b>11,930,549</b>	<b>467,287</b>	<b>5,129,131</b>	<b>80.2</b>	<b>1,911,341</b>	<b>27.4</b>	<b>107.6</b>	<b>106.9</b>
<b>Total for all companies</b>	<b>8,175,190</b>	<b>7,102,054</b>	<b>16,423,366</b>	<b>581,781</b>	<b>6,149,458</b>	<b>79.7</b>	<b>2,370,730</b>	<b>29.0</b>	<b>108.7</b>	<b>107.2</b>

Source: Reinsurance Assn. of America and Business Insurance

## Reinsurers

Continued from page 1

combined ratio for the comparable period of 1993, according to the RAA.

This is an improvement, however, from the 113.6% combined ratio reported during the catastrophe-prone first quarter.

The Top 19 reinsurers that reported results for both years did somewhat better. That group of companies posted a 107.5% combined ratio for the comparable period a year ago.

The Top 20 reinsurers, including Forham Park, N.J.-based Signet Star Reinsurance Co., reported a 107.6% combined ratio.

Signet Star, a joint venture of General Re Corp. and W.R. Berkley Corp. that was formed last year, did not report 1993 premiums to the RAA (BI, Feb. 22, 1993).

The 15.1% increase in reinsurance premiums compares with a 13.5% increase, to \$3.88 billion, in premiums during the first quarter (BI, June 6). And, it comes atop a 15.1% increase in premiums reported for all of 1993 (BI, April 4).

The first-half increase in premiums is even greater among the largest reinsurers. The Top 19 reinsurers reported a 15.8% increase in premiums to \$6.89 billion from \$5.95 billion a year earlier.

The reinsurance premium increases compare with a 4.2% increase in premiums to \$42.87 billion reported by 28 major commercial property/casualty insurers in the first half (BI, Aug. 29).

An increase in demand accounts for at least some of the reinsurance premium increase, observers say.

"Maybe after the catastrophes, some of the people who preferred to go uninsured are now going back and trying to buy more reinsurance," said Kaj Ahlmann, chairman, president and CEO of Overland Park, Kan.-based Employers Reinsurance Corp.

"I certainly don't think it's because of increasing reinsurance rates," he added.

"Some ceding companies are taking their accumulated exposure under their retentions and sort of reconsidering their pur-

chasing patterns," said TIG Re's Mr. Hinkley.

"This will be the fourth consecutive year that RAA premiums have grown faster than the total industry, and I think that says something about the level of demand as well as the stability of pricing in the reinsurance market," said Michael Smith, an analyst with Lehman Bros. in New York. "It's not coming from higher prices—and you're not going to see higher prices," he said.

Mr. Smith said he believes that the primary insurance market "has recognized that it is overexposed to loss potential—whether that be accumulations or single large events—and is seeking ways of reducing that exposure" by buying reinsurance support.

"I think it's part of an ongoing evolution we really have been seeing since 1990," said Mr. Smith.

"There does seem to be, in fact, an increased demand for reinsurance, not only in the property catastrophe area but even in the casualty lines," said Gary Ransom, senior vp with insurance securities analyst Conning & Co. in Hartford, Conn.

Primary insurance companies "are more concerned about their overall financial condition, even if they haven't been hit by catastrophes, given that their bond portfolios don't have the gains they used to have," said Mr. Ransom. "They're looking at their financial condition and realizing they're not quite as good as they would like" and reinsurance is one way to protect themselves, he said.

Mr. Ransom said that within the primary industry small and medium-sized insurers are growing more rapidly than larger companies, "and they tend to buy more reinsurance, so you have some market share shifts at the primary level that are working to benefit reinsurance also."

Bard E. Bunaes, chairman and CEO of Constitution Reinsurance Corp. in New York, agreed this is a factor.

"Over the last several years, many large stock companies have closed agencies in small towns and that premium is flowing into smaller companies that use more reinsurance," said Mr. Bunaes.

There has been growth in the casualty facultative area as well as in property, said John D. Vol-

lario, Signet Star's president and CEO.

"There's been a definite pickup in demand in casualty facultative," said Mr. Vollaro.

"Historically, that area has been one of the early indicators of an upcoming turn in the cycle," he added. "It's too soon to know whether that in fact is true right at this time."

Other observers say they are unsure they have a handle on all the reasons for the premium increase.

Paul Malvasio, senior vp and chief financial officer for NAC Reinsurance Corp. in Greenwich, Conn., said he can "point to a few pieces," but "I can't account for all the pieces."

"I think you can see part of the increase is certainly due to people

of risk-based capital requirements.

"I look at that and I'm really puzzled," said Paul Ingrey, president of F&G Re, a USF&G Corp. subsidiary in Morristown, N.J.

"I don't see where the growth is coming from...it's a mystifying report to me," said Mr. Ingrey, who added the growth could be coming from international business.

"I'm not sure I have an overall answer to that," Michael R. Pinter, chairman and CEO of Kemper Reinsurance Co. in Long Grove, Ill., said of the increased premiums. "I'm not sure how the business is falling."

Meanwhile, there are few dramatic changes in the reinsurance market.

**'Historically, (growth in casualty facultative) has been one of the early indicators of an upcoming turn in the cycle,' says John D. Vollaro of Signet Star. 'It's too soon to know whether that in fact is true right at this time.'**

wanting to buy more protection on the property side; part of it is rate increases that have occurred on the property side; some of it is continued flight to quality with respect to business 'made in the U.S.' with more business staying in the domestic reinsurance market rather than going overseas.

An offsetting factor, however, is that financial reinsurance deals, which had inflated last year's premiums, have pretty much dried up in the reinsurance market because of accounting and regulatory changes discouraging their use (BI, Nov. 1, 1993).

This means that if those deals are backed out of 1993 premiums, the 1994 growth rate is in fact much higher than even 15%. "I have this unaccountable difference I can't really explain away," said Mr. Malvasio.

"I don't know and cannot fathom" the reasons for the premium increase, said John Lombardo, president and CEO of New York-based Munich American Reinsurance Co.

However, he suggested that insurers could be buying quota-share reinsurance in anticipation

Signet Star's Mr. Vollaro agreed that, for catastrophe business, "rates have sort of peaked and can't go any higher. I think there's room for improvement in many areas of the casualty business and in certain areas that improvement has begun."

This is mainly in the casualty facultative area involving reinsurance of primary insurers. Umbrella business, he noted, remains very soft.

Following the impact of the Los Angeles earthquake in the first quarter, "I think there's a certain amount of rebounding that is evident in the six-month figures, and I think to a degree that it's expected," said Kemper Re's Mr. Pinter.

"It appears to date that the reinsurers have been able to maintain some underwriting discipline even in the soft market by virtue of having combined ratios that are close to 100 and in some cases below 100, said Conning's Mr. Ransom.

