NEWSPAPER

SEPTEMBER 6, 1993

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $2.50 a copy; $80 a year

© Entire contents copyright 1993 by Crain Communications Inc. All rights reserved

Update

P/C insurers' net income jumps 20% during the first-half: Survey

NEW YORK—The U.S. property/casualty insurance industry's first-half net income rose 19.7% to $9.21 billion from $7.7 billion for the comparable period a year ago, according to the Insurance Services Office Inc. and the National Assn. of Independent Insurers.

The figures are estimates based on reports that account for 96% of the country's property/casualty insurance business. A survey of major commercial property/casualty insurers by *Business*

Continued on next page

A high price for certainty

CNA, Chubb pay billions to cap Fibreboard liability

By MICHAEL SCHACHNER

The decision by CNA Financial Corp. and Chubb Corp. to pay more than $3 billion to settle asbestos personal injury claims against Fibreboard Corp. is being applauded as a costly but necessary step to cap both insurers' asbestos liabilities.

However, the proposed settlement is a stark reminder of the massive asbestos and pollution liabilities that insurers are facing.

Dennis Chookaszian, chairman and chief executive officer of CNA Insurance Cos., lamented that two liability policies written more than 30 years ago, which generated less than $20,000 in premium, have cost the insurer $2 billion.

"We could have paid more than that, or we could have paid less; you just don't know with the jury system. This will hopefully replace 25 years of litigation with some certainty. To end this distraction, we have decided that it is worth paying this amount," Mr. Chookaszian said.

"It literally boggles the mind that a couple of policies written in the 1950s could result in over $3 billion in losses. That's equal to Hurricane Hugo," noted Jack Snyder, senior vp with A.M. Best Co. in Oldwick, N.J.

"This is a very dramatic move by these companies," said Jay Cohen, an insurance industry analyst with Salomon Bros. in New York. "We're talking $3.25 billion, which is roughly 2% of the entire insurance industry's surplus. While it in no way threatens either company's solvency, it hurts earnings this year and will reduce investment income in future years."

Chubb agreed to settle because "this is the most positive solution to a protracted problem because it involves all parties; Chubb, CNA, Fibreboard and leading plaintiffs' attorneys. If approved, it finalizes this expo-

Continued on page 44

Insurers, businesses expect toll from Emily to be light

By SARA MARLEY

Like many business owners and residents of North Carolina's Outer Banks, the insurance industry escaped relatively unscathed from Hurricane Emily.

Despite the 115-mph sustained winds that classified the storm as a Category 3 on the Saffir-Simpson Hurricane Scale, Emily just brushed the coast last week before turning back to sea. The eye never hit land.

According to the North Carolina Insurance News Service, most of the losses will be paid by two sources: the North Carolina Insurance Underwriting Assn., a joint underwriting association, and the National Flood Insurance Program.

The JUA, commonly called the Beach Plan, issues two types of policies. It will write all coverages or only windstorm coverage to supplement commercial policies.

"I don't think we have anything on the Outer Banks that is not in the windstorm pool," said W. Kurt Fickling, president of Fickling & Clement Insurance in Greenville, N.C.

Neither of the programs estimated damages last week.

The Property Claims Service division of the American Insurance Services Group Inc. assigned Catastrophe No. 68 to Emily, though a damage estimate will not be available until the middle of this week.

Nationwide Insurance Group, the leading property/casualty insurer in North Carolina with a 10.7% market share in 1992, estimated it will incur about $3.7 million in property losses before reinsurance. About 1,500 claims were expected from the Outer Banks and another 1,000 from policyholders living within 12 miles of the coast.

State Farm Group, the state's second largest writer with 9.5% of the market last year, expected "extremely light" losses, with fewer than 1,000 property claims reported, a spokesman said.

The North Carolina Farm Bureau Mutual Insurance Co. also

Continued on page 46

Exxon sues for cleanup coverage

By DAVE LENCKUS and ADRIAN LADBURY

Exxon Corp. and its more than 100 cargo insurers worldwide are battling in federal and state courts over whether an excess insurance policy they wrote covers pollution cleanup costs following the massive 1989 oil spill in Alaska.

The litigation centers on a manuscript global corporate excess insurance policy that covers Exxon for both physical damage to cargo it owns and liability that results from cargo movements.

The package policy also covers liability arising from the operation of specified marine and non-marine facilities.

The GCE package policy provides $600 million of property coverage and a $250 million combined single limit for liability exposures, according to sources.

The property and liability coverage was written excess of large self-insured retentions, which one source said totaled hundreds of millions of dollars.



AP/Wide World Photo

Crude oil from the Exxon Valdez spill fouls Prince William Sound.

Exxon contends that it is covered under various sections of the policy for its pollution cleanup costs as well as its costs to settle thousands of third-party personal injury and property damage claims filed by Alaskans after the spill.

The Irving, Texas-based oil giant seeks unspecified actual and punitive damages, interest and attorneys fees in its suit, filed Aug. 4 in a Texas district court in Houston.

But, Exxon's cargo insurers contend in a suit filed last week in U.S. District Court in New York that the company was not covered for pollution liability because it already had such coverage with a Bermuda-based protection and indemnity club.

The insurers also deny coverage for several other reasons, including that Exxon, as a cargo owner, had no legal duty to clean up the spill and that it only took the cleanup measures to bolster its sagging public relations image.

The litigation embroils Exxon and more than 100 insurance companies worldwide, including underwriters at Lloyd's of London, Allianz International Insurance Co. (Ltd.), and units of American International Group Inc., CIGNA Corp. and Continental Corp.

The GCE policy was placed by Marsh & McLennan Inc. of New York and its London affiliate C.T. Bowring & Co. (Insurance) Ltd. The coverage is led by

Continued on page 45

Forbes plan cuts claims

Employees rewarded for not making an issue of routine care

By CHRISTINE WOOLSEY

NEW YORK—One of capitalism's most outspoken champions, Forbes magazine, is putting its health care money where its mouth is.

No managed care networks or purchasing alliances here. Instead, Forbes is using the oldest capitalist tool—cash—to discourage employees from filing routine medical claims.

By paying annual bonuses of up to $1,200 to employees who file no claims, Forbes hopes to make employees into health care consumers, rather than users, and to encourage them to forego unnecessary care.

Forbes' incentive plan has piqued the interest of a number of CEOs since it was detailed in an editorial earlier this year, both magazine executives and outside benefit consultants report.

The idea is not new. A handful of employers have tried similar strategies within the last decade, with mixed results. And like most other techniques touted as "ground-breaking solutions" to employers' cost problems, this strategy is not without its critics.

Some benefit consultants, for example, say the program could not work for companies with larger, older workforces, lots of retirees or collectively bargained plans.

Others say the bonuses raise some troubling tax questions.

And most agree that the savings Forbes attributes to benefit plan changes are short-term at best and could be attributable to the luck of a healthy plan year.

The magazine's seven-figure

Continued on page 35

Spotlight on

RETIREMENT PLANS PAGE 3

Directory of 401(k) Plan Administrators Page 15

Update

P/C first-half income up 19.7%

Continued from previous page

Insurance found their net income increased only 7.3% to $3.92 billion from $3.66 billion (*BI*, Aug. 23).

According to the ISO and the NAII, the industry posted a 106.9% combined ratio for the first half compared with a 108.2% ratio for the comparable period a year ago.

Underwriting losses declined 8.1% to $9.1 billion from $9.91 billion. Net investment income decreased 4.2% to $16.27 billion from $16.98 billion.

Net written premiums for the first half totaled $119.69 billion, up 4.7% from $114.31 billion for the comparable period a year ago. The industry's consolidated surplus increased 8.2% to $173.38 billion from $160.23 billion for the same period a year ago.

Universal coverage phase-in

WASHINGTON—The Clinton administration's soon-to-be-released health reform package will phase in universal coverage so that all Americans have health insurance no later than December 1997, the White House said last week.

"We expect the new system will be up and running in a number of states by 1995. The vast majority of the American people will have guaranteed coverage by 1996" with a "firm deadline of December 1997" for the remaining uninsured, the White House said.

In addition, the administration repeated its earlier promise that financing its package will not require any new, broad-based taxes but said higher cigarette taxes are likely. Financing also is expected through cuts in projected increases in federal spending for the Medicare and Medicaid programs.

The administration also said "profiteering" by health care providers would be "monitored and prohibited," but it did not specify exactly how this would be accomplished.

The White House would not comment, though, on a published report that dental benefits for adults initially would not be part of the basic health care plan to which all Americans would be entitled.

Grace asbestos cover limited

NEW YORK—W.R. Grace & Co. can only tap coverage for thousands of asbestos-related property damage claims from insurers that covered the company at the time it installed asbestos products in buildings, the 2nd U.S. Circuit Court of Appeals has ruled.

Grace said it will appeal the Sept. 2 ruling, which overturned a trial court ruling that found coverage based on a discovery-of-damage trigger.

Grace said the 2nd Circuit ruling reduces its available coverage from more than $1.5 billion to a much lower, unspecified amount. The conglomerate was more heavily insured when asbestos damage began to be discovered in the 1970s and 1980s than when the materials were installed in the 1950s and 1960s, a spokesman said.

Insurers involved in the appeal were Maryland Casualty Co., Continental Casualty Co., Aetna Casualty & Surety Co., General Insurance Co. of America and Royal Indemnity Co.

Grace faces between $480 million and $627 million in asbestos property damage and personal injury claims, and has already paid out about $360 million in settlements.

Non-discrimination rules final

WASHINGTON—Employers have just four months to digest and comply with final Internal Revenue Service pension non-discrimination rules, which were issued last week.

Benefit experts say many of the changes in the final rules involve very technical issues.

The final rules, like earlier proposed rules, do not provide a meaningful "safe harbor" for PIA offset plans, which are pension plans that are integrated with Social Security. A safe harbor would have enabled these plans to avoid complex testing procedures.

In addition, the rules for employers offering pension plans in different operating units remain very cumbersome, though some modest changes were made. For example, information would not have to be collected on non-resident aliens.

Unlike the other rules, the so-called SLOB rules—short for separate lines of business—are only proposals, and employers will have until Nov. 8 to comment on them.

New Bermuda reinsurer

HAMILTON, Bermuda—Aon Corp., CNA Insurance Cos. and a unit of Lazard Freres & Co. are forming a new Bermuda-based reinsurer to write catastrophe and other coverages.

The facility, the name of which was not announced last week, aims to raise $500 million in capital in a private placement through Lazard Freres. Aon, CNA and Corporate Partners, a Lazard Freres affiliate, will contribute a "substantial amount" of the total, perhaps as much as $250 million, said Lorey Hoffman, senior vp with Aon Risk Services.

The company will write all lines of reinsurance but will focus initially on property catastrophe risks, specialty casualty and quota-share reinsurance for Lloyd's of London syndicates.

Mr. Hoffman said the reinsurer intends to be a lead underwriter on catastrophe programs and will write large lines—perhaps $20 million or more—on a relatively small number of treaties.

William J. Adamson, group vp of CNA's reinsurance division, will be interim chief executive officer of the new reinsurer, which will bind business starting Jan. 1, 1994.

Updates continued on page 46

U.S. reinsurers bemoan little change in market

By JUDY GREENWALD

U.S. reinsurance executives are lamenting the "same old, same old" market conditions, with no clear prospects for any significant change in sight.

"It's kind of more of the same," said Ajit Jain, president of the reinsurance division of Berkshire Hathaway Inc. in Stamford, Conn. "I think it'll be quite a while before we see any meaningful improvement."

"If we don't have a major hurricane, there will be some improvement (in results). If we have a major hurricane, who knows? But the fact is the market isn't tightening up yet," said Bard E. Bunaes, chairman and chief executive officer of Constitution Reinsurance Corp. in New York. "The underlying pricing is still very weak, and that scares all of us."

"I don't see any evidence whatsoever that shows there will be dramatic change," said Thomas J. Gallagher, senior vp for Prudential Reinsurance Co. in Newark, N.J.

"I think there'll still be a strong, positive market for catastrophe (reinsurance), but nothing else. Everything else is the same," Mr. Gallagher said.

The U.S. reinsurance industry reported a 107.2% combined ratio for the first half if 1993, compared with a 106.7% combined ratio for the comparable period last year, according to a survey of 57 reinsurers by the Washington-based Reinsurance Assn. of America. This was a slight improvement over the

Continued on page 38

Court rulings limit damages to defendant's degree of fault

Florida rulings cap liability

By JOANNE WOJCIK

TALLAHASSEE, Fla.—Two rulings by the Florida Supreme Court interpret provisions in the state's 1986 tort reform law as capping the liability of defendants only partially responsible for a plaintiff's injuries.

"We finally have a definitive ruling equating liability with fault," said Marguerite H. Davis, a defense attorney with Katz, Kutter, Haigler, Alderman, Davis, Marks & Rutledge in Tallahassee, Fla.

However, trial lawyers warn the decisions could trigger an increase in litigation since more potentially responsible parties are likely to be sued if it becomes more difficult for plaintiffs to single out a "deep pocket."

In one of the cases, *Fabre vs. Marin*, the state's high court ruled that defendants found liable in personal injury cases can only be forced to pay damages based on their degree of fault.

And in *Allied Signal Inc. vs. Fox*, the court found that a manufacturer sued for negligence in a workplace injury case cannot be forced to pay damages on behalf of an employer found to be partially at fault.

Both Aug. 26 decisions strictly interpret Florida's 1986 Tort Reform Act, which abolished the doctrine of joint and several liability in apportioning non-eco-

Continued on page 43

Curbing retiree liabilities

Most big firms have adopted FAS 106: Study

By CHRISTINE WOOLSEY

NEW YORK—In light of the toll FAS 106 took on 1992 corporate earnings, employers are continuing to search for strategies to limit their future retiree medical obligations.

The charge to corporate earnings under FAS 106 consumed almost a third of Fortune 100 companies' combined operating income in fiscal 1992, though the impact varied considerably from company to company, a Towers Perrin survey reveals.

The accounting rule's drain on corporate profits was heavier than initially predicted, partly because of the nation's sluggish economy, which kept most large employers' earnings down, said William J. Falk, director of Towers Perrin's health and welfare actuarial practice in Chicago. In addition, low interest rates mean employers will have less interest income to help them offset future retiree medical expenses, he explained.

The good news is that because most of these companies chose to recognize their accumulated retiree medical obligations by taking a one-time charge to their income statements, their future income statements will look much better. And, companies that tried to reduce their retiree medical expenses through plan design changes will have eased the rule's future impact as well.

But executives at those companies must continue to search for new strategies to manage the ongoing impact FAS 106 will

Continued on page 46

Quality lacking, industry told

By SALLY ROBERTS

NASHVILLE, Tenn.—If the insurance industry wants to do more business in the future, it must begin delivering quality customer service, corporate clients contend.

The insurance industry is sorely lacking in that area, corporate clients complained at the first Quality Insurance Congress Aug. 24-25 in Nashville. And, none of the more than 100 insurers, agents and brokers attending that seminar disputed the criticism.

"The insurance industry doesn't have a clue what (total quality management) is about," said Chuck Armstrong, risk manager for Xerox Corp. in Stamford, Conn. "I'm not a satisfied customer because, in part, no one listens."

Bill Marshall, treasurer of

Continued on page 36

Inside

- *Business Insurance* sometimes must inform readers of aspects of the industry they'd rather not know, this week's editorial says. **PAGE 8**
- Captives can help fund pollution coverage, experts said at the Vermont Captive Insurance Assn. Conference. Coverage begins on **PAGE 37**
- Market observers say demand for EIL coverage isn't big in Australia—yet. **PAGE 39**
- New investment vehicles have been created for corporate members of Lloyd's. **PAGE 39**
- Texas insurers may sue over a regulatory board's last-minute rulemaking. **PAGE 44**

Departments

Advertiser Index 29

Ask a Risk Manager 28
***BI* Stock Index** 47
Classifieds 42
Comings & Goings: Industry 34
For the Record 46
Insurance Services Guide 43
International 39
Legal Briefs 28
Letters 8
London 40
Opinions 8
Perspectives 27
Reader Reply Service 29

Vol.27, No.37—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207-3185; 800-678-9595 or 313-446-1611. Copyright 1993 by Crain Communications Inc.

Retirement Plans

New tax law targets high-wage earners but may hit others, too

By JERRY GEISEL

High-paid executives aren't the only victims of the latest congressional effort to reap more tax revenue by cutting back on the amount of compensation that can be considered in determining pension benefits and contributions.

Tax legislation signed by President Clinton last month will reduce—beginning in 1994—the maximum amount of an employee's wages that employers can use in computing pension benefits and contributions to $150,000 from $235,840.

Current retirees will not be affected. But benefits provided through defined benefit plans to "highly compensated" future retirees could be reduced by 40% or more from the amount they would have received had Congress not lowered the so-called covered compensation limit.

"We are seeing cuts well in excess of 40%," said Donald Segal, a vp and actuary with The Segal Co. in New York.

In the cases of top-ranking officers like chief financial officers and CEOs, companies probably will make up any lost benefits by establishing or expanding supplemental executive pension programs. But the tax law fallout extends far beyond just the very top earners.

Other ramifications from reducing the covered compensation limit, initially proposed by the Clinton administration to raise about $2.5 billion over the next five years, include:

- Due to a quirk in the way the basic 401(k) non-discrimination test is run, employees at the lower end of the highly compensated range—those making about $65,000 to $80,000—could see big drops in the amount of deferrals they can make to 401(k) plans.

"It isn't only the big hitters who get smacked. If you make $70,000 you could be very negatively affected," observed Dick Spitznass, vp of compensation and benefits at Georgia-Pacific Corp. in Atlanta.

And, unlike the "big hitters," employees making between $65,000 and $80,000 typically aren't covered by supplemental, non-qualified pension plans.

- Employers that expand supplemental pension programs will see their benefit costs increase since supplemental plans, also known as top hat plans or SERPs, short for supplemental executive retirement plans, are "unfunded" programs.

Companies make contributions only when benefits are due, so tax benefits are delayed until the payments are made. As a result, there are no assets to build up, as they do in qualified plans, to earn tax-deferred interest.

- Benefit promises employers make to high-paid employees will be less secure.

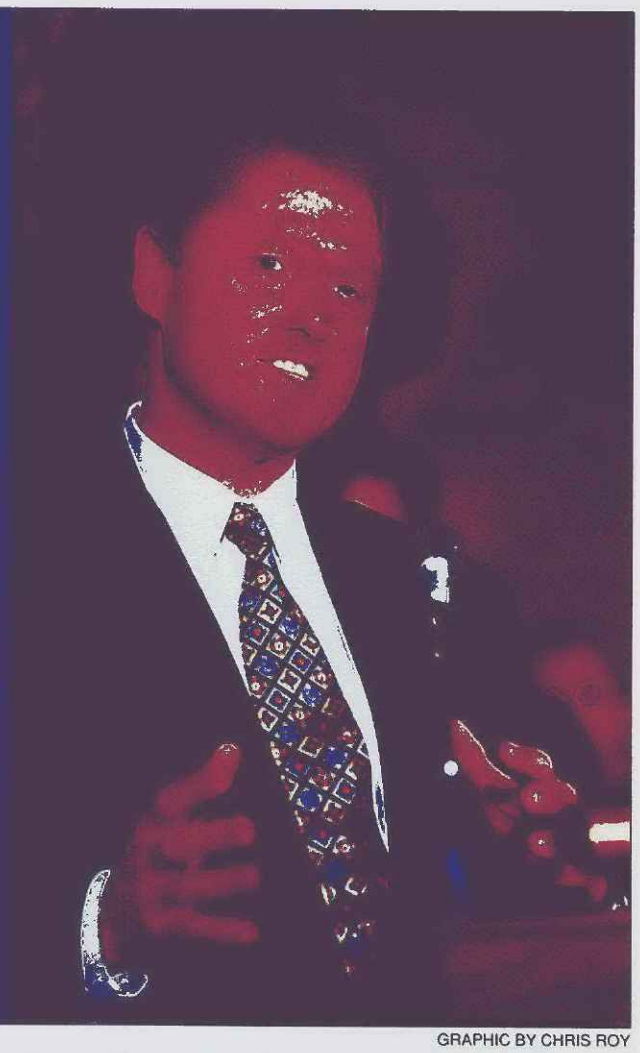
A greater percentage of retirement income will be provided to high-paid employees through supplemental plans, which are unfunded and, as non-ERISA qualified plans, are not insured by the federal Pension Benefit Guaranty Corp.