"There may be some question as to whether those underwriting results will be sustainable and as good as they are right now, but for the time being it appears they'll hold the line on rates," said Mr. Ransom. "I would expect similar conditions to continue for the foreseeable future."

Congressional activity involving Superfund could have a significant impact in the future. Reinsurers would be liable for a large portion of the retroactive premium taxes that the Clinton administration proposes using to fund an Environmental Insurance Resolution Fund (BI, Aug. 22).

"That's a new wrinkle in terms of the impact on the surplus of the reinsurers," said Berkshire Hathaway's Mr. Jain. "I think that is the new hot item as far as the reinsurance industry in the U.S. is concerned."

The apparent capital in the industry appears to be excessive and "Superfund could well change that situation," Mr. Jain added.

Superfund reform "might change things dramatically depending on how the reinsurers are going to have to show their disproportionate share of their liability," Munich American Re's Mr. Lombardo agreed. "Maybe it will wake them up." **BI**

# Life/health

Continued from page 1

lot of variability out of insurers' profits," explained Mark Puccia, a director in the insurance rating group at Standard & Poor's Corp. in New York.

"The group health business had a banner year in 1993; 1994 is slightly less strong, but they still had a great first half and the second half is expected to continue to be strong," said Mr. Puccia.

He cited Prudential Insurance Co. of America and Metropolitan Life Insurance Co., neither of which would provide first-half results, as "notable exceptions to that rule."

"Met is still struggling with its earnings. They have a cost structure problem that has to be addressed," he said.

And Prudential, which is showing stable earnings in pensions and employee benefits, is having problems in many other operations, he said.

The 69 Blue Cross & Blue Shield collectively reported first-half combined earnings of \$36 billion, about the same as the 1993 total, said Susan Barrish, vp of licensure and financial services for the Chicago-based BC/BS Assn.

"We are ahead of what our companies had been forecasting. They were very conservative," Ms. Barrish said. "Operating (income) gains for the plans will average about 3% of revenue this year," she added.

CIGNA Corp.'s group life and health operations posted first-half net income of \$261 million, a 28.6% jump from \$203 million in 1993.

Favorable claims experience—due to lower medical cost inflation and improved group life insurance results—helped improve the insurer's indemnity operations.

"Medical inflation isn't what it used to be, partly because providers don't want to look like price gougers in the eyes of Washington," said Mr. Puccia of S&P.

"This is about the best second quarter we've had," despite the fact that CIGNA's indemnity business is shrinking, said Chris Doerr, senior vp and chief financial officer for CIGNA HealthCare Inc., a unit of CIGNA Corp.

Operating income for CIGNA's indemnity business totaled about \$80 million for the second quarter, while HMO operating income totaled about \$50 million, both up from 1993 levels.

"That \$80 million in indemnity business is from a decreasing revenue base, so an increase in earnings on a decreasing revenue base clearly means our profits are up," he said.

"Over the past six to nine months, we've seen a 5% to 6% drop in the rate of inflation on the indemnity side," Mr. Doerr noted.

But HMO operations were responsible for most of the improvement in operating income, he said, crediting the insurer's management of medical costs and focus on quality.

CIGNA's healthy earnings are also a result of tighter utilization controls and better deals forged with doctors, hospitals and ancillary providers, he said.

Enrollment in CIGNA HMOs grew by 64,000 to approximately 3.1 million in the second quarter of 1994, up 21% from second quarter 1993 levels. Membership has grown by 427,000 enrollees to date in 1994.

Mr. Doerr said the 21% increase in HMO enrollment is one of the highest in the industry.

Enrollment in traditional HMOs nationally grew by 3.9 million, or 10%, in 1993, according to the latest figures from InterStudy, a Minneapolis-based managed care research organization.

At Aetna Life & Casualty Co., first-half net income from life and

health insurance operations rose 24.6% to \$178 million from \$153.4 million in 1993. The 1994 figure includes \$161.2 million in group life and health insurance and \$30.9 million in individual life insurance.

"We are satisfied with the increase. It reflects growth in our business," commented Charles Bell, senior vp of Aetna Health Plans in Hartford, Conn.

The company continues to spend money on building its managed care infrastructure, which includes purchasing existing physician practices and building new ones. The startup expenses for that project have had some impact on Aetna's earnings, Mr. Bell said.

Enrollment in Aetna's preferred provider and point-of-service plans continues to climb, rising about 5% to 15.7 million as of June 30 from 15 million at year-end.

"Point-of-service is popular because it has a lot of conceptual appeal," Mr. Bell explained. "It has the richness of an HMO if you stay in the network, but you also have the option to go out."

At the same time, its indemnity business shrank—to 9.1 million people in Aetna indemnity plans from 9.6 million at year-end 1993—and its HMO membership remained level at 1.4 million.

Travelers Corp.'s managed care and employee benefits operating earnings totaled \$256.9 million for the first half of 1994, up from \$109.6 million for the first half of 1993.

The 1994 figure includes \$100.4 million in earnings from Primerica Financial Services, in addition to \$89.6 million from Travelers Life & Annuities and \$66.9 million from the insurer's managed care and employee benefit business.

"New production in the life and health areas was down as compared with . . . 1993, largely because of a focus on increasing margins to improve profitability and reduce financial risk," Travelers said in a statement.

The total number of people covered by Travelers' medical plans declined 14.7% to 5.2 million as of June 30 from 6.1 million at the end of 1993. But participation in managed care plans rose 10%.

Travelers and MetLife last week signed a definitive agreement to complete the managed care joint venture that the two announced earlier this year (BI, June 20). The two companies are to combine their managed care operations into a single firm.

Observers expect such consolidation in the managed care industry will continue. But for now many players are waiting for more reasonable prices before they take a seri-

**The group health insurance business 'had a great first half,' says Mark Puccia of Standard & Poor's.**

ous look at what remains on the block.

"At these prices, a growing number of companies don't have an appetite" to acquire other firms, Mr. Doerr said. CIGNA's successful acquisition of EQUICOR four years ago has helped the company expand its health care business, but it doesn't have any immediate plans to acquire other HMOs. But, Mr. Doerr said, "In the HMO business, size helps. Our goal is to be in the top three or four HMOs in terms of size in all the markets we are in."

The ongoing consolidation in the industry probably won't have an adverse effect on earnings, since most of the recent deals have involved stock swapping and therefore very little dilution of earnings, Mr. Doerr added.

Results of big group life insurers varied for the first half of 1994.

## HMOs report profitable first half

By CHRISTINE WOOLSEY

Health maintenance organizations are posting healthy profits for the first half, primarily due to internal expense controls and increasing membership.

Kaiser Foundation Health Plan Inc., the nation's largest HMO, reported gross revenues of more than \$6.16 billion for the first half of this year, up 4.8% from \$5.88 billion in the same period in 1993. Kaiser's first-half net income rose 20.8% to \$516 million from \$427 million a year ago.