Benefit promises backed up by supplemental plans are only as solid as the company itself. If the company fails, the bene-

Continued on page 6

BOTTOM LINE ON THE BUDGET BILL

- More benefits from riskier, unfunded supplemental plans.
- Higher pension costs for some employers.
- Smaller 401(k) deferrals and matches for people earning $65,000 to $80,000 per year.
- Bigger Medicare tax bite for the highly paid.
- Increase in pension underfunding.



GRAPHIC BY CHRIS ROY

Synthetics giving 'real' GICs a run for their money

By JUDY GREENWALD

Synthetic guaranteed investment contracts are attracting a growing amount of interest from employers that sponsor 401(k) plans.

For plan sponsors that remain jittery about GICs due to the failures of issuers like Mutual Benefit Life Insurance Co. and Executive Life Insurance Co., the primary appeal of synthetic GICs is that they allow diversification: The complex products are offered by investment managers, banks and other financial institutions besides insurers.

Furthermore, unlike traditional GICs, the underlying asset in synthetic GICs is actually owned by the plan itself rather than by an insurer, which can give plan sponsors an additional degree of comfort.

"They add diversification and reduce risk," said Donald Butt, manager of trust investments for telecommunications company U.S. West Inc. in Denver, which has about 25% of its GIC fund investments in synthetics.

"Virtually every plan sponsor we talk to wants to know more about them," said Kim McCarrel, a consultant with Wyatt Asset Services Inc. in Portland, Ore.

"Absolutely, they're going to grow in popularity," predicted Mike Seidenberg, a consultant with Mercer Asset Planning Inc. in Philadelphia.

While synthetic GICs operate similarly to traditional GICs, their basic structure is different. A traditional GIC is essentially a contract that guarantees the payment of interest and principal by an insurer at a specified date.

Synthetics are typically composed of two different pieces:

- The first component is a portfolio of underlying securities. These assets are often triple-A-rated government agency securities, such as those issued by the Federal National Mortgage Assn. or the Federal Home Loan Mortgage Corp.

These securities can either be passively managed, which is called a "buy and hold" approach, or actively managed by investment managers. It is the latter type that has been fueling synthetics' recent growth.

- The second piece of a synthetic is the wrapper—provided by financial institutions, including some insurers—that guarantees the book value of the underlying portfolio.

Synthetics, like traditional GICs, feature book value accounting, which means plan participants who withdraw or transfer funds receive cost plus accrued interest. Book value accounting is a critical feature of both traditional and synthetic GICs because it prevents plan sponsors from having to tell participants their assets have declined due to fluctuations in market value.

Some insurance companies also offer separate account GICs, which are sometimes categorized with synthetic GICs. In separate account GICs, the insurance company is the legal owner of the assets, though the plan assets

Continued on page 14

401(k) plan sponsors adjusting to withholding tax

Compliance not as difficult as expected

By LOUISE KERTESZ

In retrospect, business outcry over a 1992 law imposing a 20% withholding tax on retirement plan distributions is sounding like much ado about not much.

Now that companies have developed procedures for complying with the tax, the anticipated trauma is not materializing.

"When it first came out, it was a headache because (employers) had to get up to speed. But now I think they made a mountain out of a molehill. It's pretty easy to administer. I don't hear anybody complaining anymore," said James Hotvet, retirement practice leader at Alexander & Alexander Consulting Group in Pasadena, Calif.

Many medium-size and large firms have sophisticated human resource staffs that are accustomed to phasing in new requirements. For some companies, though, establishing the procedures was "a nightmare," and the rule is one more administrative requirement for already burdened staffs.

"Basically, it's just one more thing that an employer has to do in an already complex pension administration environment," said Richard Joss, a Wyatt Co. resource actuary in Seattle.

Some companies are starting to think that 401(k) plans are more trouble than they're worth. Midsize clients are thinking about dropping their 401(k) plans, according to Mr. Joss. "Yet they would like to offer their employees something, so they're torn."

Since Jan. 1, a 20% withholding tax has applied to retirement plan distributions, like lump-sum payments and in-service withdrawals. That tax can be avoided if an employer transfers the payments directly to the employee's IRA or to a new employer's defined contribution plan (*BI*, Sept. 7, 1992).

Employers are required to inform employees of their options. It is up to employees, though, to specifically request a direct transfer of a pension distribution.

"When the rules first came out, employers were concerned they would have to send checks all over the country," said Michael Sternklar, a principal at Kwasha Lipton in Fort Lee, N.J.

IRS regulations, though, permit employers to give employees a check for the distribution made out to an IRA or a qualified plan, leaving the actual rollover up to employees. And many employers are doing just that.

Also, the regulations permit employers to limit the distribution to one rollover. "And most did," Mr. Sternklar observed.

Employers have shown little inclination to give terminating employees more leeway. "Employers' perspective was almost uniformly, 'I'm not bending over backward to give employees 100% flexi-

Continued on page 12

IRS opinion may maximize 401(k) deferrals

By JERRY GEISEL

The Internal Revenue Service may block a new technique that allows highly compensated employees to maximize deferrals to 401(k) plans and cuts back on employers' hassles in administering the plans.

The IRS says it is "reconsidering" private letter ruling 9317037, in which the service for the first time allowed a transfer of funds from a non-qualified deferred compensation plan to a 401(k) plan.

The IRS would not elaborate on the reasons behind the possible change of heart, but a spokesman did say that many questions have cropped up regarding transferring deferrals from a non-qualified plan to a qualified plan.

A private letter ruling does not carry the weight of IRS regulations or revenue rulings. It cannot be cited as a precedent. But it does show the IRS' reasoning on an issue.

The letter ruling, which was publicly released in May, has triggered considerable interest from employers that see it as a way for their top-compensated employees to make the highest-possible contributions in certain situations to 401(k) plans, while reducing the number of "excess" contributions employers must return to employees. Returning excess contributions, required when highly compensated employees defer more than the IRS allows under a basic non-discrimination test, is a messy administrative burden.

"Employers are interested because the technique helps to avoid refunds of contributions while helping to ensure that top-management employees can make the maximum deferrals to their 401(k) plans," said Martha Priddy Patterson, director of employee benefits policy and analysis at KPMG Peat Marwick in Washington.

"This is a nice, flexible way of doing things. It is a way that two plans—a non-qualified plan and a 401(k) plan—can work together" to maximize deferrals, says Scott A. Tanker, a Noble Lowndes' vp and senior consultant in Philadelphia.

Other pension experts, though, are less enamored. They question if the additional work—such as in communicating the technique and scrambling to meet certain deadlines—is justified given the relatively small amounts of dollars that are involved.

"I don't know if this is worth doing," said Michael Sternklar, a principal with Kwasha Lipton in Fort Lee, N.J.

"It is not a way of gaining many additional dollars," said John Woyke, a principal with Towers Perrin in Valhalla, N.Y.

The technique discussed in the private letter ruling involves an issue that many employers face: How to allow highly compensated employees to make the maximum deferrals to their 401(k) plan without the plan failing the basic IRS non-discrimination test. Under the actual deferral percentage test, average deferrals by highly compensated employees—those earning more than $64,245—generally cannot exceed the average deferrals of rank-and-file employees by more than two percentage points.

If the 401(k) plan fails the ADP test, a portion of deferrals must be returned to highly compensated employees to enable the plan to pass the test. This can be an administrative mess for employers, benefit consultants say.

To steer clear of this problem, many employers now limit deferrals of highly compensated employees to a fixed percentage of salary. The trouble with that strategy is that when an employer runs the ADP test at the end of the year, it may find that highly compensated employees could have contributed more because rank-and-file employees deferred more than expected. By then, though, it may be too late for highly compensated employees to kick in additional deferrals.

The pairing of a 401(k) plan with a non-qualified plan helps to reduce those problems.

An example based on the IRS private letter ruling illustrates how this pairing would work:

Assume an employer has both a 401(k) plan and a non-qualified plan. A senior-management employee agrees to defer 5% of salary to the non-qualified plan and 4% of pay to the 401(k) plan. Both plans operate on a calendar year.

After the end of the plan year and before Jan. 31—so that a W-2 wage statement can be prepared—the employer runs the ADP test on the 401(k) plan.

The employer finds that the 401(k) plan easily passed the ADP test, because the difference between average deferrals of highly compensated employees and non-highly compensated employees is less than two percentage points. In fact, employees in the non-qualified plans could contribute up to 7% of salary to the 401(k) plan without it failing the ADP test, the employer finds.

In this example, the highly compensated employee then could either transfer up to 3% of salary now in the non-qualified plan to the 401(k) plan, or take the 3% in cash and pay taxes on it.

This transfer would have to occur by March 15, or 2½ months after the end of the plan year.

In addition, under the private letter ruling, no investment earnings on deferrals originally made to the non-qualified plan could be transferred to the 401(k) plan. The earnings would have to remain in the non-qualified plan.

Reducing amounts held by a non-qualified plan and maximizing amounts held by a 401(k) is attractive and has several advantages to employees.

If a company were to fail, employees could lose everything that is promised to them in a non-qualified plan. They are considered unsecured creditors. On the other hand, assets held by 401(k) plans are for the exclusive benefit of participants and cannot be seized by a company's creditors.

In addition, when an employee terminates employment, 401(k) plan distributions can be directly transferred—without any withholding taxes—to an Individual Retirement Account or to a defined contribution plan sponsored by the employee's new employer.

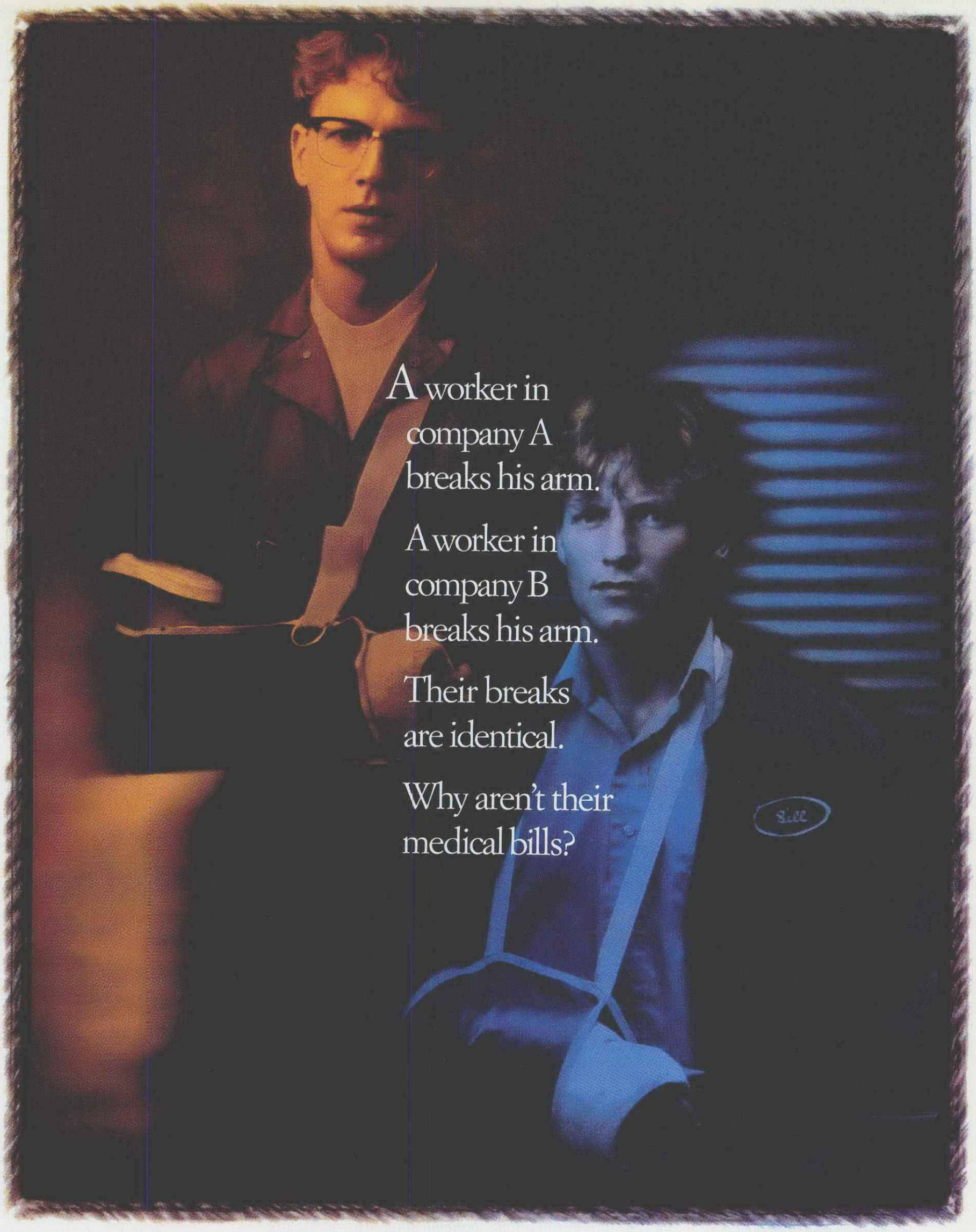
Distributions from non-qualified plans, though, cannot be rolled over to an IRA or to an employer's qualified defined contribution plan. BI

Nonstop to London.
Showers expected upon arrival.



British Airways' new arrival facilities at London's Heathrow and Gatwick airports are making quite a splash. Now, ClubWorld℠ and First Class passengers can enjoy a hot shower and breakfast or even catch up on business in our private lounge. You'll be off to a flying start. *It's the way we make you feel* that makes us the world's favourite airline.

BRITISH AIRWAYS
The world's favourite airline®



With Wausau's ACCURE℠ system, our claim people automatically reduce workers compensation medical bills to allowable state fee schedules, PPO rates, or reasonable and customary charges. In 1992, savings averaged 20%. Efficient, accurate medical cost management.

WAUSAU
NATIONWIDE® INSURANCE GROUP

Wausau Insurance Companies, 2000 Westwood Dr., Wausau, WI 54401 1-800-542-5408 A+ A.M. Best Rating

Pension benefits

Continued from page 3

fit commitments could become worthless. Participants in nonqualified plans are considered only general unsecured creditors in bankruptcy proceedings.

"A larger proportion of executives' benefits will be at risk," said Dick Hinman, a consultant with Hewitt Associates in Walnut Creek, Calif.

"Benefits will be tied to the financial health of a company," said Pat Rotello, a partner with Kwasha Lipton in Fort Lee, N.J.

At the same time, financially strapped companies might find it more difficult to recruit top-level executives because prospective employees will be concerned that benefits promised through supplemental plans could be lost if the company fails.

"Recruitment becomes tougher," said Gary Montesano, a principal with William M. Mercer Inc. in New York.

- Due to yet another quirk in the new lower covered compensation limit—this one affecting how future salary increases are recognized—pension plan underfunding could increase.

Under the law, the $150,000 covered compensation limit will increase when the year-to-year percentage increases in the Consumer Price Index boost the $150,000 limit by $10,000.

For example, if the CPI rises by 5% in 1994 and 1995, the covered compensation limit in 1996 will be $160,000.

However, because employers cannot fund for anticipated increases in the covered compensation limit, their funding of promised benefits will lag. That will further increase the risk to highly compensated employees since benefits over a certain level —currently about $28,000 a year —are not guaranteed by the PBGC.

"Employers will be funding in an insufficient fashion," warns Harry Purnell, a principal with A. Foster Higgins & Co. Inc. in Princeton, N.J.

- Employers providing more benefits through supplemental pension or savings plans will find their costs increasing due to an unrelated provision in the new law.

Starting in 1994, the 1.45% Medicare portion of the Social Security payroll tax will be applied to all wages, including deferred compensation. Currently, the Medicare tax only is imposed on the first $135,000 of compensation.

Removing the $135,000 cap will increase the tax burden on both employers and high-paid employees. For example, if an employer contributes $20,000 to a deferred compensation plan for a highly compensated employee whose salary exceeds $135,000, the employer and the employee each will have to pay $290 in new taxes.

The reduction in the covered compensation limit is the second since the Employee Retirement Income Security Act was enacted in 1974.

ERISA did not cap the amount of compensation that could be considered in computing pension benefits, though it did put ceilings on the maximum amount of benefits that could be provided through qualified plans.

Under the 1986 tax reform law, though, a new $200,000 covered compensation limit, indexed to inflation, was put in place. That limit has since risen to $235,840.

The latest cutback may not be the last, some benefit experts say.

"There is a sense that the administration has singled out highly compensated employees" to raise revenue, said Randall Abbott, a managing director with Alexander Consulting Group in Lyndhurst, N.J.

Indeed, some congressional staffers earlier discussed the possibility of a lower covered compensation limit—possibly in the area of $120,000.

Reducing the covered compensation limit may be, in the view of some Clinton administration officials, one step toward undoing the "favoritism" of the Reagan administration—chiefly in the form of lower basic tax rates —toward the nation's top wage earners, Mr. Abbott said.

But the very top wage earners aren't the only ones who will be affected by the lower covered compensation limit. The most direct and immediate blow will fall on the ranks of employees in the $65,000 to $80,000 salary range, who typically are not covered by non-qualified plans.

Some of those employees could face big cuts in what they can defer to corporate 401(k) plans as well as in the matching contributions their employers provide. By cutting the covered compensation limit to $150,000, contributions to the 401(k) plan by the most highly compensated employees become a much higher percentage of salary.

For example, assume an employee earns $235,840 this year. If he or she contributes $8,994—the maximum amount that can be deferred this year to a 401(k) plan—the deferral will equal 3.8% of pay.

Next year, though, because of the $150,000 limit in recognizing compensation, an $8,994 deferral would be equal to about 6% of the executive's recognized compensation.

If a company has a significant number of employees earning more than $150,000, the average deferral for all its highly compensated employees, which the IRS defines for 401(k) non-discrimination testing purposes as those earning at least $64,245, will rise.

That spells possible trouble when a company runs the 401(k) non-discrimination test. Under that test, the average deferral by highly compensated employees generally cannot exceed by two percentage points the average deferral by non-highly compensated employees.

If, for example, the average deferral by non-highly compensated employees is 4%, the average deferral by highly compensated employees cannot exceed 6%.

If the difference in deferrals by highly compensated employees compared to lower-paid employees is more than two percentage points, excess contributions must be returned to highly compensated employees. And therein lies the rub for employees in the $65,000 to $80,000 range: Under IRS rules, excess contributions are returned first to employees whose deferrals represent the highest percentage of their salary.