The biggest factor behind Kaiser's profitable first half was expense control, said Phil Berretta, vp, controller and general auditor for the Oakland, Calif.-based HMO.

"Our expenses are only up 3% year-to-year. That's pretty good for a health care organization," Mr. Berretta said.

Over the last several years, Kaiser's focus has been on "cost control, cost improvement and total quality management," he explained. That focus—as well as favorable results with hospital and medical costs—has helped improve the HMO's performance.

Louisville, Ky.-based Humana Inc.'s first-half gross revenues rose 12% to \$1.79 billion from \$1.59 billion in the same period last year. Its first-half net income soared 132% to \$86 million from \$37 million a year ago. The results reflect the acquisition of an HMO earlier this year.

The improved results are partly due to the decline of the HMO's medical loss ratio to 81.9% from 84.8% in the second quarter last

year, said Laurie Scarborough, director of investor relations. The medical loss ratio is medical costs as a percentage of premium revenue.

Decreased hospital utilization and favorable physician and other medical cost experience in Humana's Medicare risk product improved the company's medical loss ratio, she said. In addition, growing HMO membership in its commercial HMO and PPO products contributed to profit improvement.

Humana reported 1.4 million members in its employer-sponsored HMO and PPO plans as of June 30.

In February, Humana purchased Group Health Assn., an HMO with operations in the District of Columbia, Maryland and Virginia. "We are definitely looking at (further) acquisition opportunities," Ms. Scarborough said.

Health Systems International Inc.'s first-half revenues rose 18% to more than \$1.1 billion, from \$965 million in the first half of 1993. Net income for the first two quarters was about \$41.8 million, a 64% increase over the \$25.6 million earned in 1993's first half.

Woodland Hills, Calif.-based Health Systems International was formed by the merger earlier this year between Woodland Hills, Calif.-based Health Net, the nation's ninth-largest HMO, and QualMed, a Pueblo, Colo.-based system of HMOs (BI, Sept. 6, 1993). The company's 1993 results are on a consolidated basis.

The HMO's strong growth was fueled by a moderation in medical inflation, increased enrollment and control over administrative costs,

At Lincoln National Corp., operating income for life insurance and annuities rose about 21% to \$87.8 million for the first six months of 1994, up from \$72.8 million for first half 1993.

The Fort Wayne, Ind., company attributes the increase to a strong performance in annuities, as well as increased earnings from its United Kingdom operations.

However, a second-quarter after-tax loss of \$4.5 million in disability income and mortality results, which was \$2 million worse than expected, adversely impacted Lincoln National's earnings from life insurance and annuities.

Lehman's Ms. Vogel found the results a bit disappointing due to the adverse mortality rates in the firm's life insurance business.

Meanwhile, UNUM Corp.'s first-half net income rose 12.2% to \$162.4 million in 1994 from \$144.7 million last year.

The Portland, Maine-based life insurer's numbers "were right on target," said Ms. Vogel.

Revenues rose 5.9% in the first half to \$1.8 billion from \$1.7 billion a year earlier. UNUM's employee benefits segment reported pretax income of \$129.4 million for first half 1994, up 9.6% from \$118.1 million for first half 1993.

However, "claims from certain groups of professionals continued to adversely impact our North American disability results. . . and we continue to address these claims through prudent disability management," said James F. Orr III, chairman and chief executive officer.

One thing that could have an impact on the life insurance market going forward is the insolvency of Confederation Life Insurance Co., Ms. Vogel said. Confed issued a lot of guaranteed investment contracts that were purchased in the United States (see story, page 2). As a result "some policies written in the United States may have some hits to guaranty funds," she said. **BI**

according to Roger Greaves, the company's co-chairman, co-president and co-chief executive officer.

As of June 30, Health Systems International's HMO enrollment stood at more than 1.4 million members.

United HealthCare Corp. of Minneapolis had a busy first half. The company completed acquisitions of two HMOs and sold its Diversified Pharmaceutical Services unit (BI, May 16).

First-half net income, taking into account the mergers and sale, totaled \$145.3 million, up 49% from \$97.7 million for the first six months of 1993.

Cypress, Calif.-based PacifiCare Health Systems Inc. reported results for the nine months ending June 30. Nine-month operating revenue was \$2.1 billion, an increase of 31% from the same period last year. Net income for the same nine-month period was \$68 million, compared with \$45.6 million a year earlier. The improved results reflect the cumulative effect of a change in the HMO's income tax accounting.

The company's overhead expense increased to 13.1% during the nine-month period from 11.8% last year, primarily due to continued spending in product development and service area expansions, said David Erickson, director of investor relations.

The HMO announced on Aug. 30 that it plans a private placement of 750,000 shares with about 50 multi-specialty physician practice groups in California with which PacifiCare contracts. The 50 groups service about 75% of the HMO's membership. PacifiCare stock was trading at \$72 a share on Aug. 31. **BI**

## POS plans working for mid-sized employers

By CHRISTINE WOOLSEY

Point-of-service plans were the most cost-effective health care delivery vehicles in 1993 for employers with fewer than 1,000 employees, a survey reveals.

The average per employee cost for POS plans in 1993 was \$2,423, about 26% lower than the average cost of health maintenance organizations and preferred provider organizations, according to Johnson & Higgins' "1993 Mid-Sized Employer Health Plans Survey."

By contrast, small or midsize employers offering a choice between an indemnity plan and an HMO spent the most on health care benefits in 1993, the survey found. That combination added more than \$1,000 per employee per year to the cost of a standard indemnity plan.

Specifically, indemnity plan sponsors that also offered an HMO reported an average indemnity plan cost of \$4,063 per employee. Those not offering an HMO reported an average cost of only \$3,025.

The reason for the significant price differential is HMOs' ability to lure healthy risks from traditional indemnity plans, said Rick Elliott, national employee benefits practice leader for Johnson & Higgins in Nashville, Tenn. The difference in costs "points to a bigger issue," he said. "Attempting to 'do something' in managed care isn't the best solution," especially for employers with fewer than 1,000 workers.

"Employers can't just slap in an HMO; they need a more clearly thought-out strategy. Otherwise, they may actually increase their health care costs," Mr. Elliott said.

However, because fewer small and midsize employers offer POS plans to begin with—just 4% of employers with fewer than 500 workers and 17% of employers with between 500 and 1,000 workers—the data should be viewed with caution.

The study was conducted by A. Foster Higgins & Co. Inc., the New York-based benefit consulting unit of Johnson & Higgins. A total of 979 midsize employers were surveyed.

Among employers with 1,000 or fewer employees, the average cost of all health care benefits rose 6.2% in 1993 to an average of \$3,308 per employee, up from \$3,116 in 1992, the survey reported. Costs include all benefit plans: medical, including traditional indemnity, PPO, POS and HMO plans; dental; and free-standing mental health, prescription drug, vision or hearing plans.

The average cost of traditional indemnity coverage rose 6.5% among employers with fewer than 1,000 workers to \$3,083 in 1993 from \$2,894 a year earlier.

Among employers with insured indemnity plans, costs rose 7.6% to \$3,170. Self-insured employers reported a 5.5% increase and average per employee costs of \$3,019.

Meanwhile, the average per employee cost of HMO coverage in 1993 was \$3,062, up 6.6% from \$2,874 in 1992. And, for employers offering PPO coverage, the per employee cost averaged \$3,063 in 1993, up 0.9% from \$3,035 in 1992.

For information on cost and availability of "Mid-Sized Employer Health Plans," contact Lisa Gilleeny, A. Foster Higgins & Co. Inc., 125 Broad St., New York, N.Y. 10004; 212-574-9025.

# Bermuda

Continued from page 1

ture that it was in the late '70s when the (insurance) act was drafted," said Bermuda Finance Minister David Saul, noting that about half of the Bermuda industry's capital now supports commercial insurance and reinsurance companies, including more than \$5 billion invested in excess liability insurers and more than \$6 billion in finite risk and property catastrophe reinsurers.

"It is in recognition of the evolution of the industry and the need to help it thrive in the future that the government is recommending new provisions in the law," he said.

Most Bermuda companies would be expected to have no trouble meeting the proposed requirements and, if they could not, "I don't think they belong here anyway," Mr. Saul said.

Adoption of the proposed changes, developed jointly by government and industry officials, is expected to counter criticism that Bermuda's large commercial insurers are not as strictly regulated as underwriting companies in other jurisdictions.

Bermuda companies "understand there is a need for the regulations and having the regulations in place helps in the marketing of their products," observed Robert Steinhoff, a partner with KPMG Peat Marwick in Bermuda.

While the proposed revisions will not be presented to Bermuda's Parliament for approval until later this year, the government took the unusual step of announcing its plans last week to coincide with the Rendez-Vous de Septembre, an annual gathering of reinsurance industry executives in Monte Carlo, Monaco, this week.

Mr. Saul acknowledged the announcement may help Bermuda companies with marketing efforts there.

The four new classes of license outlined in the proposed amendments to the 1978 Insurance Act would be:

- Class 1 licenses issued to single-parent captives insuring only the risks of their parents or affiliates. Minimum capital for these insurers would remain unchanged at \$120,000, the level that the existing law requires for all insurers and reinsurers.

- Class 2 licenses issued to group and association captives that derive no more than 20% of their net premiums from business unrelated to captive shareholders.

Minimum capital for these companies would be raised to \$250,000, and they would be required to have an actuarial certification of loss reserves every three years.

- Class 3 licenses issued to commercial insurers and reinsurers writing third-party business. These would include finite risk reinsurers and captives that derived more than 20% of their net premiums from unrelated business.

These companies would have to maintain minimum capital and surplus of \$1 million and obtain an annual actuarial opinion on loss reserves.

They would also have to meet stricter solvency tests, maintaining surplus equal to at least 20% of the first \$6 million of net written premiums and 15% of net premiums above \$6 million; or 15% of loss reserves, whichever is greater.

Current law requires a solvency margin of 20% of the first \$6 million of net premiums and 10% of amounts above that.

- Class 4 licenses, expected to be issued to a handful of the island's largest excess liability insurers and catastrophe reinsurance companies.

These could include such large markets as: ACE Ltd., Centre Cat Ltd., Global Capital Reinsurance Ltd., LaSalle Re Co. Ltd., Mid Ocean Reinsurance Co., Partner Reinsurance Co. Ltd., Renaissance Reinsurance Ltd., Starr Excess Liability Insurance Co. and X.L. Insurance Co. Ltd.

Class 4 companies would be required to have minimum capital of \$100 million and obtain annual loss reserve certification.

They would have to meet a solvency margin of 50% of net premiums—translating to a 2-to-1 net premium-to-surplus ratio—or 15% of loss reserves, whichever is greater.

In calculating net premiums for the solvency margin, Class 4 companies also would only be allowed to deduct reinsurance up to a maximum of 25% of gross written premiums.

For example, if a company wrote \$100 million in gross premiums and ceded \$30 million to reinsurers for a net premium volume of \$70 million, the new law would allow it to deduct only \$25 million of the ceded reinsurance and report \$75 million in net premiums for solvency margin purposes.

The changes to the law also would impose controls on any significant reductions in surplus: Any Class 4 company proposing dividends exceeding 25% of statutory capital and surplus would be required to produce an auditor's opinion that the insurer would still meet the minimum capital and solvency rules after the dividend payment.

In addition, any Class 4 company that wanted to reduce its combined share capital, share premium and contributed surplus to a level more than 15% below the amount in its latest approved business plan would be required to provide an auditor's report, submit a new business plan to the Registrar of Companies and obtain prior approval from the Finance Minister.

Mr. Saul acknowledged concerns among some market observers that certain highly capitalized Bermuda companies might prove

"flashes in the pan," pulling their capital out if underwriting returns were inadequate.

The new restrictions are intended to show that "they are here, they are real and they will last," Mr. Saul said.

The new provisions would also require Class 3 and 4 companies whose surplus drops below the minimums because of losses and loss expenses to file a revised business plan within 30 days of discovering the deficiency. The revised plan must describe how the shortfall will be cured.

Any Class 4 company whose capital and surplus falls below \$75 million will have to meet additional reporting requirements, including interim statutory financial and actuarial reports.

The new law also speeds up reporting periods, requiring Class 3 and 4 insurers to file annual returns within four months of year-end versus the six months allowed under the current law.

Class 2, 3 and 4 insurers will also have to file statutory financial statements with their annual returns.

A bill spelling out the revisions will be submitted to Bermuda's parliament later this year and the changes are expected to go into effect in 1995. The government will allow existing insurers a 12-month transition period to meet the new capital requirements, and Mr. Steinhoff said he expects a "small number" will need the extra time.

The revisions will require Bermuda's Registrar of Companies to relicense all of the island's more than 1,300 international insurers, and Mr. Saul promised last week that the Registrar will receive whatever extra resources it needs to handle the workload.

The bulk of the 1,300 companies will have Class 1 or 2 licenses as single parent or group captives, government officials say.

Rent-a-captive facilities will generally hold Class 3 licenses, though if a rent-a-captive's policyholders are all shareholders of the company it might fall into Class 2, Mr. Steinhoff said.

James Kelly, chief financial officer of Mutual Risk Management Ltd., which operates one of the largest Bermuda rent-a-captive facilities, said his company's facility will have a Class 3 license and will have no trouble meeting the new guidelines.

"The revisions are really geared at the Class 4 (companies)," he said. "There were no regulations in place to deal with these excess-of-loss reinsurers that have come in in the last couple of years."

Meanwhile, government and industry officials deny that the new licensing requirements are a protectionist move aimed at benefiting Bermuda's existing large companies.