Assume that two employees, one earning $70,000 and the other $150,000, each defer $7,000 to their 401(k) plan. If the plan

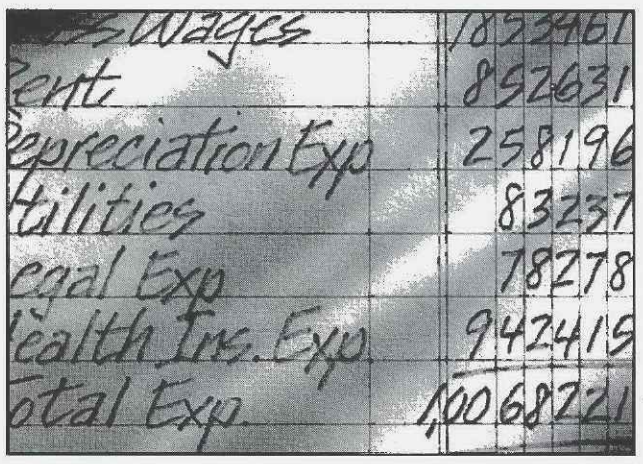
Continued on page 12

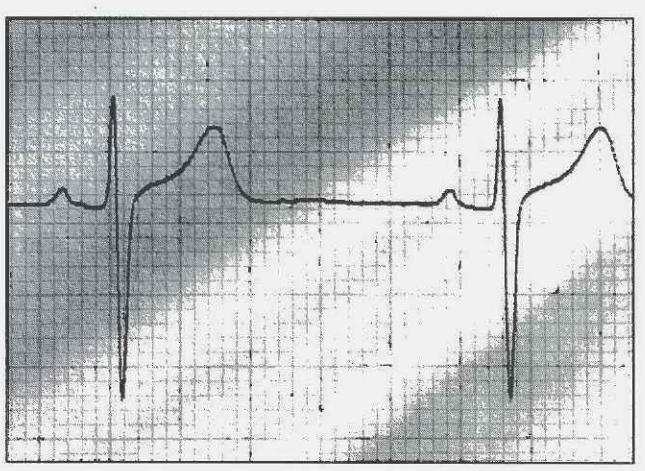
JOHN HANCOCK MANAGED CARE GROUP

Keeping your employees healthy shouldn't leave your bottom line sick. The John Hancock Managed Care Group has the solutions to your company's health care needs.

By controlling the price of health care services and the frequency of use, we can manage the cost of your benefits plan without inflicting pain on your employees.

We Can Do As Much For The Line On The Left As The Line On The Right.





Cost Care, Inc., a member of the Managed Care Group, is the only utilization management organization that gathers clinical data about each patient and has a physician review all care. Your employees' health plan is managed by true medical experts – doctors – specially trained in utilization management.

And, because our network management program applies national standards, we assure consistent decisions no matter where your employees are located or what benefits plan they use.

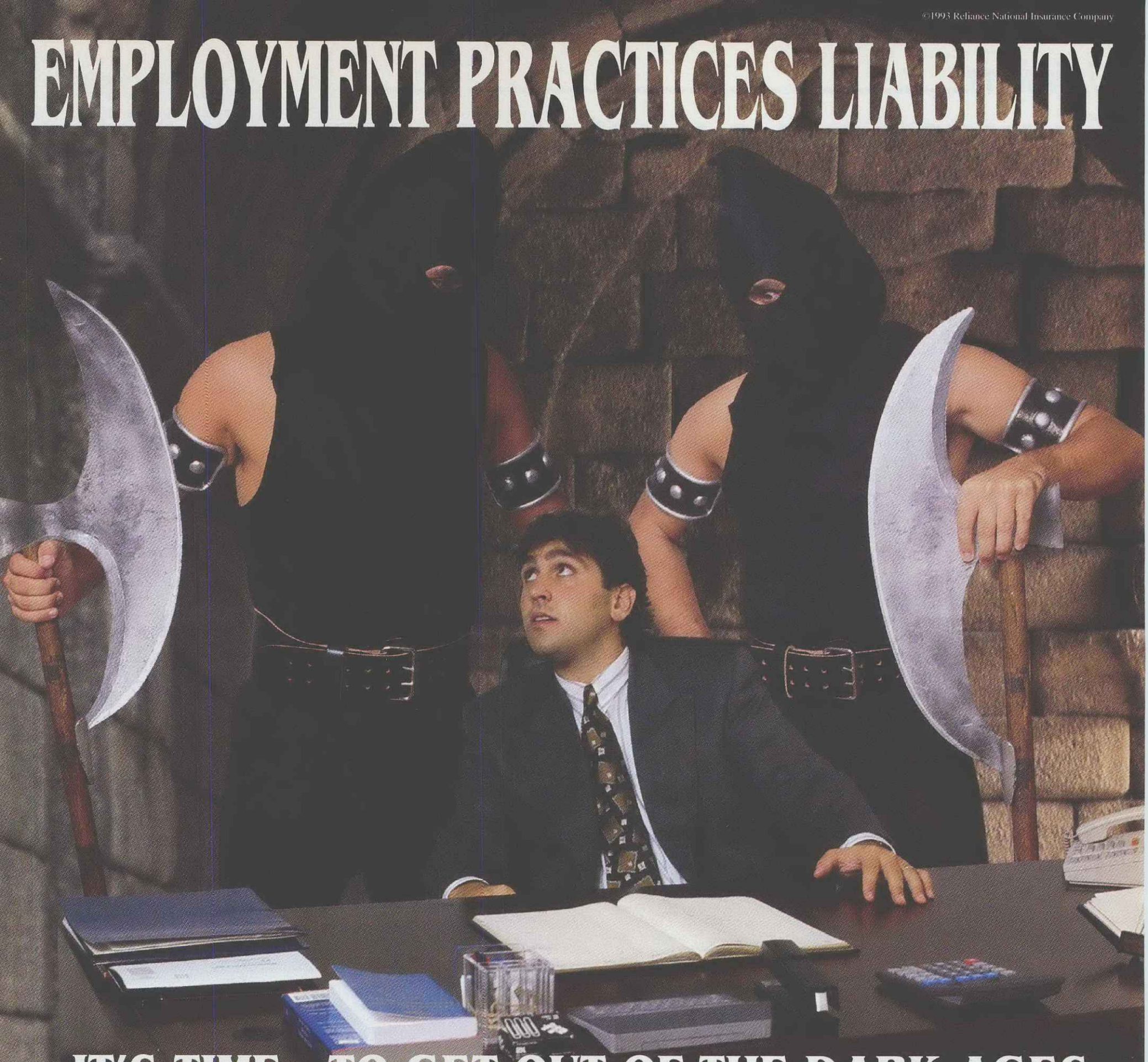
For more information on how the John Hancock Managed Care Group can help improve your company's overall health, call Hamilton McGregor, Vice President, at 617-572-7065.

John Hancock® Financial Services

John Hancock Mutual Life Insurance Co. and affiliated companies, Boston, MA 02117. Cost Care, Inc. and HealthPlan Management Services, Inc. are members of the John Hancock Managed Care Group.

©1993 Reliance National Insurance Company

EMPLOYMENT PRACTICES LIABILITY



IT'S TIME...TO GET OUT OF THE DARK AGES

Employers are faced with many issues when dealing with disgruntled employees. Keeping up-to-date on employment practices is a key element in successful management. At Reliance National, we offer coverage designed specifically for such issues as the Americans with Disabilities Act, the Civil Rights Act of 1991, sexual harassment and discrimination. Our policy provides indemnity and defense insurance coverages on a claims first made basis. The Employment Practices Liability policy is available to all types of businesses and includes directors and officers. Reliance National's expertise in underwriting, claims and loss control services supports your company in complying with current employment laws.

For further information
write us or call (212) 858-6308

THE CHOICE

Reliance National
A Reliance Group Holdings Company

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

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

Opinions

Buyers have a right to know

RISK MANAGERS AND other corporate executives need to know as much as possible about the insurance market if they are to be savvy consumers.

That's why *Business Insurance* reports news from the consumer's viewpoint. That's been our philosophy for more than 25 years.

Sometimes, though, readers—whether they are risk or benefit managers, insurers or brokers—don't necessarily want to know what is going on in the insurance business. The recent story by Senior Editor Douglas McLeod about convicted insurance con man John V. Goepfert is an example of this (*BI*, Aug. 16).

The story centered on how Mr. Goepfert, convicted on fraud charges in connection with both the Sasse scandal at Lloyd's of London and the failure of Kenilworth Insurance Co., is now a $174,000-a-year consultant to the owners of Prestige Casualty Co., an Illinois-based insurer. While Illinois regulators can control who can serve as an officer of an insurer, they say they are not sure if they can block someone from serving as a consultant, especially if, like Mr. Goepfert, the consultant is not paid directly by the insurer.

As soon as the story appeared, we began receiving feedback from readers, including a letter published in the Aug. 30 issue. One reader complained that we were unfair to Mr. Goepfert and asserted that the article was meant to inflict further punishment on a man who had served his time in prison. Others complained that stories like our report on Prestige give the insurance industry a black eye. And one reader said we were wrong in featuring "this convicted criminal" in the lead story of our annual issue on the surplus lines market.

We respect these readers' concerns, but we also believe that *Business Insurance* must publish stories like our report on Prestige.

Nowhere in the article did we allege that Mr. Goepfert had committed any wrongdoing in his activities on behalf of Prestige. We did report that the Illinois Insurance Department is reviewing the acquisition of Prestige by an 11-member investment group last year and that Mr. Goepfert, though not a member of this group, admits that he worked with his attorney to organize the group.

However, we believe that Prestige's current and potential policyholders deserve to know who is running the insurer that has promised to pay their claims. Nowhere in the listings of Prestige's officers would you find Mr. Goepfert's name. But, it is clear that he has a strong say in Prestige's affairs. Mr. Goepfert himself admitted: "Nothing is really signed unless I look at it" and "I reserve the right to see if the company is getting a good or bad deal, and I get paid for it."

We agree with our readers: The fact that Mr. Goepfert —a man convicted of insurance fraud by two different courts—is helping to run an insurer is not the kind of news that most insurers want to hear, whether they are admitted insurers or surplus lines companies.

But, the fact that Mr. Goepfert is back in the insurance business is exactly that—it's a fact. And as soon as we got our facts straight, we published the story; it was a mere coincidence that it appeared in the issue focusing on surplus lines. (For the record: 100% of Prestige's business in 1992 was written on an admitted basis.)

Insurers and policyholders who don't think Mr. Goepfert should be in the insurance business can ask regulators to tighten their rules. But they shouldn't ignore problems in the insurance industry, as readers have asked us to do (see related letter below). An insurer insolvency, like the Sasse scandal or the Kenilworth liquidation, hurts the industry's reputation far more than any investigative story that we can print.

Letters

EEOC brought suit against J&H, not retirees

To the editor: While your Aug. 9 article, "Suit Charges Age Bias at J&H," is worded carefully, it gives the unfortunate impression that some of my retired partners and I are active parties to the suit. Nothing could be further from the truth. The suit was brought by the Equal Employment Opportunity Commission independent of any directive from, or any consultation with me or my retired partners.

While the suit may raise an interesting legal point, it represents neither the interests of the retired directors of J&H nor those of the U.S. taxpayer. The EEOC was established to protect the interests of employees against unfair employment practices. J&H is a privately held firm founded in 1845 and incorporated in 1899, but operating as far as the directors are concerned as a partnership for purposes of their relations with one another and with the firm. As owners of the firm, and as board members who approved the retirement policy in a unanimous vote in 1983, J&H directors hardly need the protection the EEOC was founded to provide.

Far from representing our interests, the suit threatens those interests by involving the firm in potentially costly litigation. However the suit comes out, it will serve neither the original mandate of the EEOC, nor the interests of either the directors or employees of J&H. What a sad waste of taxpayer dollars!

Robert V. Hatcher Jr.
Chairman, Retired
Johnson & Higgins
Richmond, Va.

Don't ignore Goepfert until he's out of insurance industry

To the editor: I agree with James H. Bryson's wish to "Get Goepfert Out of Our Faces and Off Page 1" (*BI*, Aug. 30), but by getting him out of the insurance business, not by keeping quiet or banning his actions to the back pages.

It is more than "unfortunate" that the insurance industry provides an atmosphere in which a convicted felon can rise again. We cannot avert our eyes from problems in the insurance industry.

The insurance business offers financial security. Members of the industry should press state insurance commissioners to enact any legislation that may be necessary to attain this goal. Their action is overdue and, if they do not face up to their responsibility in this area, the federal government will take over.

We cannot afford the bad publicity that a John Goepfert gives us, but we can afford even less to stick our heads in the sand and deny reality—or for that matter wring our hands in desperation and bemoan that we allow someone like Mr. Goepfert to do his thing.

Therefore, keep these people on the front page of *Business Insurance* until they are gone. That is your duty and obligation as responsible reporters.

John W. Bing
New York

CGL, not employers liability, fills coverage gap

To the editor: Jesse Pagonis' July 26 letter identifies a legitimate concern, but seeks the wrong remedy.

The employers liability policy, as he notes, protects the corporate employer. The standard commercial general liability policy differentiates between executive officers and other employees. This posture was established with the 1973 occurrence form and carries over to the 1986 and the 1988 revisions. The fellow employee exclusion applies only to employees other than executive officers, unless the injury is caused by an event otherwise excluded.

Some underwriters have been willing to eliminate the fellow employee exclusion entirely, though this is not a common practice. Also, some umbrella policies provide broad fellow employee coverage, though the bulk of the market will only do so on a following-form basis.

It is unlikely that the National Council on Compensation Insurance will change the workers comp and employers liability policy concept, particularly with existing protection for officers under a standard CGL policy. It seems CGL and umbrella policies are avenues for remedy rather than the employers liability policy.

George W. West
Vp
J.H. Albert International
Insurance Advisors Inc.
Needham Heights, Mass.

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611-2590.

Business Insurance®
Reporting weekly for corporate risk, employee benefit and financial executives

Vice president/ Publisher/Editorial Director: Kathryn J. McIntyre, A.R.M. (Chicago)

Editor: James M. Burcke (Chicago)

Editor-at-Large: Jerry Geisel (Washington)
Managing Editor: Paul D. Winston (Chicago)
Assistant Managing Editor/News: Timothy Stanton (Chicago)
Assistant Managing Editor/Graphics: Jeanne M. Bartels (Chicago)
International Editor: Stacy Shapiro (London)
Senior Editors: Dave Lenckus (Chicago), Douglas McLeod (New York)

Bureau Chiefs: Michael Schachner (New York), Joanne Wojcik (Los Angeles)
Copy Editors: Regis J. Coccia (Chicago), Sara J. Harty (Chicago), Roseanne White (Chicago)
Associate Editors: Meg Fletcher, A.R.M. (Chicago), Judy Greenwald (San Jose), Mark A. Hofmann (Washington), Nancy Johnson (Chicago), Louise Kertesz (Los Angeles), Adrian Ladbury (London), Sara Marley (Chicago), Sally Roberts (Chicago), Deborah Shalowitz (Chicago), Gavin Souter (New York), Christine Woolsey (Chicago)
Directory Editor: Kathy Welyki (Chicago)
Assistant Directory Editor: Cynthia L. Bloom (Chicago)
Editorial Assistant: Kerry A. Dziubek (Chicago)
Assistant to the Publisher: Karen Brown (Chicago)
Editorial Cartoonist: Roger Schillerstrom (Chicago)

Advertising Director: Martin J. Ross III (New York)

Eastern Advertising Manager: Stephen P. Lincoln (New York)
Midwest Advertising Manager: Robert L. Niesse (Chicago)
District Managers: Cynthia Bykowski (New York), Blake Delany (New York), Charles A. Horvath (New York), Deborah D. Neale (Chicago), Kathryn Premetz (New York)
Classified Advertising Manager: Lisa Mazzetti (Chicago)
Production Manager: Elmer Kerstowske (Chicago)

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

EDITORIAL: Chicago: 312-649-5398; Dallas: 214-363-1066; London: 71-608-1172; Los Angeles: 213-651-3710; New York: 212-210-0100; San Jose: 408-379-1790; Washington: 202-662-7200
ADVERTISING: New York: 212-210-0228; Chicago: 312-649-5276; Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 800-678-9595

Published by Crain Communications, Inc., Chicago

Founder: G.D. Crain Jr.
Chairman: Mrs. G.D. Crain
Vice chairman: Keith Crain
President: Rance Crain
Chairman-executive committee: S.R. Bernstein (1907-1993)
Treasurer: Mary Kay Crain
Secretary: Merrilee P. Crain
Executive Vice president-operations: William A. Morrow
Vice president-circulation: William Strong
Vice president-production: Robert C. Adams

Published weekly at 740 Rush St., Chicago, Ill. 60611-2590, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017-5806, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231-6415, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax 202/638-3155; 6500 Wilshire Blvd., Suite 2300 Los Angeles, Calif. 90048-4947, Fax 213/655-8157; 540 Latimer Circle, Campbell, Calif. 95008, Fax 408/379-3257; Cowcross Court, 2nd Floor, 75-77 Cowcross St., London EC1M 6BP, England, Fax 71/608/1173. $2.50 a copy. $80 a year in U.S. Canada add $38 for surface mail. First-class mail to U. S., add $95; to Canada add $105. All other foreign $200 per year expedited delivery. SHEILA GORMLEY, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207-3185, or phone 800-678-9595 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: JOSEPH P. HANLEY, Crain News Service, 220 E. 42nd St., New York, N.Y. 10017-5806, 212-254-0890. For reprints or reprint permission contact: KAREN BROWN, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, 312-649-5319, Fax 312/280-3174.

Member of Business Publications Audit of Circulation

BPA INTERNATIONAL ABP



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 $9 billion in annuity reserves.

With 129 years in the insurance business, we know about lasting relationships.

Over the years, The Travelers has helped millions of Americans invest in the future. And in doing so, given them the security to reflect on the past.

© 1993 The Travelers Insurance Company and its Affiliates, Hartford, CT 06183.

The Travelers
AMERICA'S UMBRELLA℠

A SOLID RECOMMENDATION

In a rapidly changing world, you and your clients need solid financial answers. That's the strength of Fortis — a worldwide financial services company $46 billion strong. Built on a foundation of solid answers for over 165 years, Fortis companies have the support and service you need to make some very solid recommendations. Medical insurance for individuals and groups with today and



Fortis Financial Group
MUTUAL FUNDS / ANNUITIES

Fortis Life
LIFE INSURANCE

Securities offered through Fortis Investors, Inc., St. Paul, MN 55164 1-800-800-2638. Life insurance contracts are issued by Fortis Benefits Insurance Company.