William J. Loschert, executive vp with ACE and president of the Bermuda Independent Underwriters Assn., observed that any insurer looking to compete in the market must have at least \$100 million in capital and that "the buyers are not going to accept the company" if it has less.

A subcommittee of Bermuda's Insurance Advisory Committee developed the proposed revisions to the law over that last 10 months after concluding that the 1978 act does not adequately regulate Bermuda's burgeoning commercial insurance and reinsurance sector.

The IAC is made up of public and private sector members, and advises the government on insurance industry matters. **B**

## Updates

### Comp price fixing denied

COLUMBIA, S.C.—Workers compensation insurers are denying allegations by the state of South Carolina that they conspired to fix prices in servicing the state's assigned risk pool.

In a suit filed Aug. 22 in state court in Greenville, the state alleges that the National Council on Compensation Insurance, the National Workers Compensation Reinsurance Pool and eight insurers conspired to fix prices for servicing the pool.

Spokesmen for the NCCI and defendant Liberty Mutual Insurance Co. called the suit "totally without merit." Other insurer defendants are: Hartford Underwriters Insurance Co.; Employers Insurance of Wausau, A Mutual Co.; Fidelity & Casualty Co. of New York; Granite State Insurance Co.; Insurance Company of North America; Travelers Insurance Co.; and United States Fidelity & Guaranty Co.

### Halcion verdict overturned

DALLAS—The Upjohn Co. will not have to pay an award of more than \$1 million to the family of a former police officer who claimed the company's Halcion sleeping pills caused him to kill his best friend.

A Texas appeals court overturned the original 1992 jury verdict that awarded \$1.6 million in compensatory damages and \$200,000 in punitive damages to the family of the former officer, William Freeman (BI, Nov. 16, 1992). The appeals court found that because the jury did not award Mr. Freeman damages, his family had no basis for recovery.

The jury found Mr. Freeman 50% liable for the 1987 shooting; the doctor who prescribed the drug 30% liable; and Kalamazoo, Mich.-based Upjohn 20% liable. The Food and Drug Administration has since found that the drug is safe when used as directed.

### Collateral source rule upheld

HARTFORD, Conn.—A 1986 collateral source benefit rule is not unconstitutional, the Connecticut Supreme Court ruled in upholding a law that lets courts reduce personal injury and wrongful death awards to plaintiffs who have recovered from other sources.

The Aug. 23 ruling came in a wrongful death suit on behalf of the estate of a woman killed in a 1987 car-truck collision. Two of the three defendants—the truck driver and his employer—settled before trial.

After trial, the jury awarded \$1.5 million in damages against the final defendant—the owner of the trailer—but the trial court reduced that amount by \$825,000, the amount of pretrial settlements.

The woman's estate challenged that reduction on several grounds, including that the 1986 tort reform statute was so vague that it violated the woman's due process rights under the U.S. Constitution.

### Court rejects BC/BS lawsuit

BALTIMORE—Plan subscribers have no standing to sue former Blue Cross & Blue Shield of Maryland officials on behalf of the plan, Maryland's highest court ruled late last month in dismissing their suit.

The 1993 suit also named management consultant Booz-Allen Hamilton Inc. and one of its former executives who had advised the plan (BI, April 12, 1993). Plaintiffs, which included two former members of the Blues board, sought about \$140 million on behalf of the plan, alleging mismanagement, "deliberate dishonesty," breach of fiduciary duty, negligence and conspiracy.

The Court of Appeals ruled that only the current board or the state attorney general could bring such a suit. The plan itself has suits pending against Booz-Allen and some of the other defendants in the class action.

### Briefly noted

California Gov. Pete Wilson is expected to sign a bill authorizing the introduction of large-deductible workers comp policies. About 35 states now allow large-deductible programs. . . . William Riordan, a retired New Mexico Supreme Court Justice, will attempt to mediate a \$2.9 million award that McDonald's Corp. was ordered to pay last month to an 81-year-old woman who suffered third-degree burns after spilling a cup of McDonald's coffee in her lap. . . .

Maine insurance regulators have approved the average 3.4% workers compensation rate cut sought by the Maine Employers Mutual Insurance Co. beginning Oct. 1. With 22,000 policyholders, the competitive state fund is the state's largest workers comp insurer. . . . A proposed settlement to a strike by 5,400 Westinghouse Electric Co. workers includes the extension of managed care options to retirees, limits on copayment increases in a traditional indemnity plan, and limits on lump-sum pension payments to early retirees. . . .

Colonia Konzern A.G. and General Reinsurance Co. have concluded their agreement to form an Amsterdam-based holding company. General Re will acquire a majority stake in the holding company and a controlling interest in Cologne Reinsurance Co. (BI, July 4). . . .

Polygon Insurance Co. Ltd., the Guernsey-based aviation insurance facility owned by European airlines, has increased its share capital by 10 million pounds (\$15.3 million) to 40 million pounds (\$61.4 million). . . . More than 500 U.S. Lloyd's of London members late last month filed suit alleging fraud and violation of securities laws by Lloyd's. The suit, which was filed in U.S. District Court in San Diego, is one of five actions now pending against Lloyd's in U.S. courts (BI, Aug. 29). . . .

Ontario Blue Cross is exploring new ownership arrangements with interested financial services or health care management companies. The Toronto-based Blues plan is the largest provider of health benefits in Ontario. . . . Edward H. Budd is retiring as chairman of Travelers Insurance Co. Mr. Budd, who is 61, will remain a director of Travelers Corp. Robert I. Lipp, president and CEO of Travelers Insurance Co. will assume the additional title of chairman. . . . U.S. District Judge Alfred V. Covello has dismissed a 1990 class-action lawsuit that charged Aetna Life & Casualty Co. with deceiving shareholders about the company's troubled real estate and mortgage investments.

### Ex-IRM executive forms consultant

HAMILTON, Bermuda—Arthur H. Deters, the former chief executive officer of International Risk Management Group, is setting up an insurance consulting firm in Bermuda.

Midway International Consultants Ltd. will specialize in advice on captive insurance and risk management issues, Mr. Deters said.

The two principals of Midway will be Mr. Deters and his wife, Pamela Lambarth Deters, who resigned as a senior vp at Sedgwick Management Services (Bermuda) Ltd. in April.

Mr. Deters retired as CEO of IRMS after 34 years with the company on July 1 (BI, June 20).

The firm has picked up one client so far, Mr. Deters said. "It is a multinational reinsurer, and we have a three-year contract." Midway will advise the company on reinsurance strategy, he said.

—By Gavin Souter

# Antitrust officials crack down on dental plans

By ROBERTO CENICEROS

PHOENIX—State and federal law enforcement officials are cracking down on what they contend are anti-competitive contracts used by dental insurance plans.

But dental insurers contend the efforts to restrict their use of "most-favored nation" clauses will actually increase cost shifting and raise employers' costs.

The Arizona attorney general and U.S. Justice Department officials say a recent antitrust settlement with Delta Dental Plan of Arizona Inc. will ultimately result in millions of dollars of savings for dental plan consumers in the state.

Delta Dental of Arizona settled the lawsuit because it stood to lose a \$10 million contract with the state as well as other government contracts and because litigation costs would have been "astronomical," the company said. It did not admit any wrongdoing.

The lawsuit pertained to the plan's enforcement of "most-favored nation" clauses in its contracts with dentists.

Such clauses require dentists to offer all patients covered by the plan the lowest prices the dentists offer to any of their patients. By requiring the dentists to offer the same discounts to Delta Dental clients, prosecutors contended, it forced dentists to drop out of reduced-fee plans and stop offer-

ing discounts to any of their patients.

Delta Dental of Arizona provides benefits for 600 employers, covering 80,000 employees. The plan is a member of the Chicago-based Delta Dental Plans Assn., which is made up of affiliated non-profit corporations that administer and underwrite pre-paid dental insurance programs.

In settling, Delta Dental of Arizona agreed to stop enforcing the most-favored nation clause and pay legal fees amounting to \$25,000.

A statement issued by the prosecutors estimated the settlement will save Arizona consumers between \$6 million and \$10 million annually by allowing selective discounting to continue.

But a Delta Dental of Arizona official says the opposite may occur.

Grace Tuney, vp of sales and marketing, said dentists are only able to offer discounted arrangements if they can pass their real costs on to patients who have insurance, such as that offered by Delta Dental.

Doug McFarland, executive director of the Arizona State Dental Assn., agreed. He said most-favored nation clauses ultimately prevent cost shifting by putting everyone on an equal footing.

Meanwhile, dental plans in several other states are under scrutiny for their use of most-favored nation clauses.

Those plans—ODS Health Plans of Ore-

gon; Northeast Delta Dental, which comprises three Delta plans in New England; and Delta Dental of Rhode Island—are targets of Justice Department investigations.

In Oregon, a spokesman for ODS Health Plans said the company has done nothing wrong and is cooperating with federal investigators.

William R. Landry, counsel for Delta Dental of Rhode Island, said the 1st U.S. Circuit Court of Appeals ruled in 1989 that most-favored nation clauses are pro-consumer and not anti-competitive.

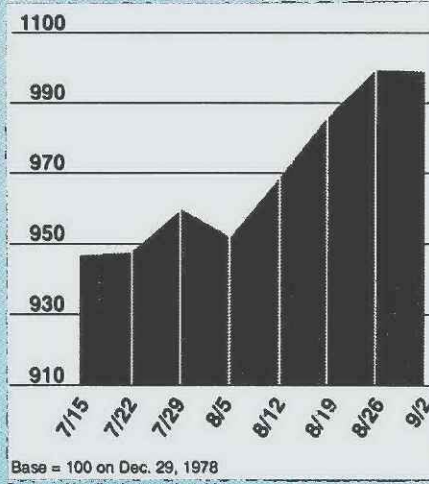
"We're confident that the investigation will find no basis for reversing that decision," he said. "We understand in Arizona there was no such precedent."

In New Hampshire, a spokesman for Northeast Delta Dental said all three companies operating under Northeast Delta Dental—Delta Dental Plan of Maine, Delta Dental Plan of New Hampshire and Delta Dental Plan of Vermont—have done nothing wrong.

"The most-favored nation clause is a key element to control costs and pass savings on to the consumer," he said.

In an unrelated case, Delta Dental Plan of California issued a statement that a U.S. District Court recently upheld the insurer's right to require dentists under contract to collect copayments, ruling it was not anti-competitive. **B1**

## BI Insurance Index



Base = 100 on Dec. 29, 1978

Source: Nordby International Inc.

Insurance stocks slipped last week, as the Business Insurance Index lost 0.1 of a point to 999.0 on Sept. 2 from 999.1 on Aug. 29. Advancing issues for the week were led by: Seibels Bruce Group, up 24.2%; National Real Corp., up 6.9%; and Mid Ocean Ltd., up 6.6%. Declining issues for the week followed: Continental Corp., down 7.0%; Poe & Brown Inc., down 6.3%; and ITT Corp. (Hartford Group), down 6.1%. The most active issue was U.S. Healthcare, 6.1 million shares traded. The BI Index fell 0.01%; the Dow Jones 30 Industrials gained 0.1%; the NYSE Composite fell 0.3%; and the Standard & Poor's 500 fell 0.6%.

# Assn. of Lloyd's Members disputes actual size of market's losses

By ADRIAN LADBURY

LONDON—Lloyd's of London and the Assn. of Lloyd's Members are squabbling over the actual size of losses that members have incurred.

The ALM contends Lloyd's names have been saddled with up to 2 billion pounds (\$3.07 billion) of illusory debt, but Lloyd's says the figure is less than \$670 million pounds (\$1.03 billion). About 500 million pounds (\$767 million) of the figure is due to double counting, the ALM estimates.

Double counting occurs when members of an errors and omissions or personal stop-loss syndicate are also members of the syndicate incurring the original loss. The member pays twice because both syndicates reserve for the

same loss. The ALM also said members are paying for overly conservative reserving on the 1992 and 1993 years of account, which have not yet closed.

Under Lloyd's rules, the ALM says, underwriters must use a system of "minimum percentage reserves." If Lloyd's relaxed the rules, 200 million pounds (\$306.8 million) of losses could be eliminated, the association argues.

The ALM also blames 350 million pounds (\$536.9 million) in losses on overly conservative auditing rules that categorize all losses in pre-1991 open years as long-tail. Double counting for the London market excess-of-loss spiral creates 300 million pounds (\$460.2 million) more in fictitious losses, the ALM adds.

The spiral would quickly unwind if Lloyd's were to revert to its pre-1988 method of deal-

ing with claims on a chronological basis.

The excessive losses currently reserved for by overly cautious underwriters and runoff managers could be avoided, the ALM says.

And, 700 million pounds (\$1.07 billion) could be saved if Lloyd's allowed members to credit expected 1993 profits against 1991 losses.

Lloyd's Chairman David Rowland swiftly answered ALM Chairman Sir David Berriman, saying that the true double-count figure is "probably less than a third" of the 2 billion pound figure.