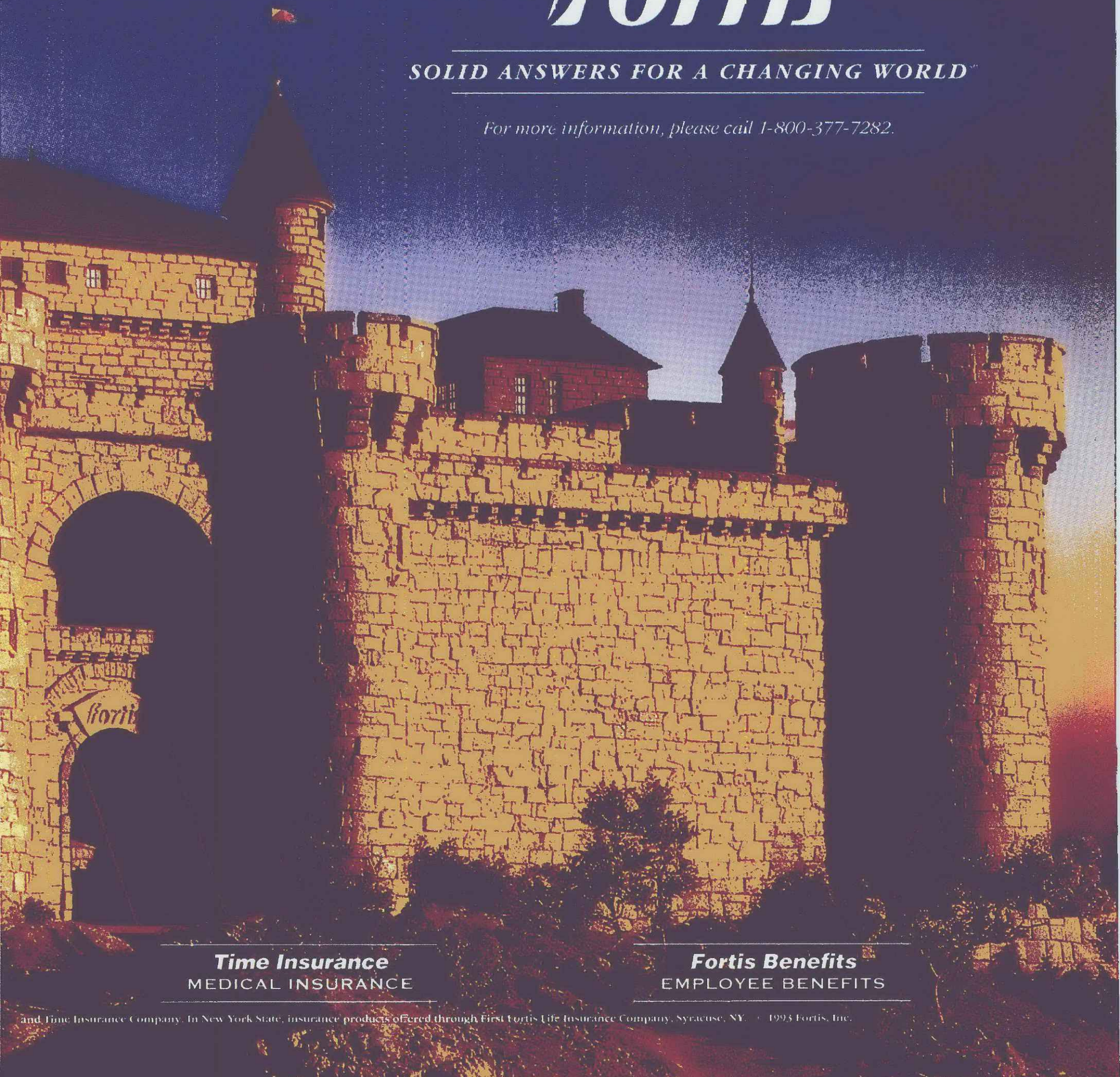
FOR A CHANGING WORLD.

tomorrow in mind. Life insurance designed to help your clients live a better life. Employee benefits that can even benefit the employer. Performance driven mutual funds. Annuities to help your clients' golden years shine brighter. Solid answers in a changing world, for your clients and for you. From Fortis. A name you can trust around the world...and right in your own backyard.

fortis℠

SOLID ANSWERS FOR A CHANGING WORLD™

For more information, please call 1-800-377-7282.



Time Insurance
MEDICAL INSURANCE

Fortis Benefits
EMPLOYEE BENEFITS

and Time Insurance Company. In New York State, insurance products offered through First Fortis Life Insurance Company, Syracuse, NY. © 1993 Fortis, Inc.

Pension benefits

Continued from page 6
has trouble passing the 401(k) non-discrimination test, it is the employee earning $70,000 who will have his or her deferral cut back. That's because the deferral represents 10% of that employee's salary, while the deferral made by the employee earning $150,000 is equal to only 4.7% of salary.

"It is the guy making $65,000 or so who really can get hurt," suggested Michael Sternklar, a principal with Kwasha Lipton.

"It's our employees at the lower end of the highly compensated scale who will see their deferrals clipped back," said the vp of pension plan administration at a Midwest-based multimedia company.

Some employers, though, say they don't believe their employees in the lower end of the highly compensated group will be affected by the lower covered compensation limit. However, that is only because these employers already have sharply limited the deferrals that highly compensated employees can defer to the 401(k) plan.

For example, Kemper National Insurance Cos. caps 401(k) plan salary deferrals by highly paid employees at 5% of compensation, says Sally Bullen, director of compensation and benefits at the Long Grove, Ill.-based insurer.

Other employers, though, believe their highly compensated employees could be affected by the change. As a result, they are considering ways to maintain deferrals by highly paid workers at approximately their current levels.

Paul Nordine, vp and benefits consultant at BankAmerica Corp., says the San Francisco-based financial giant is considering boosting the contributions it will make on behalf of those employees making the lowest salaries.

That will have the effect of boosting the average deferrals of non-highly compensated employees and thus allowing highly compensated employees to contribute more, according to Mr. Nordine.

Other employers are likely to expand eligibility for supplemental plans to employees at lower salary levels.

"My gut reaction is that you will see more supplemental plans but not a big jump-in," suggested Kwasha Lipton's Mr. Sternklar. BI

Withholding tax

Continued from page 3
bility,' " he added.

So, for a rule once thought to present a formidable task for employers, "procedures are now in place and for the most part they are part of the standard job everyone has to do," said Larry Heller, associate and senior defined contribution plan consultant at William M. Mercer Inc. in Stamford, Conn.

One exception to this rule is plans that include company stock and investments in mutual funds. If these plans allow distributions "in kind"—that is, in shares of stock and units of a mutual fund—"we've got the background to what could become a miserably complicated election on the part of the employee," Mr. Heller pointed out.

"If there's anything in these rollover rules that continues to wreak havoc, it's where the employees continue to make complicated elections," he said.

Consider, for example, the employee who wants part of a distribution in stock and part in cash, but the rest of the stock and cash directly rolled over into an IRA or another qualified plan. "Picture how complicated a set of instructions that is," Mr. Heller said.

On the other hand, "a lot of people designed their forms to collect the bare-bones information," and consequently servicing the employee with a complicated election becomes "a much more tricky thing," he noted.

Some corporations hesitate to modify the forms the IRS requires them to give employees, out of fear that they might be liable for any errors in rewording. "(Employers) want to help, but it's their own personal liability if they do what's above and beyond what the IRS tells them to do," Kwasha Lipton's Mr. Sternklar said.

Yet many employees, especially those without strong English skills, may find the five-page IRS form "indecipherable," Wyatt's Mr. Joss said.

If there is a silver lining in the reporting requirement, it is in the employee-relations area. "Employers have used this as an occasion to communicate the plan provisions, to explain how this all works. It's an opportunity for the plan administrator to tout the plan," observed John Koss, vp and senior research consultant at The Segal Co. in New York.

What prompted employers to act was mutual-fund advertising that warned employees to watch out for the rollover tax.

"Some employers were exploring the possibility of setting up an arrangement with a particular mutual fund or bank" to accommodate employees who did not already have IRAs, said Mr. Koss. "Then the employer could avoid transferring to a zillion different funds."

But it seems some employees have been using IRAs to sidestep the 20% withholding and still receive their distribution. They have been doing what Mr. Heller calls "the IRA two-step."

Other consultants have also witnessed this particular dance. Employees are simply sending the distribution to an IRA, then withdrawing the money from the retirement account.

Sometimes employees even open up new IRAs, receive the distributions, then close down the accounts. "It's a real pain for the IRA people," observed Wyatt's Mr. Joss.

In some cases, employees who need the money learn of such procedures from their employers. Those employers, though, need to give employees more information, "or you're severely trapping people," Mr. Heller warned. Employees must realize that a 10% tax applies to money withdrawn from an IRA by an individual who is not at least 59½ years old, he said.

Other traps also await the unwary. For example, by calendar-year end, an employee must have paid 90% of his or her taxes or incur a penalty. "If you make $40,000 a year but take a $100,000 distribution from your 401(k) plan, your true tax liability for the year is substantially larger than your withholding

Continued on next page

Looking for
Customized Solutions
for Your Insurance Needs?

Acordia is a nationwide network of insurance services organizations dedicated to meeting the insurance needs of specific markets.

Some Acordias serve demographic groups, such as senior citizens. Some work within geographic areas. And others focus on specific industries, such as the financial community.

There's an Acordia company with the expertise to provide you with solutions customized to your insurance needs and priorities.

- Property and Casualty Insurance
- Health Insurance and
- Administration
- Managed Care
- Life and Disability Insurance
- Employee Benefits Consulting

To learn more about the Acordia network of companies, contact your insurance broker or call Acordia at 1-800-241-8701.

Acordia, Inc.

Acordia®

Continued from previous page
would support," and there will be a penalty, Mr. Heller explained.

Two-stepping aside, benefit experts say the new rules have encouraged more employees to roll over their distributions into IRAs and qualified plans rather than take cash distributions.

"At termination of service, roughly half of the payments coming out of the plan are being directly rolled over into an IRA or other qualified plan," Mr. Heller said.

But whether rollover activity has actually increased is still not entirely clear, he added.

Before, plan administrators didn't necessarily care what employees did with the distribution.

Now the plan administrators are responsible for withholding and depositing the 20% tax on lump-sum distributions along with the appropriate form.

"Because of the 20% withholding being automatic, more people are exploring the opportunities for rollovers," observed Mr. Joss.

"Fewer employees are taking their balances in cash," asserted Alexander's Mr. Hotvet. "We've seen a big increase in people rolling money over to an IRA or into new plans."

But, The Segal Co.'s Mr. Koss disagrees. "I haven't seen much of a behavioral change" as a result of the new rule, he said.

"Maybe just chalk this up to, 'If people need their money, they need their money,' " Mr. Koss said.

Meanwhile, the new rules do not require employers to accept rollovers into their plans, but more companies appear to be doing so.

A recent study found that 79% of companies—up from 71% in 1991—now accept rollovers from new employees' former defined contribution plans (*BI*, July 5).

Major companies like Dallas-based American Airlines Inc. and BankAmerica Corp. in San Francisco have allowed rollovers into their plans for some time. They are being joined by companies like Rochester, N.Y.-based Eastman Kodak Co., which recently changed its policy to allow rollovers by new employees hired after Jan. 1, 1994.

Rita Metras, director of employee benefits and retirement savings plans at Kodak, described the change as a response to requests by new employees.

"My sense of it" is that more companies are allowing rollovers into their plans, said Paul Nordine, vp and benefit consultant at BankAmerica.

"This has been a wake-up call," he said. More companies are realizing that they should "not make it tough on their new employees" to bring their savings with them. Mr. Nordine added that rollovers are becoming more common among employees leaving BankAmerica.

Employers that accept rollovers into their plans must verify that money is coming from qualified plans, or risk their own plans being disqualified, consultants warn.

Companies may be worried about money coming in from unqualified plans, but "they're hopeful that if some snuck in, the IRS would not levy an atomic bomb," provided the employers exercised "reasonable caution," Mr. Joss said.

"There's a belief that if you try to set up a procedure (to screen out money from unqualified plans), the IRS won't come down hard on you," Mr. Sternklar added.

Though most plans already accept rollovers, now employers "are taking a careful look at exactly what they accepted in the form of rollovers. We're finding that most plans are already worded to accept only cash or are tightening up their language to ensure that they will accept only cash," Mercer's Mr. Heller said.

But Mr. Koss has "heard just the opposite"—that some employers don't want to accept rollovers into their plans.

"Part of it has to do with being careful about letting in qualified money. On the other hand, mainly larger corporations want to maintain a provision that accepts (rollovers) because it gives them a competitive edge when attracting a high-level executive. It cuts both ways," he said.

"I don't know if it's representative. It's surprising to me. Usually you don't hear people volunteer the opinion that they don't want to do something. Usually when a client expresses that opinion it's pretty strong, which leads me to believe there's more employers out there who feel the same way about" not allowing rollovers into their plans, Mr. Koss said. BI

Two firms offer early retirement

Two major employers are offering sweetened retirement benefits to reduce their workforces.

Atlanta-based Delta Air Lines hopes to cut its workforce by about 1,000 through an early retirement program being offered to about 3,000 workers.

U.S. employees in certain departments, like airport customer service, who are at least 52 years old on or before Nov. 1 are eligible. Five years of age or service, or a combination of the two totaling five, will be added to their defined benefit pension calculation formula.

Delta will waive the early retirement medical premium for the retirees and their spouses for those retiring before age 65.

Eligible employees must decide whether to join the program by Oct. 15. Retirements will be effective Nov. 1.

The airline said it expects to take a one-time charge of about $70,000 for each individual who accepts the offer, which Delta expects to recover through cost savings within about two years.

Meanwhile, a unit of defense contractor Lockheed Corp. is offering early retirement incentives to its salaried employees in response to dwindling demand for the F-16 fighter planes manufactured by the subsidiary.

Lockheed Fort Worth Co. is offering the incentives as part of its parent company's effort to shed about 6,000 employees from its 19,000-person workforce by the end of 1994.

The Fort Worth, Texas-based unit, which manufactures F-16s among other defense products, is making a one-time, lump-sum offer of one week's pay for each year of service for workers who retire between July 1 and Nov. 1. The offer is open to salaried employees at the Fort Worth unit who already meet the qualifications for retirement, which include an age of 55 and at least 10 years of service with Lockheed.

While about 1,600 employees qualify for the incentives, the company has no projections of how many employees will take the offer, said a spokesman at Lockheed Fort Worth Co.

The company's plans to reduce its workforce stem from decreased defense spending and reduced demand for the F-16 aircraft, he explained.

—By Deborah Shalowitz and Nancy Johnson



Continued from previous page

Parent: The Shareholder Services Group.

Software: Written and maintained in-house; accommodates 1,296 investment funds and 15 kinds of contributions; software may be used by clients in-house.

Client support: Daily valuations, on-line access. Consults on compliance issues. Other services include distribution processing, tax reporting.

Service area: Nationwide.

Locations: Administrative office in Dallas.

Staff: 78 total; 30 involved in 401(k) plan services.

Clients: Minimum size plan, 100 participants; maximum size plan, 100,000 participants.

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

Officers: Randall C. Harris, president; Robert Guillocheau, CFO; Gerald Forrester, vp.

Actuarial & Employee Benefit Services Co.

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

Services began: 1986.

Parent: CAI Insurance Agency Inc.

Software: Written and maintained in-house; accommodates 20 investment funds and 20 kinds of contributions.

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

Service area: Midwest.

Staff: 23 total; four involved in 401(k) plan services.

Clients: 23 total. Average plan, 50 participants; no minimum size plan; maximum size plan, 1,500 participants.

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

1992 revenues: $1.6 million total; $65,000 from 401(k) plan administration.

Officers: James T. Schlotman, Carl R. Schlotman Jr.

Actuaries & Associates

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

Services began: 1981.

Software: Purchased from outside vendor.

Administration: Modified cash accounting only.

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: Nationwide.

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

Staff: 13 total; six involved in 401(k) plan services.

Clients: 200 total. Average plan, 20 participants.

Charges: Determined by number of participants, frequency valuations.

Officers: B.K. Houchin, president; Eugene Shelton, vp.

Acuff & Associates Inc.

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

Services began: 1991.

Software: Leased from outside vendor; accommodates 30 investment funds and 20 kinds of contributions; software may be used by clients in-house.

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

Service area: Nationwide.

Staff: 13 total; seven involved in 401(k) plan services.

Clients: 80 total. Average plan, 350 participants; minimum size plan, five participants; maximum size plan, 50,000 participants.

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

Officers: Lucian Acuff, president; Trina Burrow, principal.

Contact: Lucian Acuff.

Administrative Management Group

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

Services began: 1982.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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 software for retirement planning and savings, complete loan administration software.

Service area: Nationwide.

Staff: 85 total; 42 involved in 401(k) plan services.

Clients: 300 total. Average plan, 1,000 participants; no minimum or maximum size plan.

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

Officers: John Salajka, president; Dave Goldenberg, CFO; Pat Zirkelbach, director-systems; Mary Sachse, director-consulting; Greg Amick, director-account management.

Contact: Mark Tucker, sales manager.

Continued on next page

How to use annual directory of 401(k) plans

The fourth annual directory of 401(k) plan administrators contains information on companies that provide 401(k) services such as recording enrollment, maintaining participants' accounts and handling account activity. A firm must offer these services on an unbundled basis; it may or may not be responsible for clients' investment management.

The directory is published as an editorial service. There is no charge to be included; to be listed, however, companies must complete and return a *Business Insurance* questionnaire.

Listings begin with the company **name**, **address**, **year** the company began offering 401(k) plan administration services and **parent company** (if any).

Next are details on **software** used and **administration** services. Companies provide all of the following administration services unless specified: cash, unit value and full share accounting, as well as ability to accomodate loan provisions and ability to perform 401(k) and 401(m) nondiscrimination testing for clients. **Client support** services offered are described next.

Following, the **service area** and **locations** of branch offices are given. Details on **staff** and 401(k) **clients** follow. How the company **charges** for its services and **1992 gross revenues** (when provided by the company) are given.

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.

If your company offers 401(k) plan administration service and you would like to be included in next year's directory, please write Kathy A. Welyki, Directory Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611.



Continued from previous page

Aetna Life & Casualty Co.

15 Farmington Ave., Hartford, Conn. 06156; 203-652-2178; fax: 203-652-2280

Services began: 1981.
Software: Purchased from outside vendor; accommodates 400 investment funds and 35 kinds of contributions.
Administration: Does not use full share accounting.
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. Manages investment of funds. Other services include employee education and enrollment services, participant access and transaction services, recordkeeping, plan and trust services, investment services.
Service area: Nationwide.
Locations: Administrative and consulting office in Glastonbury, Conn.
Staff: 40,300 total; 200 involved in 401(k) plan services.
Clients: 404 total. Average plan, 500 participants; minimum size plan, 500 participants.
Charges: Determined by number of participants, complexity of plan.
Officers: Gary G. Benanav, group executive; Scott A. Striegel, vp-defined contribution plan services; Laura Estes, vp-Aetna life insurance and annuity company pensions; Thomas L. West Jr., vp-annuities; Shaun P. Matthews, vp-mutual funds.
Contact: E. Thomas Foster Jr.

Alexander & Alexander Consulting Group Inc.

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

Services began: 1981.
Parent: Alexander & Alexander Services Inc.
Software: Written and maintained in-house; accommodates 20 investment funds and 15 kinds of contributions; software may be used by clients in-house.
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, voice response. Consults on plan design, compliance issues, employee communications. Other services include investment services consulting, plan audits (compliance, administration, etc.), systems consulting, vendor selection consulting.
Service area: Nationwide.
Locations: Administrative and consulting offices in Atlanta; Baltimore; Los Angeles; Philadelphia; St. Louis. Consulting offices also in Boston; Chicago; Dallas; Detroit; Greenwich, Conn.; Minneapolis; New York; Pittsburgh; Richmond, Va.; San Francisco; Tampa, Fla.
Staff: 1,290 (U.S.) total; 60 involved in 401(k) plan services.
Clients: 215 total. Average plan, 1,000 participants; minimum size plan, 100 participants; no maximum size plan.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: A.M. D'Alessandro, chairman/CEO-The Alexander Consulting Group Inc.; Donald Cleveland, president/COO-The Alexander Consulting Group Inc.; Richard J. Anthony, chairman/CEO-Alexander & Alexander Consulting Group Inc. U.S.; John L. Goodyear, president/COO-Alexander & Alexander Benefits Services Inc. U.S.
Contact: Claire Crawford, associate director-corporate information.