He conceded that the minimum percentage reserves rule could be too conservative in some cases and said "Lloyd's will continue to explore that with the Department of Trade and Industry." **B1**

## British Issues

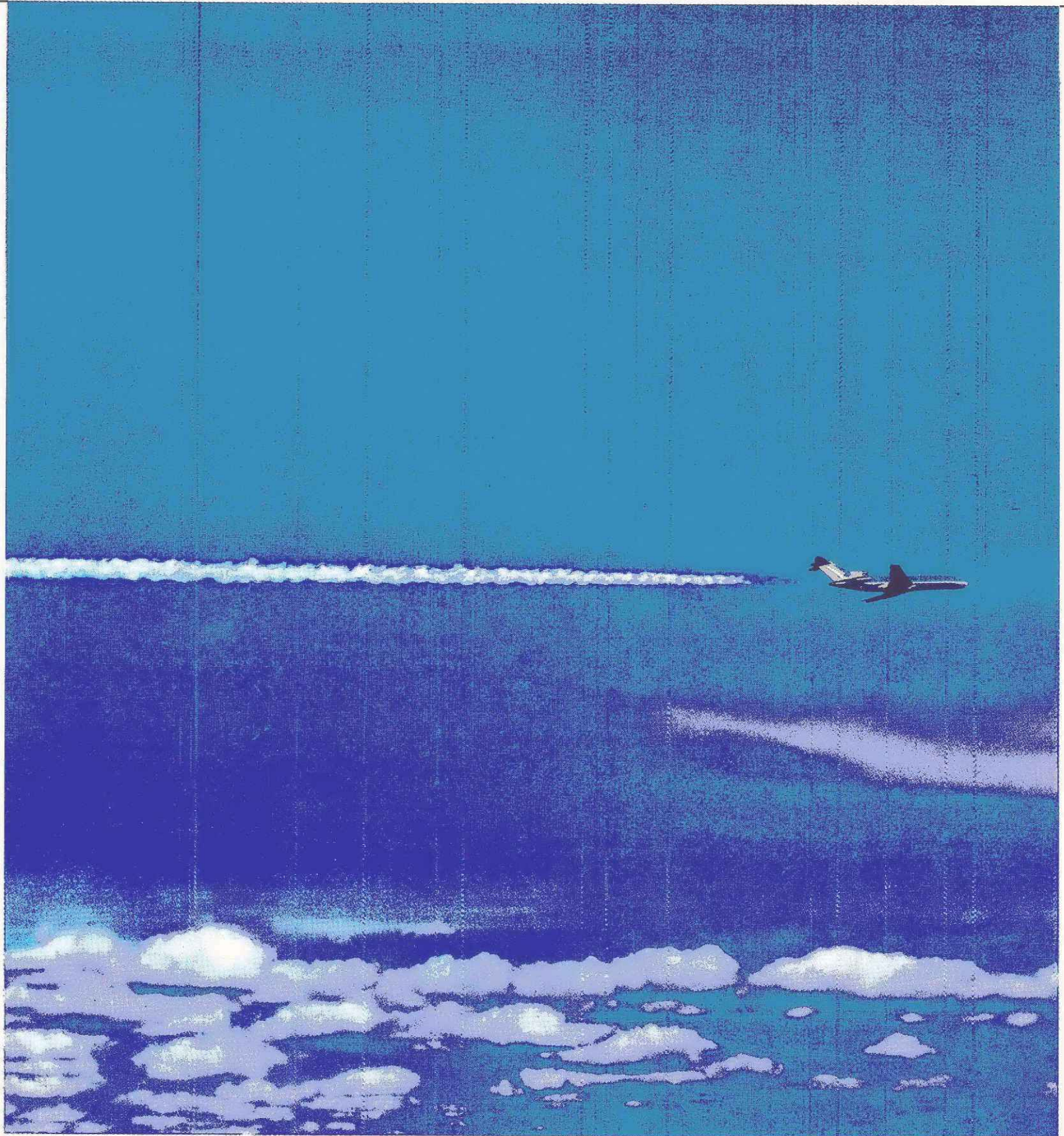
Sept. 1 Companies	Price pence	P/E*	Div. pence	Yield %	1 week high-low
Comm Union	548	17.4	31.0	5.3	557-548
Genl Accident	570	11.4	34.4	6.3	585-570
Gdn Royal Exch	193	12.5	9.5	4.9	194-193
Independent Royal	260	8.5	10.4	4.3	260-258
Sun Alliance	342	15.3	18.4	5.4	345-342
<b>Brokers</b>					
Bradstock	100	11.2	6.9	6.9	100-96
Fenchurch	155	12.1	9.0	5.3	155-155
CE Heath	290	10.4	20.0	6.9	290-287
JIB Group	147	12.9	9.4	6.4	148-147
Lloyd Thmpson	167	11.3	8.4	5.3	167-165
Londwes Lmbrt	197	12.5	9.4	4.3	197-195
Nelson Hurst	154	15.1	7.0	4.5	154-154
PWS Holdings	44	N/M	2.5	5.7	44-44
Sedgwick Grp	161	17.9	7.5	4.7	163-161
Steel Bri Jones	116	N/M	11.3	9.7	118-116
Willis Corroon	152	13.9	8.3	5.5	153-152