Allmerica Financial (State Mutual)

440 Lincoln St., Worcester, Mass. 01653; 508-855-2854; fax: 508-855-3444

Services began: 1982.
Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.
Administration: Also uses accrual accounting.
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. Manages investment of funds. Other services include prototypes, investments, recordkeeping, administration, benefit payment, testing, employee communication, government reporting.
Service area: Nationwide.
Locations: Administrative offices in Atlanta; Boston; Buffalo and New York, N.Y.; Chicago; Dallas; Greensboro, N.C.; Pittsburgh; Puerto Rico; San Francisco; Washington.
Staff: 203 total; 110 involved in 401(k) plan services.
Clients: 1,015 total. Average plan, 282 participants.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense.
1992 revenues: $52.7 million total; $17.2 million from 401(k) plan administration.
Officers: Larry Renfro, group executive vp; Art Alie, Steve Homer, Richard McGirr, vps; Rob Legasey, executive vp.
Contact: John Stebbins.

American Capital Marketing Inc.

2800 Post Oak Blvd., Houston, Texas 77056; 800-421-5666; fax: 713-966-7406

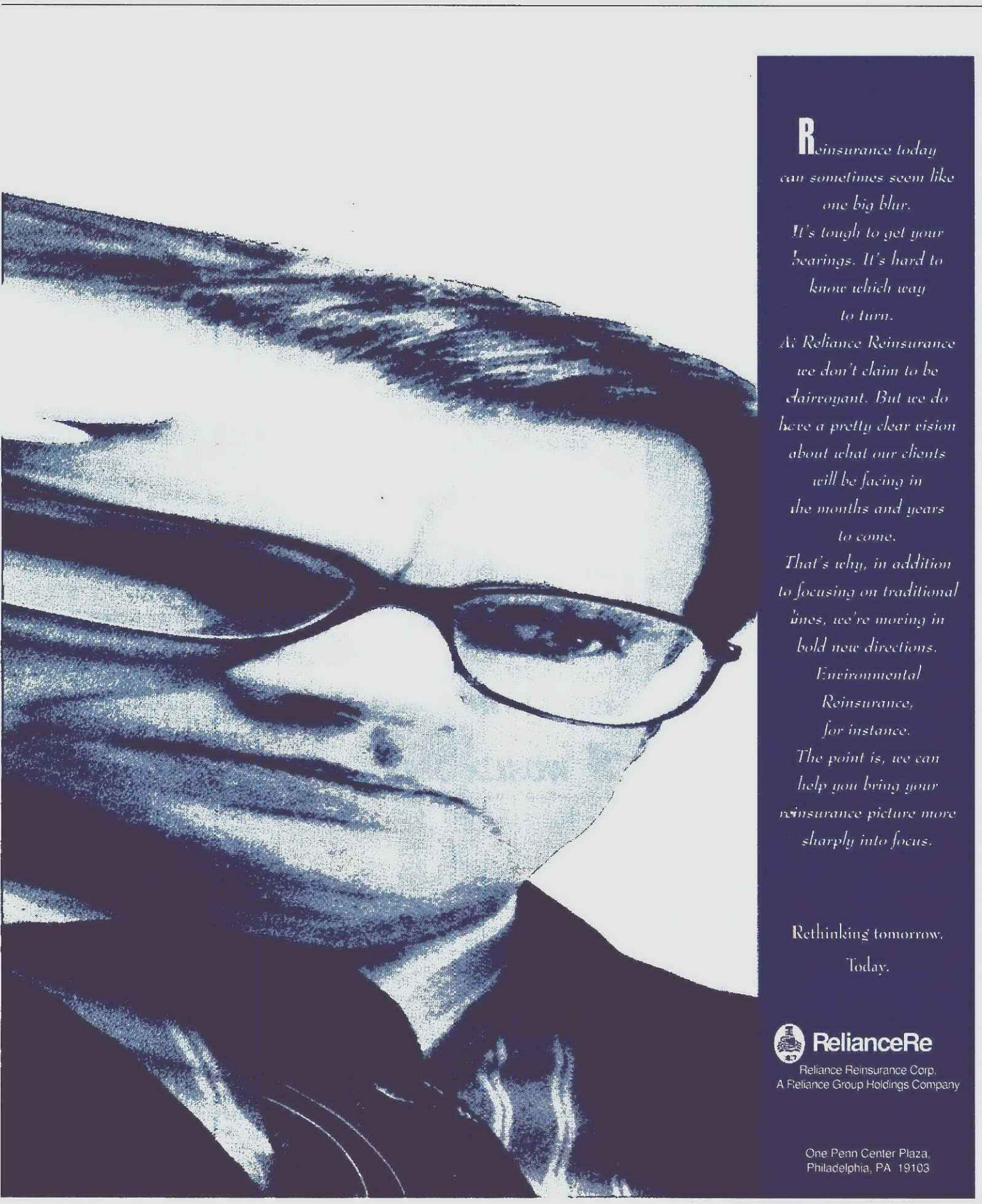
Services began: 1985.
Parent: Primerica Corp.
Software: Purchased from an outside vendor; accommodates 60 investment funds and 30 kinds of contributions.
Administration: Does not uses unit value accounting.
Client support: Daily valuations, toll-free service for account balance inquiries, on-line access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Manages investment of funds. Other services include submission of the Summary Plan Description to the Department of Labor, preparation of the IRS 5500 series forms, provision of a manual of forms and procedures to the client.
Service area: Nationwide.
Locations: Consulting offices in Atlanta; Marshall, Wis.; Redondo Beach, Calif.
Staff: 50 total; 27 involved in 401(k) plan services.
Clients: 130 total. Average plan, 125 participants; maximum size plan, 10,000 participants.
Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.
1992 revenues: $111,962,000 total; $625,000 from 401(k) plan administration.
Officers: Don Powell, chairman/CEO-American Capital Management & Research Inc.; Don McMullen, president-American Capital Management & Research Inc.; Paul Wolkenberg, president-American Capital Services Inc.; William Brown, senior vp/CFO/treasurer; Paul Hilstad, senior vp/general counsel.

Ameritas Life Insurance Corp.

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

Services began: 1985.
Software: Purchased from outside vendor; accommodates 64 investment funds and nine kinds of contributions.
Administration: Does not use unit value accounting or full share accounting.
Client support: 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. Manages investment of funds. Other services include prototype documents, plan design and proposals, government reporting.
Service area: Nationwide.
Staff: 804 total; 24 involved in 401(k) plan services.
Clients: 50 total. Average plan, 49 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, time and expense, frequency valuations.

Continued on next page



Continued from previous page
tional services; Lyle W. Brizendine, director-pensions & institutional administrative services; Richard W. Hibbs, director-marketing & client services.

Buck Consultants Inc.

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

Services began: 1981.
Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.
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 access to major 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 and pre-retirement and financial planning seminars.
Service area: Nationwide.
Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Cincinnati; Dallas; Denver; Detroit; Fort Wayne, Ind.; Honolulu; Houston; Los Angeles; Pittsburgh; San Francisco; Secaucus, N.J.; Stamford, Conn.; Washington.
Staff: 1,400 total; 200 involved in 401(k) plan services.
Clients: 424 total. Average plan, 1,700 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
1992 revenues: $158.5 million total.
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.

C

Chicago Title & Trust Co.

171 N. Clark St., Chicago, Ill. 60601-3294; 312-223-2868; fax: 312-223-5197

Services began: 1983.
Parent: Alleghany Corp.
Software: Purchased from outside vendor; accommodates 16 investment funds and 10 kinds of contributions.
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: Upper Midwest.
Staff: 75 total; 65 involved in 401(k) plan services.
Clients: 230 total. Average plan, 230 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, complexity of plan, assets under management.
Officers: Daniel R. Joyce, Andrew P. Mayo, vps.
Contact: Daniel R. Joyce.

CIGNA

P.O. Box 2975, Hartford, Conn. 06104; 203-725-2000; fax: 203-725-2052

Services began: 1981.
Software: Written and maintained in-house; accommodates 50 investment funds and 20 kinds of contributions; software may be used by clients in-house.
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. Manages investment of funds. Other services include transition management, 5500 services, custom enrollment and trustee services.
Service area: Nationwide.
Locations: Administrative offices in Dubuque, Iowa; Philadelphia. Consulting offices in 25 locations in the U.S.
Staff: 1,300 total; 600 involved in 401(k) plan services.
Clients: 2,882 total. Average plan, 200 participants.
Charges: Determined by number of participants, assets under management, time and expense.
Officers: Byron Oliver, president; David Gerges, CFO; Thomas Quinlan, vp-customer service; Frederick Castellani, vp-sales.
Contact: William Hinkle.

Citibank

111 Wall St., New York, N.Y. 10043; 212-657-2311

Services began: 1981.
Parent: Citicorp, N.A.
Software: Purchased from outside vendor; accommodates 99 investment funds and 25 kinds of contributions.
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. Manages investment of funds. Other services include trust administration, alliance with mutual funds.
Service area: Nationwide.
Staff: 49 total; 25 involved in 401(k) plan services.
Clients: 75 total. Average plan, 8,100 participants; minimum size plan, 1,000 participants.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Jack Egan, managing director-custody/master trust employee benefit services; Joe Jasionowski, vp/director-employee benefit plan services; Keith May, vp/director-master trust services; Darice Taverna, vp-new product development; Joe Palamara, vp-participant recordkeeping.
Contact: Darice Taverna.

Comprehensive Benefits Inc.

428 E. 6400 S., Suite 220, Salt Lake City, Utah 84107; 801-261-6555; fax: 801-261-6575

Services began: 1983.
Parent: HRCG Inc.
Software: Written and maintained in-house; accommodates 18 investment funds and 36 kinds of contributions; software may be used by clients in-house.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include tax modeling, interactive communications/enrollment voice response.
Service area: Nationwide.
Locations: Consulting offices in Los Angeles; Nashville, Tenn.; Tulsa, Okla.
Staff: 40 total; 20 involved in 401(k) plan services.
Clients: 200 total. No minimum or maximum size plan.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Rob J. Thurston, president; Glenn Smith, senior vp; Dick Packham, Eric Krueger, vps.

Concord Financial Group

125 W. 55th St., 11th Floor, New York, N.Y. 10019; 212-492-1600; fax: 212-586-3174

Services began: 1991.
Software: Recordkeeping provided by third-party; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.
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.
Locations: Administrative and consulting offices in Tampa, Fla.
Staff: 500 total; 100 involved in 401(k) plan services.
Clients: 2,500 total. Average plan, 300 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, time and expense, frequency valuations.
Officers: Richard Stierwalt, CEO; William Blundin, president; J. Christopher Klutch, senior executive vp-sales & business development; Susan L. West, COO; Dennis R. Sheehan, CFO/executive vp.

Consolidated Benefit Services Inc.

1400 Lake Hearn Drive, Suite 300, Atlanta, Ga. 30319; 404-843-5566; fax: 404-843-5455

Services began: 1982.
Software: Leased from outside vendor; accommodates 30 investment funds and nine kinds of contributions.
Client support: On-line access, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications.
Service area: Southeast.
Staff: 100 total; eight involved in 401(k) plan services.
Clients: 120 total. Average plan, 150 participants; minimum size plan, 20 participants; maximum size plan, 5,000 participants.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1992 revenues: $4 million total; $420,000 from 401(k) plan administration.
Officers: Troy E. Hardin Jr., president; Judy L. Heilman, executive vp; Charles A. Hill, vp.
Contact: Bill Hampton.

Continental Bank

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

Services began: 1982.
Parent: Continental Bank Corp.
Software: Recordkeeping provided by third-party; accommodates unlimited investment funds and unlimited kinds of contributions.
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. Manages investment of funds. Other services include full trust and custody, proxy tabulation, full range of investment management services, including daily-valued commingled funds, performance analytics, IRA rollovers, prototype plan.
Service area: Nationwide.
Staff: 317 total; 57 involved in 401(k) plan services.
Clients: 62 total. Average plan, 2,010 participants; minimum size plan, 1,000 participants; no maximum size plan.
Charges: Determined by number of participants, assets under management, time and expense, frequency valuations.
Officers: Thomas C. Theobald, chairman; William M. Goodyear, vice chairman; Roger H. Sherman, executive vp; Matthew R. Feldman, managing director; James J. Nemec, senior vp.
Contact: Gregory N. Schedler, vp, 312-828-4462.

Coopers & Lybrand Human Resource Advisory Group

1251 Avenue of the Americas, New York, N.Y. 10020; 800-232-2717; fax: 212-536-2163

Services began: 1982.
Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.
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 investment and trustee services; interactive voice, multi-media and traditional communications.
Service area: Nationwide.
Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Cleveland and Columbus, Ohio; Detroit; Dallas; Los Angeles; Louisville, Ky.; New York and Syracuse, N.Y.; Parsippany, N.J.; Philadelphia; San Francisco; Stamford, Conn.; Tampa, Fla. Consulting offices also in Houston, Washington.
Staff: 1,100 total; 150 involved in 401(k) plan services.
Clients: Average plan, 990 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, time and expense, frequency valuations.
1992 revenues: $140 million total; $28 million from 401(k) plan administration.
Officers: Reed Keller, vice chairman; Anthony F. Martin, Andre L. Iha, Edward Kimura, Linda B. Xanthos, defined contribution partners.
Contact: Derek Romanaux.

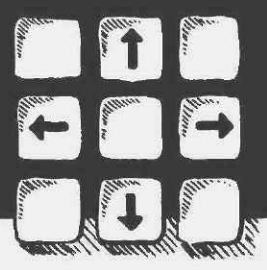
W.F. Corroon

231 S. Bemiston, Suite 400, St. Louis, Mo. 63105; 314-725-0114; fax: 314-725-2724

Services began: 1983.
Parent: Willis Corroon Group P.L.C.
Software: Purchased from outside vendor; accommodates 30 investment funds and 10 kinds of contributions.
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 commu-

Continued on next page

THE RIGHT DIRECTION



THE RIGHT SOLUTION.

For Pension and 401(k) Administration, EBG has provided the right solution to hundreds of companies.

Every organization's needs are unique. The right solution for your company may include administration software, actuarial consulting, or custom programming. We provide these and many other services.

Whether it's handling terminations efficiently, creating benefit statements cost-effectively, or testing for compliance easily, we can point you in the direction of the ***right PensionMaker solution.***

Call EBG today at (312) 580-2250 for a free information kit.

EBG & Associates Inc
Systems for Employee Benefits

68 EAST WACKER PLACE • SUITE 900 • CHICAGO ILLINOIS 60601

AMERICAN DRUG STORES

OscoDrug RAmerica Savon drugs

Can *SAVE* you money and
LOWER your company's prescription drug costs.

For further information call

1-800-999-1242

2100 Swift Drive, Oakbrook Illinois 60521

Continued from previous page
nications. Other services include investment placement consulting, design of in-house client systems.

Service area: Nationwide.

Locations: Administrative and consulting offices in Baltimcre; Cleveland; Dallas; Nashville, Tenn.; Pittsburgh; St. Louis; San Diego; San Francisco; Seattle.

Staff: 500 total; 65 involved in 401(k) plan services.

Clients: 500 total. Average plan, 600 participants; no minimum or maximum size plan.

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

1992 revenues: $75 million total; $7.5 million from 401(k) plan administration.

Officers: Stephen A. Robb, COO.

Contact: Stephen A. Robb or Richard F. Mueller.

D

Delaware Management Co.

1 Commerce Square, Philadelphia, Pa. 19103; 215-751-2910; fax: 215-972-8834

Services began: 1981.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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. Manages investment of funds. Other services include trustee services, educational meetings.

Service area: Nationwide.

Staff: 500 total.

Clients: 200 total. Minimum size plan, 1,000 participants.

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

Officers: Wayne Stork, CEO; Brian Wruble, president; Winthrop Jessup, executive vp; David K. Downes, chief accounting officer.

Contact: Minette van Noppen.

Deloitte & Touche

1633 Broadway, 16th Floor, New York, N.Y. 10019; 212-492-4706; fax: 212-492-4777

Services began: 1981.

Software: Leased from outside vendor; accommodates 20 investment funds and 20 kinds of contributions; software may be used by clients in-house.

Administration: Does not use unit value accounting.

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 outsourcing of 401(k) administration.

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston; Dallas; Los Angeles; Minneapolis; Parsippany, N.J.; Tulsa, Okla.

Staff: 40 total; 15 involved in 401(k) plan services.

Clients: 30 total. Average plan, 300 participants; minimum size plan, 10 participants; maximum size plan, 20,000 participants.

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

1992 revenues: $5 million total. $1 million from 401(k) plan administration.

Officers: Ainar Ayala, Mike Fucci, Barry Barnett.

Diversified Group Brokerage Corp.

369 N. Main St., Marlborough, Conn. 06447; 203-295-9583; fax: 203-295-8164

Services began: 1991.

Software: Leased from outside vendor; accommodates five investment funds and five kinds of contributions.

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.

Staff: 106 total; three involved in 401(k) plan services.

Clients: 30 total. Average plan, 50 participants; minimum size plan, five participants; maximum size plan, 2,000 participants.

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

Contact: Benedict J. Gaetano, director.

Dreyfus Service Corp.

200 Park Ave., New York, N.Y. 10166; 800-762-9253; fax: 212-922-6299

Services began: 1981.

Parent: Dreyfus Corp.

Software: Purchased from outside vendor; accommodates 99 investment funds and 99 kinds of contributions.

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. Manages investment of funds. Other services include customized literature, enrollment support, educational seminars, train-the-trainer programs, voice response system, retirement distribution analysis.

Service area: Nationwide.

Locations: Administrative and consulting offices in Uniondale, N.Y.

Staff: 1,500 total; 200 involved in 401(k) plan services.

Clients: 650 total. Average plan, 1,500 participants.

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, Robert W. Stone, executive vps-Dreyfus group retirement plans; Paul Allen, executive vp-Dreyfus group retirement plans/national sales director.

Contact: Ted Braketselos.

Dun & Bradstreet Pension Services

3507 Frontage Road, P.O. Box 21643, Tampa, Fla. 33622; 800-325-6860; fax: 800-344-1258

Services began: 1984.

Parent: Dun & Bradstreet Corp.

Software: Written and maintained in-house; accommodates 10 investment funds and 10 kinds of contributions.

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 marketing, plan documents, administration, 5500 government reporting, trustee services arranged and profit-sharing allocations.

Service area: Nationwide.

Locations: Administrative and consulting offices in Charlotte, N.C.; Los Angeles, San Diego and San Mateo, Calif.

Staff: 200 total; 100 involved in 401(k) plan services.

Clients: Average plan, 147 participants; no minimum size plan; maximum size plan, 10,000 participants.

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

1992 revenues: $14 million total; $7 million from 401(k) plan administration.

Contact: William Moore, vp.

E

EBG & Associates Inc.

68 E. Wacker Place, Suite 900, Chicago, Ill. 60601; 312-580-2250; fax: 312-580-2252

Services began: 1984.

Continued on next page

FROM NTC BUSINESS BOOKS

MARKETING BESTSELLERS

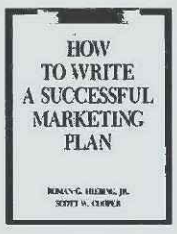


Integrated Marketing Communications
Don E. Schultz & Stanley I. Tannenbaum, Northwestern University & Robert Lauterborn, University of North Carolina

For anyone looking to reach today's consumer by integrating marketing and communications vehicles, advice straight from the leaders in this new industry. **#BI3363-3, $37.95**

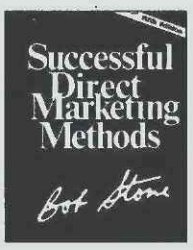
Also Available...
- **From Advertising to Integrated Marketing Communications Video #BI3499-0, $59.95**

SAVE $17.95 on Package: Book and Video #BI3499-X, $79.95



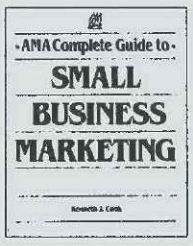
How to Write a Successful Marketing Plan
Roman G. Hiebing, Jr. & Scott W. Cooper, The Hiebing Group

Everything you need to develop a disciplined, comprehensive, "real world" marketing plan that defines your objectives. **#BI3197-5, $79.95**



Successful Direct Marketing Methods New! Fifth Edition
Bob Stone, Chairman Emeritus, Stone & Adler, Inc.