Source: Philip Olsen, London

\*Actual 1993 figures

## BI Industry Stock Report AUG. 29, 1994, THROUGH SEPT. 2, 1994

BROKERS										INSURERS/REINSURERS										HEALTH MAINTENANCE ORGANIZATIONS																															
Company	Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt./Bk. value	Company	Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt./Bk. value	Company	Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt./Bk. value																
Accordia Inc.	NYS	26.63	0.47	8.12	28.75	21.00	67	0.60	2.25	13	10.22	2.61	NAC Re Corp.	NDQ	26.50	1.92	-9.01	37.00	24.00	220	0.16	0.60	14	15.24	1.38	Accordia Inc.	NYS	26.63	0.47	8.12	28.75	21.00	67	0.60	2.25	13	10.22	2.61	NAC Re Corp.	NDQ	26.50	1.92	-9.01	37.00	24.00	220	0.16	0.60	14	15.24	1.38
Alexander & Alexander	NYS	20.50	0.00	3.14	24.88	14.00	168	0.10	0.49	-158	6.73	3.05	National Re Corp.	NYS	25.25	6.88	-17.55	36.88	23.50	207	0.16	0.63	10	17.51	1.44	Alexander & Alexander	NYS	20.50	0.00	3.14	24.88	14.00	168	0.10	0.49	-158	6.73	3.05	National Re Corp.	NYS	25.25	6.88	-17.55	36.88	23.50	207	0.16	0.63	10	17.51	1.44
E.W. Blanch Holdings Inc.	NYS	22.75	1.11	30.94	23.50	15.75	39	0.32	1.41	20	4.10	5.55	Navigator Group	NDQ	17.00	-3.55	-51.43	39.00	16.00	15	0.00	0.00	-6	16.99	1.00	E.W. Blanch Holdings Inc.	NYS	22.75	1.11	30.94	23.50	15.75	39	0.32	1.41	20	4.10	5.55	Navigator Group	NDQ	17.00	-3.55	-51.43	39.00	16.00	15	0.00	0.00	-6	16.99	1.00
Gallagher Arthur J. & Co.	NYS	33.25	-0.37	-6.99	37.13	28.13	53	0.88	2.65	17	7.52	4.42	Nobel Insurance Ltd.	NDQ	8.00	-1.54	4.92	8.63	6.63	4	0.20	2.50	4	6.84	1.17	Gallagher Arthur J. & Co.	NYS	33.25	-0.37	-6.99	37.13	28.13	53	0.88	2.65	17	7.52	4.42	Nobel Insurance Ltd.	NDQ	8.00	-1.54	4.92	8.63	6.63	4	0.20	2.50	4	6.84	1.17
Hib. Rogal & Hamilton	NYS	12.00	1.05	-8.57	15.13	11.13	25	0.48	4.00	16	4.51	2.66	NWNL Companies	NYS	32.25	2.79	-0.77	38.75	27.00	476	0.90	2.70	11	25.97	1.35	Hib. Rogal & Hamilton	NYS	12.00	1.05	-8.57	15.13	11.13	25	0.48	4.00	16	4.51	2.66	NWNL Companies	NYS	32.25	2.79	-0.77	38.75	27.00	476	0.90	2.70	11	25.97	1.35
Marsh & McLennan	NYS	84.50	-0.73	3.84	91.88	77.00	349	2.90	3.43	17	16.76	5.04	Ohio Casualty Corp.	NDQ	31.50	0.00	-1.18	36.00	26.50	440	1.46	4.63	13	23.84	1.32	Marsh & McLennan	NYS	84.50	-0.73	3.84	91.88	77.00	349	2.90	3.43	17	16.76	5.04	Ohio Casualty Corp.	NDQ	31.50	0.00	-1.18	36.00	26.50	440	1.46	4.63	13	23.84	1.32
Poe & Brown	NDQ	20.63	-6.25	14.58	22.75	16.88	46	0.40	1.94	15	3.02	6.83	Old Republic Int'l	NYS	22.13	1.72	-1.67	27.63	21.25	324	0.48	2.17	8	23.57	0.94	Poe & Brown	NDQ	20.63	-6.25	14.58	22.75	16.88	46	0.40	1.94	15	3.02	6.83	Old Republic Int'l	NYS	22.13	1.72	-1.67	27.63	21.25	324	0.48	2.17	8	23.57	0.94
BROKERS AVERAGE			-0.7	6.4				2.3	-8				Orion Capital Corp.	NYS	32.38	-1.15	4.85	36.59	28.63	37	0.72	2.22	9	27.43	1.18	BROKERS AVERAGE			-0.7	6.4				2.3	-8				Orion Capital Corp.	NYS	32.38	-1.15	4.85	36.59	28.63	37	0.72	2.22	9	27.43	1.18
ACE Ltd.	NYS	22.63	-2.16	-25.82	35.00	22.63	489	0.44	1.94	-30	28.74	0.79	Partner Holdings Ltd.	NDQ	21.75	2.65	0.00	23.50	18.50	790	0.40	1.84	18	N.A.	N.A.	ACE Ltd.	NYS	22.63	-2.16	-25.82	35.00	22.63	489	0.44	1.94	-30	28.74	0.79	Partner Holdings Ltd.	NDQ	21.75	2.65	0.00	23.50	18.50	790	0.40	1.84	18	N.A.	N.A.
Acceptance Insurance Cos.	NYS	15.00	6.19	29.03	15.63	11.13	174	0.00	0.00	14	9.85	1.55	Penn-America Group, Inc.	NDQ	7.25	-3.33	-5.69	9.50	6.50	9	0.00	0.00	8	6.21	1.17	Acceptance Insurance Cos.	NYS	15.00	6.19	29.03	15.63	11.13	174	0.00	0.00	14	9.85	1.55	Penn-America Group, Inc.	NDQ	7.25	-3.33	-5.69	9.50	6.50	9	0.00	0.00	8	6.21	1.17
AEGON N.V.	NYS	57.00	-3.80	4.11	59.50	46.00	18	2.94	5.15	10	34.71	1.64	Phoenix RE Corp.	NDQ	27.13	5.85	-1.36	37.75	18.50	346	0.30	1.11	7	18.99	1.36	AEGON N.V.	NYS	57.00	-3.80	4.11	59.50	46.00	18	2.94	5.15	10	34.71	1.64	Phoenix RE Corp.	NDQ	27.13	5.85	-1.36	37.75	18.50	346	0.30	1.11	7	18.99	1.36
Aetna Life & Casualty	NYS	49.75	-3.40	-17.43	66.25	48.88	1051	2.76	5.55	-8	71.84	0.69	RE Life	NYS	29.13	1.75	-7.91	31.88	24.38	218	1.04	3.57	-12	26.38	1.10	Aetna Life & Casualty	NYS	49.75	-3.40	-17.43	66.25	48.88	1051	2.76	5.55	-8	71.84	0.69	RE Life	NYS	29.13	1.75	-7.91	31.88	24.38	218	1.04	3.57	-12	26.38	1.10
Allied Group Inc.	NDQ	29.13	-0.43	16.50	32.75	22.75	141	0.60	2.06	7	10.45	2.79	Re Capital Corp.	NDQ	12.56	-1.47	-7.80	15.50	12.25	5	0.32	2.55	12	16.88	0.74	Allied Group Inc.	NDQ	29.13	-0.43	16.50	32.75	22.75	141	0.60	2.06	7	10.45	2.79	Re Capital Corp.	NDQ	12.56	-1.47	-7.80	15.50	12.25	5	0.32	2.55	12	16.88	0.74
Allmerica Prop. & Casualty	NYS	17.25	4.55	-19.92	22.16	14.25	48	0.16	0.93	11	56.97	1.02	Reliance Group Holdings	NYS	6.25	6.38	-19.35	10.38	4.88	843	0.32	1.12	11	4.22	1.48	Allmerica Prop. & Casualty	NYS	17.25	4.55	-19.92	22.16	14.25	48	0.16	0.93	11	56.97	1.02	Reliance Group Holdings	NYS	6.25	6.38	-19.35	10.38	4.88	843	0.32	1.12	11	4.22	1.48
Allstate Corp.	NYS	26.25	-1.41	-11.76	34.25	22.63	784	0.72	2.74	17	18.43	1.42	RLI Corp.	NYS	22.25	-1.66	-16.82	27.75	20.63	4	0.60	2.70	-44	22.91	0.97	Allstate Corp.	NYS	26.25	-1.41	-11.76	34.25	22.63	784	0.72	2.74	17	18.43	1.42	RLI Corp.	NYS	22.25	-1.66	-16.82	27.75	20.63	4	0.60	2.70	-44	22.91	0.97
American General	NYS	29.75	-0.42	4.39	36.00	24.88	1345	1.16	3.90	23	22.09	1.35	St. Paul Companies	NYS	42.13	-3.44	-6.13	49.00	37.69	783	1.50	3.56	9	57.84	0.73	American General	NYS	29.75	-0.42	4.39	36.00	24.88	1345	1.16	3.90	23	22.09	1.35	St. Paul Companies	NYS	42.13	-3.44	-6.13	49.00	37.69	783	1.50</				



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