The book that started the revolution–now in a brand new edition that includes database marketing, retail and business-to-business marketing, and direct marketing's role in integrated communications. **#BI3510-5, $39.95**



AMA Complete Guide to Small Business Marketing
Kenneth J. Cook, President, General Business Consultants; Co-published with the American Marketing Association

Here's all the marketing help small business entrepreneurs need to identify, analyze, and rate target markets. **#BI3590-3, $29.95**



New Product Development, Second Edition
George Gruenwald, Former CEO, Campbell-Mithun

Covers every step of the new product process: research and planning, development, managing a major introduction, and more. **#BI3352-8, $39.95**

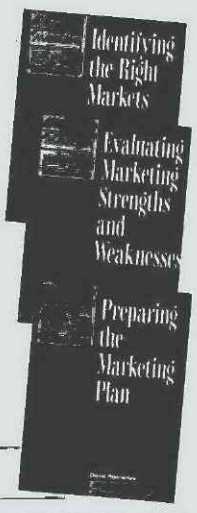
Also Available...
- **New Product Development Checklists #BI3217-3, $19.95**
- **New Product Development Video #BI3350-1, $59.95**

SAVE $31.90 on Set: Book, Checklist, Video #BI3351-X, $87.95

From the American Marketing Association
The AMA Marketing Toolbox
David Parmerlee, Marketing Consultant

Unique tools for creating marketing documents in a fraction of the time they would otherwise take. Outlines, checklists, and formats can be completed, customized, or revised to suit your own needs.
- **Identifying the Right Markets #BI3576-8, $19.95**
- **Selecting the Right Products and Services #BI3577-6, $19.95**
- **Evaluating Marketing Strengths and Weaknesses #BI3578-4, $24.95**
- **Developing Successful Marketing Strategies #BI3580-6, $19.95**
- **Preparing the Marketing Plan #BI3579-2, $19.95**

SAVE $20.95 on Complete Toolbox: 1 each of the 5 books above. #BI3576-X, $83.80



For Faster Service...FAX: 708-679-2494
Phone your Order: 1-800-323-4900 (or 708-679-5500)

❑ Payment Enclosed ❑ VISA ❑ MasterCard
❑ American Express ❑ Discover Card

Account No. _____ Exp. Date _____
Signature _____
Name _____ Title _____
Company _____
Address _____
City, State, Zipcode _____
Phone No. (include area code) _____

Qty	Title	Code	Price	Ext.
	Integrated Marketing Communications			
	Book	BI3363-3	$37.95	
	Video	BI3499-0	$59.95	
	SAVE $17.95 ON SET	BI3499-X	$79.95	
	How to Write a Successful Marketing Plan	BI3197-5	$79.95	
	Successful Direct Marketing Methods	BI3510-5	$39.95	
	AMA Complete Guide to Small Business Marketing	BI3590-3	$29.95	
	New Product Development			
	Book	BI3352-8	$39.95	
	Checklists	BI3217-3	$19.95	
	Video	BI3350-1	$59.95	
	SAVE $31.90 ON SET	BI3351-X	$87.95	
	The AMA Marketing Toolbox:			
	Identifying the Right Markets	BI3576-8	$19.95	
	Selecting the Right Products and Services	BI3577-6	$19.95	
	Evaluating Marketing Strengths and Weaknesses	BI3578-4	$24.95	
	Developing Successful Marketing Strategies	BI3580-6	$19.95	
	Preparing the Marketing Plan	BI3579-2	$19.95	
	SAVE $20.95 ON COMPLETE SET	BI3576-X	$83.80	

Add $2.00 postage & handling for the first book and $1.00 for each additional book.

Subtotal _____
Postage and handling _____
Sales Tax: IL & CA Only _____
Grand Total _____

NTC Business Books
a division of NTC Publishing Group
4255 West Touhy Avenue • Lincolnwood, IL 60646-1975
1-800-323-4900 or 1-708-679-5500 • FAX: 1-708-679-2494

AD0497/BI

NTC Business Books
a division of NTC Publishing Group
4255 West Touhy Avenue • Lincolnwood, IL 60646-1975
1-800-323-4900 or 1-708-679-5500 • FAX: 1-708-679-2494

Continued from previous page

Software: Written and maintained in-house; accommodates 10 investment funds and 10 kinds of contributions; software may be used by clients in-house.

Administration: Does not use unit value accounting.

Client support: Written communication of plan features to employees. Consults on legal issues, compliance issues. Other services include custom programming, customized documentation, software training.

Service area: Nationwide.

Staff: 35 total; seven involved in 401(k) plan services.

Clients: 150 total. No minimum size plan; maximum size plan, 10,000 participants.

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

Officers: Emmanuel B. Garcia Jr., president; Dee L. Holt, executive vp; Mary Jo Arthur, vp/actuary.

Contact: Teresa Brennan.

E.R.I.S.A. Inc.

6600 N. Lincoln Ave., Suite 330, Lincolnwood, Ill. 60645; 708-674-1883; fax: 708-674-5751

Services began: 1987.

Software: Purchased from outside vendor; accommodates 20 investment funds and 10 kinds of contributions.

Administration: Does not use full share accounting.

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 plan installation including specimen documents and IRS submission; all aspects of administration including allocations, distributions, custom reports, 1099s, 941s and all government reporting and required notices; employee presentations in English and Spanish.

Service area: Midwest.

Staff: Five total; one involved in 401(k) plan services.

Clients: 12 total. Average plan, 35 participants; minimum size plan, three participants; maximum size plan, 2,000 participants.

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

1992 revenues: $354,000 total; $40,000 from 401(k) plan administration.

Officers: Michael R. Iselin, president; Richard Perlin, vp.

Economical Retirement Plans

113 W. Hillsdale Blvd., Suite G, San Mateo, Calif. 94403; 415-571-6131; fax: 415-377-0180

Services began: 1993.

Software: Purchased from outside vendor; accommodates 15 investment funds and five kinds of contributions.

Administration: Does not use full share accounting.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include full participant directed investment program meeting final ERISA 404(c) regulations, education on investing with emphasis on using no-load investment mutual funds.

Service area: Nationwide.

Staff: One total who is involved in 401(k) plan services.

Clients: One total. Average plan, 15 participants; no minimum size plan; maximum size plan, 500 participants.

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

1992 revenues: $50,000 total.

Officers: Craig Schiller, owner.

Employee Benefit Specialists Inc.

450 Sansome St., Suite 555, San Francisco, Calif. 94111-3313; 415-788-7683; fax: 415-788-7846

Services began: 1987.

Software: Purchased from outside vendor; accommodates 99 investment funds and six kinds of contributions.

Administration: Does not use unit value accounting or full share accounting; does not accommodate loan provisions.

Client support: Written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include trust accounting, statement of account for employee, loan and termination calculations, Form 5500 preparation, allocation accounting, plan documents.

Service area: Nationwide.

Staff: 10 total; four involved in 401(k) plan services.

Clients: 50 total. Average plan, 90 participants; no minimum size plan; maximum size plan, 3,000 participants.

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

Officers: Joan L. Rhodes, president/CEO; Elizabeth Juen, CFO; Chimane Rhodes, vp.

Contact: Joan Rhodes, 800-229-7683.

Employee Benefits Management Corp.

5525 Oakdale Ave., Suite 450, Woodland Hills, Calif. 91364; 818-347-9309; fax: 818-347-9251

Services began: 1988.

Software: Leased from outside vendor; accommodates 20 investment funds and four kinds of contributions.

Administration: Does not use full share accounting.

Client support: Written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include employee conferences upon request.

Service area: Los Angeles, Orange and Ventura counties in California.

Staff: Six total; three involved in 401(k) plan services.

Clients: Average plan, 20 participants; minimum size plan, six participants; maximum size plan, 3,000 participants.

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

Officers: Michael S. Link, president; Karoli S. Hayes, vp.

Employers Life Insurance Co. of Wausau

2000 Westwood Drive, Wausau, Wis. 54401-7881; 800-826-1661 ext. 6068; fax: 715-843-3674

Services began: 1985.

Parent: Employers Insurance of Wausau, A Mutual Co.

Software: Written and maintained in-house; accommodates 26 investment funds and 12 kinds of contributions.

Administration: Does not use unit value accounting or full share accounting.

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

Service area: Nationwide.

Locations: Consulting offices in Atlanta; Baltimore; Boston; Chicago; Dallas; Detroit; Indianapolis; Kalamazoo, Mich.; Kansas City, Mo.; Los Angeles; Milwaukee; Minneapolis; Newark, N.J.; Philadelphia; Portland, Ore.

Staff: 115 total; 101 involved in 401(k) plan services.

Clients: 398 total. Average plan, 74 participants; minimum size plan, 25 participants; maximum size plan determined on case by case basis.

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

Officers: James Magalska, executive vp/COO; Tom Erickson, vp-group retirement; Tim Mulloy, vp-employee benefits marketing; Ross Solverud, director-plan & contract services; Phil Lamers, manager-defined contribution plan administration.

The Epler Co.

450 B St., Suite 750, San Diego, Calif. 92101-8002; 619-239-0831; fax: 619-239-0807

Services began: 1981.

Continued on next page

THE
Business Insurance
WORKERS COMPENSATION CONFERENCE

PRESENTED BY
Business Insurance and IBF • International Business Forum

October 17-19, 1993
Loews Coronado Bay Hotel
San Diego, California

HOW TO REGISTER:
The registration fee is $795 ($595 for risk, employee benefit and safety managers). Early Bird registration fee is $695 ($495 for risk, employee benefit and safety managers), if you register before August 15. To register or receive exhibit information, please complete the form below and mail or fax to:

IBF • International Business Forum
50 Charles Lindbergh Blvd., Suite 400 • Uniondale, N.Y. 11553
Tel (516) 229-2375 • Fax (516) 229-2386

THE *BUSINESS INSURANCE* WORKERS COMPENSATION CONFERENCE

☐ PLEASE REGISTER THE FOLLOWING DELEGATE.
☐ PLEASE SEND ME EXHIBIT INFORMATION.
☐ PLEASE KEEP ME INFORMED.

Name _____
Title _____
Company _____
Street _____
City _____ State _____ Zip _____
Telephone ( ) _____
Fax ( ) _____

CONFERENCE AGENDA

SUNDAY, OCTOBER 17

6:00 – 7:30 p.m. EARLY REGISTRATION & WELCOME RECEPTION
Hosted by Commonwealth Risk Services, Inc. and General Rehabilitation Services, Inc.

MONDAY, OCTOBER 18

7:45 a.m. *Registration & Continental Breakfast*

9:00 a.m. OPENING REMARKS FROM THE CHAIR
Kathryn J. McIntyre
Vice President, Publisher & Editorial Director
Business Insurance

9:15 a.m. SHOULD THE WORKERS COMPENSATION AND GROUP HEALTH CARE SYSTEMS BE COMBINED?
Panel Moderator:
James M. Burcke, Editor
Business Insurance

Keith T. Bateman, Vice President
Policy & Development
Workers Compensation
& Commercial Lines Division
Alliance of American Insurers

Harry Neer, President & Chief Operating Officer
USA Health Network Company, Inc.

Thomas E. Rankin, Director of Research
California Labor Federation, AFL-CIO

10:15 a.m. *Mid-Morning Refreshments & Table-Top Exhibits*

10:45 a.m. ESTABLISHING AND IMPLEMENTING A SUCCESSFUL ERGONOMICS PROGRAM
Michelle Robertson, Ph.D.
Assistant Professor of Human Factors
Institute of Safety and Systems Management
University of Southern California

Marie Robinson, M.S.
Corporate Ergonomist, Safety Staff
Pacific Bell

Neal Taslitz, JD, President
The Backcare Corporation

Steven C. Turner, Safety Consultant
Marsh & McLennan, Inc.

12:15 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES
Hosted by William M. Mercer, Inc. and Marsh & McLennan, Inc.

1:15 p.m. KEYNOTE LUNCHEON SPEAKER
Brent A. Winans, Vice President, Risk Management
Concord Services, Inc.

Continued from previous page
Software: Purchased from outside vendor; accommodates 20 investment funds and 26 kinds of contributions.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include custom plan documents, IRS qualification, assistance in selection of investments and trustees.

Service area: Nationwide; specializes in California.

Staff: 17 total; five involved in 401(k) plan services.

Clients: Average plan, 200 participants; minimum size plan, 30 participants; no maximum size plan.

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

Officers: Jane Barry, president; Lee Hindenach, executive vp; Elaine Kalin, Lin Ball, vps; Lou Filliger, senior actuary.

Contact: Elaine Kalin.

ERISCO

1700 Broadway, New York, N.Y. 10019; 212-765-8500; fax: 212-582-8030

Services began: 1983.

Parent: The Dun & Bradstreet Corp.

Software: Written and maintained in-house; accommodates 10 investment funds and 40 kinds of contributions; software may be used by clients in-house.

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 statement mailing, check generation, proxy generation, participant service center, asset placement among 30 mutual fund families.

Service area: Nationwide.

Locations: Administrative offices in Union, N.J.

Staff: 241 total; 44 involved in 401(k) plan services.

Clients: 108 total. Average plan, 6,154 participants; minimum size plan, 200 participants; no maximum size plan.

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

Officers: Jeremy Davis, president; Joe Posluszny, senior vp/CFO; Jim Angelone, vp-defined contribution services.

Contact: Robert Liotto, national sales director-defined contribution services.

Ernst & Young Actuarial, Benefits & Compensation Consulting Services

787 Seventh Ave., New York, N.Y. 10019; 212-773-6166; fax: 212-773-5986

Services began: 1987.

Software: Leased from outside vendor; accommodates 20 investment funds and 30 kinds of contributions; software may be used by clients in-house.

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 administrative/procedural consulting, manual preparation, vendor selection.

Service area: Nationwide.

Locations: Administrative and consulting offices in 100 U.S. locations.

Staff: 350 involved in actuarial, benefits, and compensation services; 45 involved in 401(k) plan services.

Clients: 250 total. Average plan, 500 participants; no minimum size plan; maximum size plan, 25,000 participants.

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

1992 revenues: $50 million from actuarial, benefits and compensation consulting; $5 million from 401(k) plan administration.

Officers: Albert J. Kleinberg Jr., director-national actuarial benefits & compensation consulting services.

Contact: Greg Olalde, 312-879-2408.

F

Fidelity Institutional Retirement Services Co.

82 Devonshire St., Suite 226, Boston, Mass. 02109; 617-330-2811; fax: 617-439-0782

Services began: 1982.

Parent: Fidelity Investments/FMR Corp.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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. Manages investment of funds. Other services include voice response system, 24 hour account information, asset allocation information and assistance, transaction confirmations, PC-based savings/investment tools.

Service area: Nationwide.

Staff: 1,000 total; 650 involved in 401(k) plan services.

Clients: Corporate plan (prototype plan geared toward companies with less than 1,000 employees): 425 total; average plan, 200 participants; minimum size plan 50 participants. National plan (tailored plan for large organizations): 450 total; average plan, 2,400 participants; minimum size plan, 500 participants; no maximum size plan.

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

Officers: Robert L. Reynolds, president; Edward J. Lavelle, senior vp-sales; Peter J. Smail, senior vp-marketing; Steven E. Elterich, senior vp-systems; Ellyn A. McColgan, senior vp-client services; Kevin D. Moran, senior vp-emerging corporate market.

Contact: Ted Lavelle, 617-330-2811.

First Fidelity Bank

765 Broad St., C76507, Newark, N.J. 07102; 201-565-3200

Services began: 1982.

Software: Leased from outside vendor; accommodates 99 investment funds and 99 kinds of contributions.

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, compliance issues, employee communications. Manages investment of funds. Other services include trustee/custodian of assets, recurring payments, design and conduct of employee seminars/communications, prototype plans available with SPD.

Service area: Nationwide.

Locations: Administrative and consulting offices in Allentown, Philadelphia and Shelton, Pa.

Staff: 95 total; 55 involved in 401(k) plan services.

Clients: 170 total. Average plan, 71 participants; maximum size plan, 5,000 participants.

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

1992 revenues: $15.5 million total; $4.7 million from 401(k) plan administration.

Officers: Jay A. Anglada, executive vp; Kevin Knight, Robert Saltarelli, Mary Mulhern, senior vps; Roy Williams, vp.

Contact: Clifford P. Bakley.

First Trust Corp.

717 17th St., Suite 2600, Denver, Colo. 80202; 303-293-2223; fax: 303-292-2227

Parent: Fiserv.

Continued on next page

1:45 p.m. *Break*

2:15 p.m. HOW TO INTEGRATE CASE MANAGEMENT INTO A WORKERS COMPENSATION PROGRAM

Peter C. Madeja, Vice President
General Rehabilitation Services, Inc.

3:30 p.m. *Mid-Afternoon Refreshments & Table-Top Exhibits*

4:00 p.m. MINIMIZING FRAUD AND ABUSE IN THE WORKERS COMPENSATION SYSTEM

Panel Moderator:
Joanne Wojcik, Los Angeles Bureau Chief
Business Insurance

Gregory L. Johnson, Principal
William M. Mercer, Inc.

Hank Krizl, Vice President – Claims
Fremont Compensation Insurance Group

J. William Strickland
Manager - Special Investigations Unit
Liberty Mutual Insurance Group

5:15 p.m. COCKTAIL RECEPTION
Hosted by USA Workers' Insurance Network

TUESDAY, OCTOBER 19

7:45 a.m. *Continental Breakfast & Table-Top Exhibits*

9:00 a.m. OPENING REMARKS FROM THE CHAIR

9:15 a.m. INNOVATIVE STRATEGIES TO CUT WORKERS COMPENSATION COSTS

Case Study #1
BECHTEL CORPORATION

Lucy Gallagher. Risk Management Representative for Bechtel Corporation
Alexander & Alexander

Thomas W. Manley, Labor Relations Supervisor
Bechtel Corporation

Case Study #2
WALT DISNEY COMPANY

Stephen M. Wilder, Assistant Treasurer
Risk Management
Walt Disney Company

Case Study #3
MERVYN'S

Michelle Patton, Director – Risk Management
MERVYN'S

10:30 a.m. *Mid-Morning Refreshments & Table-Top Exhibits*

MID-MORNING CONCURRENT SESSIONS

11:00 a.m. ***Concurrent Session A:***
HOW TO EVALUATE AND SELECT A THIRD-PARTY ADMINISTRATOR

Carl Shogren, ARM
Vice President, Risk Management Services
Crawford & Company

Susan M. Werner, ARM
Director of Risk Management
Hardee's Food Systems Inc.

11:00 a.m. ***Concurrent Session B:***
HOW TO SELF-ADMINISTER YOUR CLAIMS

Arnold Davenport, Vice President, Risk Management
Marriott Corporation

12:00 p.m. LUNCHEON FOR SPEAKERS AND ATTENDEES
Hosted by Liberty Mutual Insurance Group

1:00 p.m. KEYNOTE LUNCHEON SPEAKER

Bill Kizorek, President
InPhoto Surveillance

1:30 p.m. *Break*

2:00 p.m. FINANCING ALTERNATIVES FOR WORKERS COMPENSATION

Panel Moderator:
Kathryn J. McIntyre, Vice President, Publisher & Editorial Director
Business Insurance

Arnold Davenport, Vice President
Risk Management
Marriott Corporation

John Kessock, Jr., Chairman
Commonwealth Risk Services, Inc.

Vince Sanguinet, Executive Director
Inland Empire Schools Insurance Authority

Millicent W. Workman, Director of Corporate Risk Management
Belz Enterprises

3:30 p.m. CONFERENCE ADJOURNS

CORPORATE SPONSORS

Commonwealth Risk Services, Inc.
General Rehabilitation Services, Inc.
William M. Mercer, Inc.
Marsh & McLennan, Inc.
Liberty Mutual Insurance Group
USA Workers' Insurance Network

Continued from previous page
Software: Purchased from outside vendor; accommodates investment 10 funds and 10 kinds of contributions.

Administration: Does not use cash accounting or full share accounting.

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. Other services include benefits consulting.

Service area: Nationwide.

Staff: 26 total; 11 involved in 401(k) plan services.

Clients: 110 total. Average plan, 50 participants; minimum size plan, 100 participants; maximum size plan, 2,000 participants.

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

Contact: Tom Atkinson, 800-525-2124 ext. 5824.

First Trust National Assn.

180 E. Fifth St., St. Paul, Minn. 55101; 612-291-5615; fax: 612-223-7624

Services began: 1981.
Parent: First Bank System N.A.
Software: Recordkeeping provided by third party; accommodates unlimited investment funds and unlimited kinds of contributions.

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. Manages investment of funds. Other services include preparation of Form 5500, investment management, fund performance via telephone access, performance measurement, interactive voice response.

Service area: Nationwide.

Locations: Administrative and consulting offices in Billings, Mont.; Denver; Duluth, Minneapolis and Rochester, Minn.; Fargo, N.D.; Milwaukee; Sioux Falls, S.D.

Staff: 1,000 total; 50 involved in 401(k) plan services.

Clients: 305 total. Average plan, 377 participants; no minimum size plan; maximum size plan, 25,000 participants.

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 P. Wagner, executive vp-corporate & institutional trust; Thomas E. Plumb, Deborah Maschoff, senior vps-institutional trust; Michael T. Eidem, vp/manager-institutional trust sales & marketing.

Fleet Investment Services

100 Westminster St., RI/MO/136, Providence, R.I. 02903; 401-278-3318; fax: 401-278-6670

Services began: 1981.
Parent: Fleet Financial Group Inc.
Software: Leased from outside vendor; accommodates 400 combinations of investment funds and contributions.

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. Manages investment of funds. Other services include prototype documents, mandatory testing (415, 416, 410(b), 401(a) 26), Form 5500 preparation, distribution checks and form 1099R filing, enrollment presentations to participants.

Service area: Nationwide.

Locations: Administrative and consulting offices in Albany, N.Y.; Hartford, Conn.; Portland, Maine. Additional consulting offices in Bangor, Maine; Boston, Springfield and Worcester, Mass.; Buffalo, Melville, Newburgh, Rochester and Utica, N.Y.; East Hartford and Stamford, Conn.; Nashua, N.H.

Staff: 161 total, all involved in 401(k) plan services.

Clients: 289 total. Average plan, 300 participants.

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

1992 revenues: $25.4 million total; $2.5 million from 401(k) plan administration.

Officers: John H. Parker, division head; Joe Jennings, Patricia A. MacMillan, David D. White, Jeffrey Wirth, vps.

Contact: Marshall Raucci Jr.

Fort Dearborn Life Insurance Co.

233 N. Michigan Ave., 20th Floor, Chicago, Ill. 60601; 312-938-6500 or 800-545-2390 or 800-545-2343; fax: 312-938-7454

Services began: 1988.
Parent: Blue Cross Blue Shield of Illinois.
Software: Purchased from outside vendor; accommodates 20 investment funds and 15 kinds of contributions.

Administration: Does not use cash accounting or full share accounting.

Client support: Daily valuations, written communication of plan features to employees. Consults on compliance issues, employee communications. Manages investment of funds. Other services include summary plan description, Form 5307 series (determination letter), Form 5500 and 1099-R.

Service area: Nationwide.

Locations: Consulting offices in Burr Ridge, Fairview Heights, Peoria, Rockford and Springfield, Ill.; Chattanooga, Tenn.; Newark, N.J.; Portland, Maine.

Staff: 10 total; eight involved in 401(k) plan services.

Clients: 60 total. Average plan, 50 participants; no minimum or maximum size plan.

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

1992 revenues: $180 million total; $2.5 million from 401(k) plan administration.

Officers: Dave Weber, president; Russell McGrane, vp-marketing; Larry Newsom, vp/corporate counsel-pension product/secretary; Dave Pavletich, vp/treasurer; Jack McKee, vp-actuarial.

Contact: Heidi Lannen, 401(k) manager.

G

Godwins, Booke & Dickenson

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

Services began: 1982.
Parent: Aon Corp.
Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.

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 strategic alliance with investment funds.

Service area: Nationwide.

Locations: Administrative and consulting offices in Briarcliff Manor, N.Y.; Conshohocken, Pa.; Coral Gables, Fla.; Minneapolis; New York; St. Louis, Mo.; Winston-Salem, N.C. Consulting offices in 20 additional locations.

Staff: 1,160 total; 278 involved in 401(k) plan services.

Clients: 1,500 total. Average plan, 1,000 participants.

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

Officers: Donald Ingram, chairman/COO; Joseph J. Stahl III, vice chairman; Michael Reynolds, Paul Chicos, Robert Ryan, Walter Ogle, Roger Vaughn, executive vps.

Contact: Linda P. Holleman.

Continued on next page

By combining advanced technology for transaction processing with a commitment to quality service, a John Hancock 401(k) program greatly simplifies the administration of your plan. We provide toll-free numbers for both sponsors and participants, along with product features that make the plan simple, complete and reliable for you and your employees.

As You Can See, Administering Our Full-Service 401(k) Program Can Be A Very Time Consuming Job.

In fact, if you use our full-service program, reading this ad might well be one of your most time consuming tasks, so we'll keep it brief.

For complete information about John Hancock's 401(k) programs, please call Maureen Phillips, Vice President, at (617) 572-9790.



John Hancock Financial Services
Investment and Pension Group

John Hancock Mutual Life Insurance Company and affiliated companies, Boston, MA 02117

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Biggest not always best in agency productivity

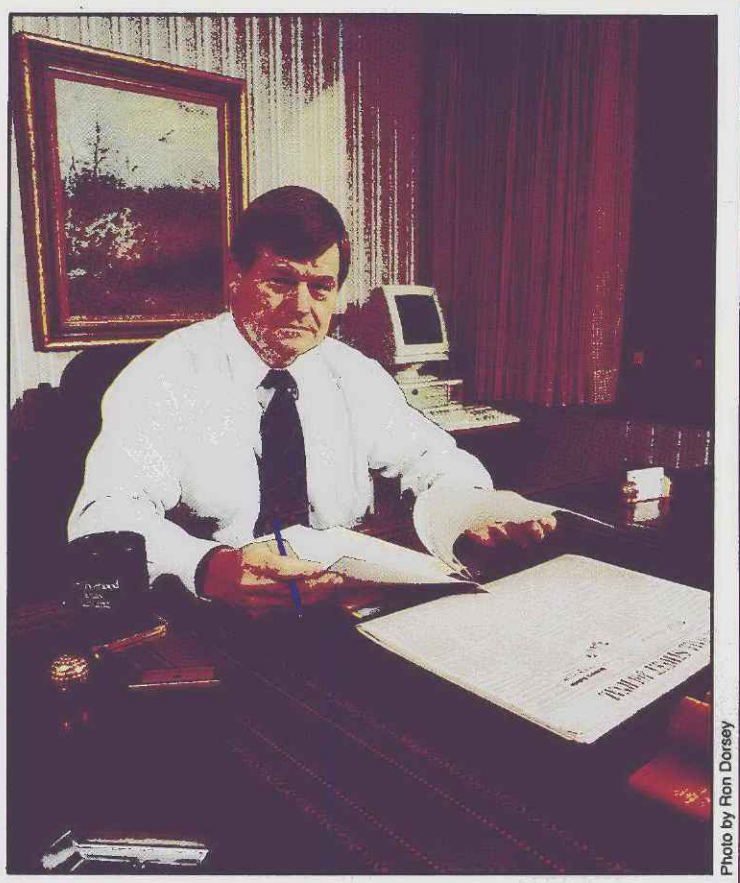


Photo by Ron Dorsey

Gary Cooper
Timberline Insurance Managers
Profile on Page 24D

Joseph Held tops rankings for fourth year

By GAVIN SOUTER

Keeping things simple is one of the keys to making an insurance agency or brokerage more productive, consultants and agents say.

Specialized, well-honed sales programs that require few staff members to administer produce the best results, they say.

But, agents with a more diverse book of business can also boost their productivity, though they may have to adopt sophisticated management philosophies to do it, consultants and agents say.

In general, small firms continue to dominate among the 20 most productive agents and brokers ranked by *Agent/Broker Topics.* Seven of the 20 had fewer than 10 employees in 1992, the same number as in 1991's rankings.

One of those small agents—Joseph Held Co. Inc.—ranked No. 1 for the fourth straight year based on gross revenues per employee of $292,857 in 1992, up 2.5% from $285,714 in 1991.

The seven-person agency has based its success on large commercial accounts that require few staff members to service, said Kenneth S. Held, president and chief executive officer of the New York-based agency.

Among Joseph Held Co.'s most profitable lines of business is its condominium insurance spe-

Continued on next page

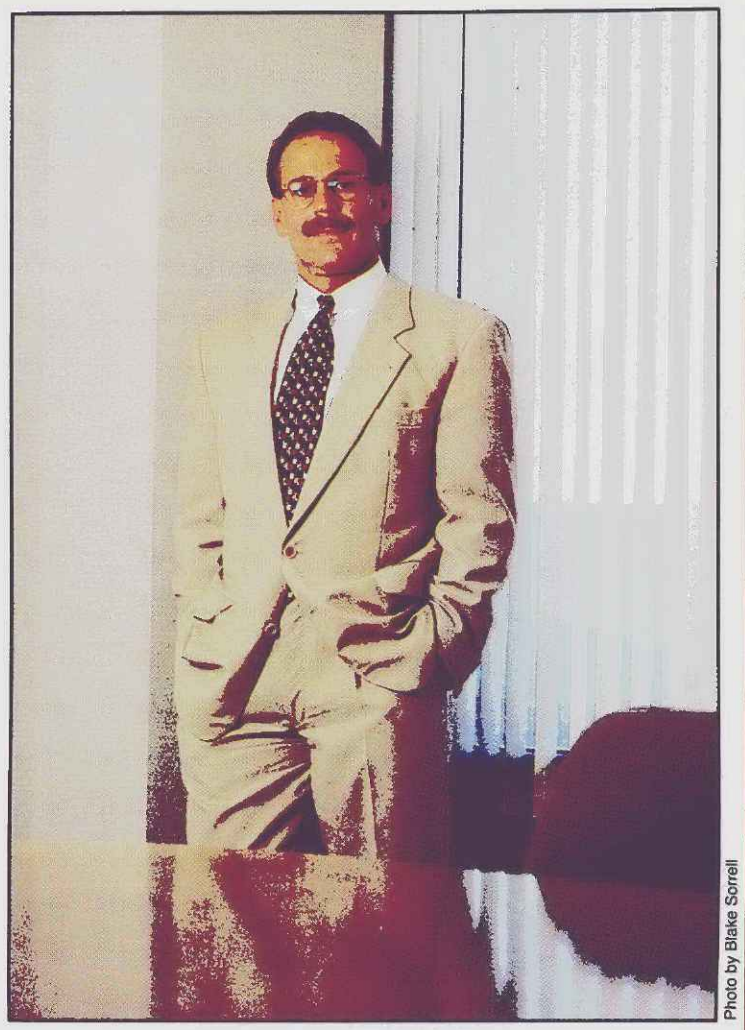


Photo by Blake Sorrell

Steve Fertitta
Fertitta & Associates
Profile on Page 24E

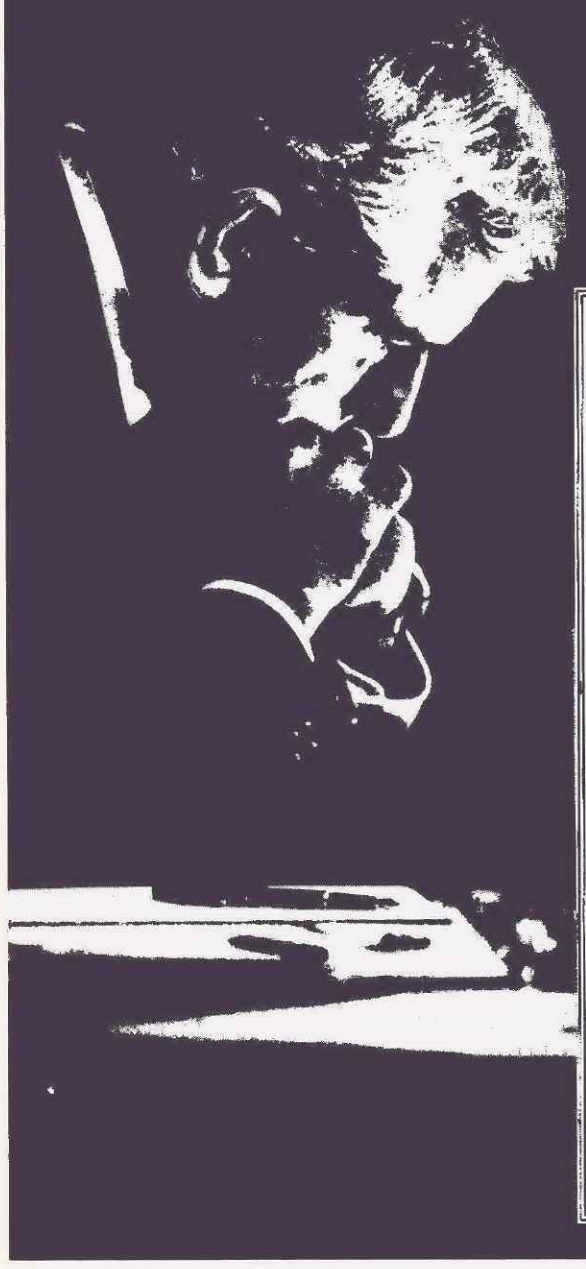
Most Productive Agencies

	Company	Revenue/employee 1992	Revenue/employee 1991	% change	Gross revenues 1992	Gross revenues 1991	% change	Employees 1992	Employees 1991	% change
1	Joseph Held Co. Inc.	$292,857	$285,714	2.5	$2,050,000	$2,000,000	2.5 %	7	7	0.0 %
2	Timberline Insurance Managers Inc.	244,427	220,165	11.0	20,531,841	13,430,072	52.9	84	61	37.7
3	Redland Group Inc.	234,326	215,466	8.8	83,888,544	76,706,032	9.4	358	356	0.6
4	Seaman Ross & Wiener Inc.	205,071	177,135	15.8	2,871,000	2,834,155	1.3	14	16	(12.5)
5	The Sklover Organization	200,000	188,889	5.9	1,800,000	1,700,000	5.9	9	9	0.0
6	Cal-Central Insurance & Management Services Inc.	180,818	155,909	16.0	1,989,000	1,715,000	16.0	11	11	0.0
7	KMC Insurance Services Inc.	176,697	225,596	(21.7)	1,060,182	902,384	17.5	6	4	50.0
8	Frank Crystal & Co. Inc.	172,620	161,329	7.0	31,762,000	29,684,500	7.0	184	184	0.0
9	Kelly Associates Inc.	169,167	157,500	7.4	1,015,000	945,000	7.4	6	6	0.0
10	Healthcare Insurance Services Inc.	164,744	161,829	1.8	15,815,437	13,755,466	15.0	96	85	12.9
11	Ulrich Voorhees Warner Associates	163,208	155,000	5.3	7,834,000	7,440,000	5.3	48	48	0.0
12	Fertitta & Associates Inc.	161,667	115,000	40.6	970,000	690,000	40.6	6	6	0.0
13	Kornreich Insurance Services	158,621	150,333	5.5	23,000,000	22,550,000	2.0	145	150	(3.3)
14	San Diego Associates Inc.	156,275	148,833	5.0	937,650	893,000	5.0	6	6	0.0
15	The HDH Group Inc.	153,066	157,790	(3.0)	6,122,639	5,996,004	2.1	40	38	5.3
16	MLW Services Inc.	152,759	140,000	9.1	8,860,000	7,700,000	15.1	58	55	5.5
17	Fritz International Insurance Brokers	149,500	128,750	16.1	1,196,000	1,030,000	16.1	8	8	0.0
18	Aviation Insurance Services Inc.	149,333	121,781	22.6	3,136,000	2,557,400	22.6	21	21	0.0
19	Gow & Hanna Inc.	147,600	143,314	3.0	9,594,000	10,032,000	(4.4)	65	70	(7.1)
20	Bertholon-Rowland Corp.	146,341	127,174	15.1	18,000,000	11,700,000	53.8	123	92	33.7
	Totals	$3,579,096	$3,337,508	7.2	$242,433,293	$214,261,063	13.1 %	1,295	1,233	5.0 %

Source: *BI* survey

"Over 50% of our capital at risk.

And not one penny of it covered for unexpected credit losses."



You insure against every other major risk.

Accounts receivable is a critical component of your balance sheet. Yet you insure against property loss, liability and other unpredictable, high-exposure events... and take all the risk on unexpected credit write-offs.

In today's complex world of business, unforeseen events increasingly make even the most reliable customer unable to pay, no matter how good the initial credit decision was.

Why continue taking 100% of the risk of unexpected credit write-offs when there is a proven, affordable solution: business credit insurance from the industry leader, ACI.

ACI can assist you in determining the right amount of risk to keep and risk to share. And the cost is generally just *a fraction of one percent of covered sales.*

Look into insuring one of your largest risks with a partner you can trust.

Find out why thousands of companies across the nation rely on ACI to cover nearly $40 billion in sales. Call now for more information.

American Credit Indemnity

DB a company of The Dun & Bradstreet Corporation

Call 1-800-230-6556, ext. 9110

Agent/Broker Topics

Timberline prospers by taking a new tack to agency operations

Acquiring and hiring experience is key

By NANCY P. JOHNSON

MOST PRODUCTIVE AGENCIES

Productivity is the end result of doing things right the first time at Timberline Insurance Managers Inc.

The Austin, Texas-based agency, which came in at No. 2 on the *Agent/Broker Topics* list of the most productive agencies, strives to make sound business decisions without getting trapped in traditional agency thinking, according to the agency's president, Gary Cooper.

Timberline's growth in the past year was impressive. Revenues per employee increased 11% to $244,427 from $220,165 in 1991, even though the number of employees increased to 84 from 61. Premium volume soared 54.8% to $291 million from $188 million, while gross revenues shot up 53% to $20.5 million from $13.4 million. Timberline was 33rd in *BI*'s 1993 ranking of the largest U.S. brokers (*BI*, July 5).

Timberline was founded in 1957 with the primary purpose of managing the insurance needs of its Diboll, Texas-based parent, Temple-Inland Inc., a holding company whose units include paper products, mortgage banking, property management and savings and loans. The agency began its course of expansion in 1988, when it acquired a book of annuity business through the acquisition of three troubled S&Ls. Timberline went on to develop the annuity program, which now makes up about one-third of the company's profits.

In fact, profits from the annuity program helped Timberline to make other acquisitions without having to borrow from its parent, said Mr. Cooper.

Acquiring successful agencies is Timberline's strategy for achieving its top goals of growth and profitability. After opening commercial lines branch offices in Beaumont and San Antonio, the agency added to 1992 profits by buying the Goodman-Watson Insurance Agency Inc. in El Paso last July.

"We look for profitable agencies with management that wants to stay on and run their own show," Mr. Cooper said.

The company is expanding to the Houston area through the imminent acquisition of First Agency in Baytown, Texas, a 20-person agency that acts as a sales center, specializing in small to midsize commercial accounts.

This acquisition will add about $2 million in revenues and as much as $500,000 in profits, "even if we don't streamline it," said Mr. Cooper.

Timberline's operations are divided into three parts:

- A retail property/casualty unit, which places some personal lines but mostly commercial lines business.
- A financial services unit, which provides training and consulting to financial institutions on how to market fee-income products, like single-premium fixed annuities.
- A risk management and loss-control consulting unit.

One profit center for Timberline is its lead agent program, under which the agency acts as a managing general agent for standard business for individual agents in Texas.

A profitable portion of the agency's loss-control business is unusual for landlocked Austin: Timberline is the nation's largest provider of loss-control services for the stevedore industry, said Mr. Cooper. The idea came from a Timberline employee whose father works in that business, which involves unloading cargo from ships. "It is a tough business from the workers compensation point of view," said Mr. Cooper, who said the business will generate $1 million in fees in 1994.

One reason for Timberline's success is the "tremendously high value" placed on its insurer relationships, said Mr. Cooper. "We hold that sacred."

Another reason is that Timberline finds ways to do things differently—and better.

For example, the agency has a lot of underwriting experience built up from servicing its parent, Temple-Inland. And, unlike larger brokerages that charge other internal units for consulting, "Our people have free access to their expertise."

The company also differs from other brokers in how it chooses its sales team, he said.

"We don't want to be a train-

Continued on next page

Want "specialty" insurance with a personal touch? Talk to the Brownyards.

The personal, "hands-on" approach the Brownyards have taken toward their security guard coverages for nearly 40 years is also being applied to their country club and pest control coverages.

In all three of those areas, agents and brokers have come to count on the Brownyards for steady, dependable coverage year after year–through soft and hard markets alike.



Put the Brownyard personal approach to work for you. Talk to Brendan, Bruce or Bryan–for security guard, country club and pest control coverages that you and your clients can count on. **Talk to the Brownyards.**

THE BROWNYARD GROUP

21 Maple Avenue, CN9175 Bay Shore, NY 11706-9175
(800) 645-5820 • In NY: (516) 666-5050 • FAX: (516) 666-5723

Self-insurance a boon for broker

Filling gaps fuels Fertitta's growth

By LOUISE KERTESZ

As a brokerage that owns a share of a third-party claims administrator, Fertitta & Associates Inc. views itself as belonging to a select group of companies.

"We're one of two (brokerages) in the state and probably only a handful in the nation" in that position, said Steve Fertitta, president, chief executive officer and sole producer in the six-person employee benefits brokerage.

Spanning the brokerage and claims administration markets gives Fertitta another advantage, which drove up revenues 40.6% to $970,000 in 1992 from $690,000 in 1991.

When the broker's TPA unit places partially self-funded accounts with Minneapolis-based Employee Benefit Plans Inc., a health plan TPA that also writes stop-loss insurance, Fertitta shares in the profits. It works this way: Santa Clara-based Adminitec Inc., the TPA that Fertitta partially owns, places specific and aggregate stop-loss coverage for some of Fertitta's employer clients with EBP. EBP-owned insurers will retain part of the risk, for example, up to $170,000 of an employer's $400,000 specific stop-loss coverage. EBP cedes the rest of of the risk to stop-loss insurers such as Hartford Life Insurance Co.

Depending on claims experience, "we share as a broker in the profit on (EBP's) low-end risk," Mr. Fertitta explained.

Fertitta—which ranks No. 12 on the *Agent/Broker Topics* list of the most productive agencies—works with stop-loss insurers other than EBP, but has no profit-sharing arrangement with them, he said.

Fertitta's role as a broker affiliated with a TPA also gives it a marketing advantage. The brokerage conducts seminars jointly with EBP on topics like using the partially self-insured approach to funding health benefits.

Getting the word out about self-insurance is the core of Fertitta's growth strategy.

Fertitta does place coverage for fully insured companies. "(But) we've been trying to move more in the direction of the partially self-insured," said Mr. Fertitta, as he refers to self-insured employers that buy stop-loss coverage.

Fertitta shies away from highly visible public companies. "We like the family-run, privately held companies that are not dependent on venture capital," he added.

Companies that depend on venture capital are "volatile and not the best arrangement for partially self-insured plans," he noted, because if they don't get their capital infusion "they lay off half their workforce."

"There are so many employers in the Silicon Valley area that are privately held, that were born here. It has enabled agencies like mine to sustain themselves and survive and grow," he said.

Fertitta works with employers with 50 or more employees. About 28 of the broker's clients are partially self-insured, and not all tap EBP for stop-loss coverage. Some buy the coverage from other insurers, like Great West Life Insurance Co. in Denver.

The broker's revenues have risen even though "ironically" the number of its partially self-insured clients has decreased as a soured economy has forced many companies to lay off workers, Mr. Fertitta said. After a layoff, companies may not have large staffs over which to spread risk, so self-insurance no longer is effective.

"What has worked in our favor is the profit-sharing arrangement" with EBP.

Mr. Fertitta is grateful for his "good relationship" with EBP's CEO, William E. Sagan. "It's good when you can pick up the phone and talk to an executive of that magnitude. You couldn't pick up the phone and talk to a CEO of

Continued on next page

Timberline

Continued from previous page

ing ground. All of our producers have more than 10 years of experience in the property/casualty area, and some have as much as 20 years of experience." That way, Mr. Cooper said, "We don't have to spend a lot of time reinventing the wheel and baby-sitting."

The producers' work is structured differently, too.

"We have a very entrepreneurial group," most of whom have worked at the big brokerages or have owned their own property/casualty agencies, said Mr. Cooper, who came to Timberline in 1986 from a senior vp position at the Dallas office of Corroon & Black Corp., which later became Willis Corroon. "They are all used to thinking about the bottom line," which sets them apart from many people in the insurance business, he said.

And, Timberline is distinct in that everyone has more than one responsibility, he said. For example, the comptroller is responsible for the mortgage-cancellation life insurance program. "This helps keep overhead down and helps people know what everyone else is doing."

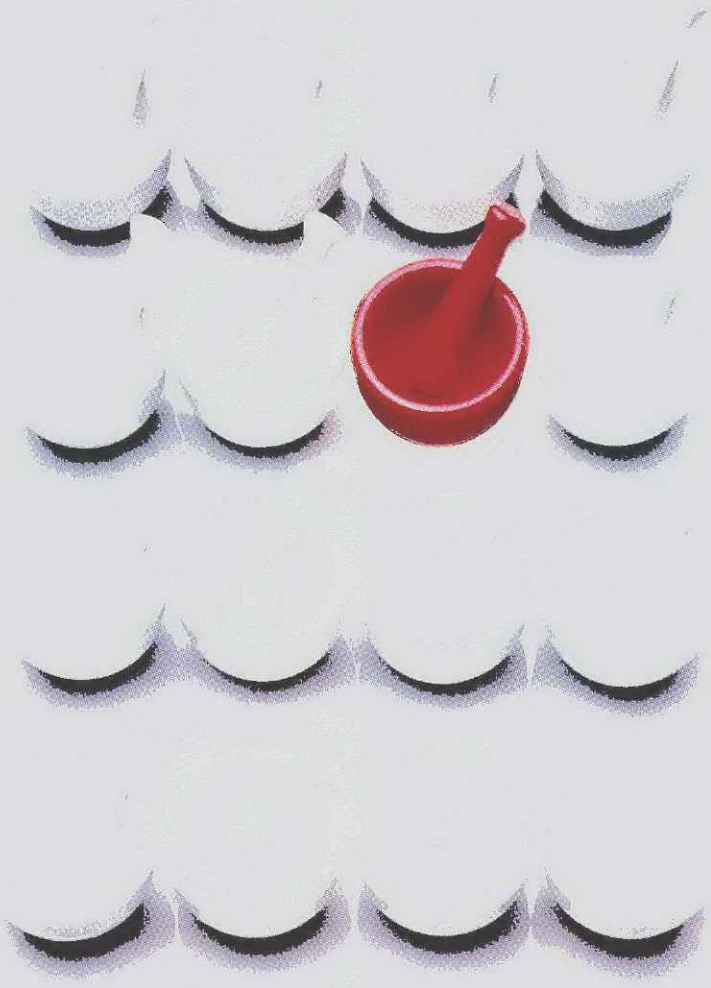
Among several keys to Timberline's success, careful decision-making is the most important, said Mr. Cooper.

"We like to think we are astute in how we look at the market, and we try not to be reactive. We strive to be a low-cost producer and to try to find niches and markets that we know we can do on a profitable basis."

And, while other agencies are coping with lean times by slashing costs and restructuring compensation, Timberline is not. "We try to do it right the first time," he said.

As for next year, Mr. Cooper wants Timberline to be No. 1 on *A/BT*'s list of most productive agencies. "And, we want to grow the agency to be a more significant part of our parent company's profits." BI

Now the best choice for your healthcare clients really stands out.



Seeing. Anticipating. Being ready.

Suddenly liability insurance isn't what it used to be, and many healthcare facilities want something far different from conventional coverage. Something tailor-made. Innovative. And backed by real security.

Need to set up a client's self-insurance program? We can help with excess.

How about large deductibles, creative retro plans or excess over self-insured workers comp? Just about anything is possible.

Next time you're not getting ***exactly*** what you want on a healthcare account, let our folks in Special Accounts hear the details. The phone call is on us.

phico® INSURANCE COMPANY

The Specialist in Protection for the Healthcare Community • 1-800-382-1378

Automation not an automatic advantage

Success requires using systems fully, consultants say

By SALLY ROBERTS

To survive in today's competitive marketplace, agents and brokers must do more than invest in computer technology—they must be able to tap all of the resources their automation provides, consultants say.

"Not all agencies are using their systems to the fullest extent," contends Tom Doran, a consultant with Hales & Associates Inc. in Atlanta.

Like a Ferrari stuck in the slow lane, "many agencies spend their time driving 50 mph with what they've got," Mr. Doran said. Instead, the agencies need to "squeeze everything out of their systems."

Being highly automated is not necessarily having the "latest and greatest system," it's making the most of what's at hand, agreed Shirley Lukens, assistant vp of agency management and technology for the Independent Insurance Agents of America Inc. in Alexandria, Va.

Thriving agencies have invested in management systems and are using them to the fullest, Ms. Lukens said. Customers are expecting more and more from their agencies, and unless the agencies have the tools, they won't be able to meet these expectations. "It's a matter of professionalism."

The bottom line is: If an agency doesn't better serve its clients through an effective use of automation, competitors will—and "you'll be out of business," Mr. Doren said.

Since its agency management system was installed four years ago, Minet/Compro Insurance Services Inc.'s productivity has doubled.

In 1989, revenue per employee was $71,000, said Tom Stone, chief financial officer of the San Jose, Calif., agency. In 1992, that figure was nearly $142,000.

The revenue per employee was enough to land the agency the No. 22 spot in the 1992 *Agent/Broker Topics* rankings of the most productive agencies.

Looking back to 1989, the agency was "very inefficient," Mr. Stone said. When customers called with questions about policies or invoices, customer services representatives had to go through paper files to find answers, he explained.

Now, all policy details are on the computer, said Phil Barry, president of the agency's technology division.

Having and getting the most out of agency computer systems is "absolutely critical in running a business today," agreed Sophie Keppler, assistant vp of administrative services for Cal-Central Insurance & Management Services in Fresno, Calif. "Anything done (at Cal-Central) is done on the computer."

The Fresno, Calif., agency placed No. 6 in the *A/BT* rankings with $180,818 in revenues per employee.

Most agencies use their computer systems only for accounting and word processing, consultants say. That won't do anymore.

Agencies need to be able to download policy information from insurance companies into their computers, explained Mr. Doran.

And they need a good sales-management system to track clients and prospects. This function allows agents to quickly identify which clients haven't been called

Continued on next page

Fertitta

Continued from previous page

Aetna or MetLife," he said.

EBP has "the flexibility of a family-run operation" while also being one of the largest claims administrators, according to Mr. Fertitta (*BI*, Jan. 25).

Fertitta designs group health plans for its clients and services their accounts, including handling claims problems and billing errors.

And there's another aspect to the client service, he said. "We keep them up to date on legislative issues that affect them and research the reinsurance market for the best specific and aggregate (stop-loss) policies."

Because the firm is doing more fee-based and less commission work, "the employer feels like we're on their side now," he said. "It's also more level revenue for us, because as some employers reduce their employee base, the premiums go down and therefore correspondingly the commissions go down."

Among its clients are three school districts and large recycling and refuse collection firms.

Because Fertitta specializes in health insurance, "we go in and sell the fact that we are experts in one area and we feel we do it better than everybody else."

Mr. Fertitta is optimistic about his business flourishing under national health care reform. "I believe what's going to happen is the federal government is going to let each of the states run their own reform, and that will basically give them full flexibility to do what they feel is right."

He noted that California already has its own health care purchasing alliance, well ahead of much of the nation. The Health Insurance Plan of California was established as part of small-business health care reform (*BI*, Aug. 2).

The state's small-business health insurance reform, which opened markets for small employers, "has generated additional business for us and has benefited the employers. Some clients, some prospects that you couldn't move before" have been able to change insurers under the new law, he noted.

"We had a 28-man law firm that was paying $40,000 a month in health insurance premiums, and we were able to save them $10,000 just by finding them another carrier. The carrier they were with really gouged them, and (before reform) they couldn't go anywhere else" because of their experience.

Fertitta places coverage with Blue Cross of California, Blue Shield of California and John Alden Life Insurance Co., and it has also placed one client with HIPC.

"I certainly want to see it succeed. It could be the model that the rest of the nation uses, and I think it's our (responsibility) as an agent to make sure the system works," Mr. Fertitta said.

"The system as it exists now in this state is great for the brokers," he added. "There's plenty of opportunity for the brokers. Contrary to those who say the sky is falling, I'm very optimistic."

As for Fertitta's growth, the chief executive said, "We always try to project a minimum of 15% in gross sales as a goal each year. We hope to go over a million by the end of 1993." BI

A business can't declare itself the leader: Customers do.

SAFECO Commercial Surety bonds some of the most outstanding companies in America, including 133 of Fortune Magazine's top 500 industrial companies; 10 of the top 15 retailers; 10 of the top 25 diversified service firms. Plus hundreds of other firms that are doing very well and just might make the list someday. Let's talk.

SAFECO Commercial Surety:
Proud to bond the best.

SAFECO SURETY BONDS

What's right.

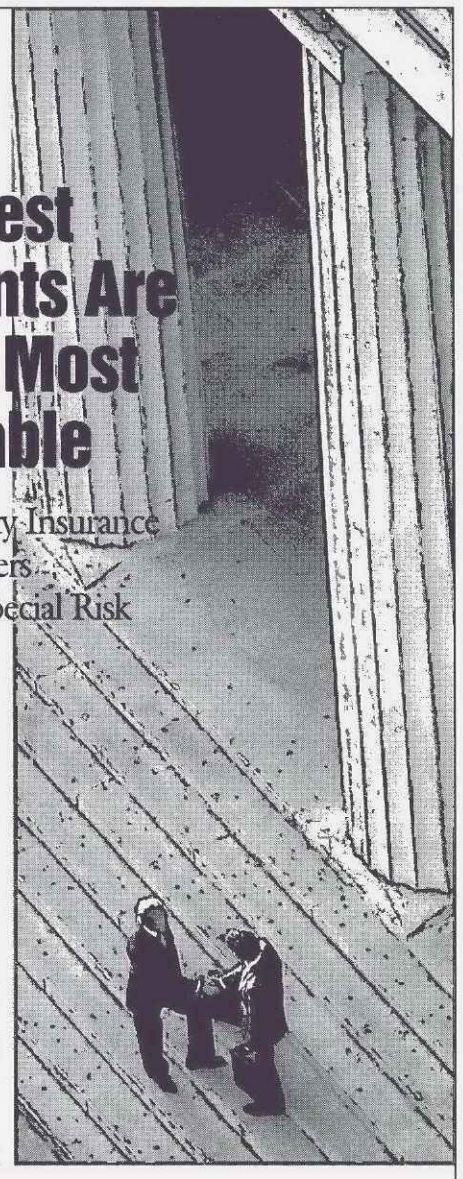
Your Best Legal Clients Are Also The Most Vulnerable

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.

300 Executive Drive
West Orange, New Jersey 07052

Automation

Continued from previous page
in a while, for example.

Sales-management systems can also search for clients that might be affected by, for example, new liability legislation, Ms. Lukens said.

Most agencies dedicated to full automation use these and other capabilities.

For example, Minet/Compro is looking into an electronic-mail modem to tie its customers' systems directly in with the agency's system, Mr. Barry said. This won't be that difficult considering about 85% of the agency's clients are in high-tech businesses in the Silicon Valley.

The agency is also looking to possibly invest in computer imaging capabilities to help create a paperless environment, in addition to efforts to increase the frequency and efficiency of communicating with overseas customers, he said.

At Cal-Central, interfacing directly with insurance companies is appealing, Ms. Keppler said. Currently, the agency can interface directly with one insurer. BI

Louisiana fines pair of agents in insolvency case

BATON ROUGE, La.—Two former insurer executives are facing the largest fines in Louisiana Insurance Department history.

Insurance Commissioner James H. Brown recently fined Earl W. Krenning and Richard P. Rushton, both of Slidell, La., $150,000 each and also revoked their agent licenses. They were cited for 32 violations of the state insurance code, which allegedly led to the insolvency of Sovereign Fire & Casualty Co. Inc.

Sovereign, which specialized in high-risk motor vehicle insurance, was placed into liquidation in May 1991.

Earlier this year, the two men were convicted on federal mail fraud and conspiracy charges related to the insolvency, which will cost state taxpayers an estimated $16 million.

Mr. Krenning was Sovereign's president and CEO; Mr. Rushton was its secretary. Neither has been sentenced.

"This is one of the most blatant cases I have ever seen of a premeditated scheme to defraud the public, and the fine corresponds to the gravity of the violations," the commissioner said.

Messrs. Krenning and Rushton were found guilty of filing fraudulent figures on annual financial statements and of engaging in an "asset rental" scheme.

Assets that were listed on the company's financial statements were in effect "rented" just long enough to make the company appear solvent.

The federal case against Sovereign also accused the insurer of making illegal payments to former Louisiana Deputy Insurance Commissioner John T. Browne, who last year pleaded guilty to conspiracy to commit extortion.

Mr. Browne was accused of conspiring with former Louisiana Insurance Commissioner Sherman Bernard to funnel payments from insurers into Mr. Bernard's re-election campaign accounts in 1987 and 1988 (*BI*, Nov. 30, 1992; Oct. 26, 1992).

—By Nancy P. Johnson

No slander seen in after dinner teasing

Agent loses appeal in suit over awards ceremony joke

By NANCY P. JOHNSON

NEW ORLEANS—Good-natured joshing is the norm at agency awards dinners, not grounds for a lawsuit, according to an appeals court.

Fred McKethan, a Texas insurance agent, contended that the public bad-mouthing he received at an agency awards ceremony made him feel like he "had been pole-axed with a four-by-four."

That caused him to to sue his employer—which sponsored the event—for age discrimination, intentional infliction of emotional distress and slander.

However, the 5th U.S. Circuit Court of Appeals in New Orleans in July ruled against Mr. McKethan, affirming a U.S. District Court decision.

Mr. McKethan, an agent and later a district sales manager for the Texas Farm Bureau, was often recognized for outstanding work, consistently winning sales awards, court papers show.

But, he maintains that hard work was oddly rewarded when he attended the Farm Bureau's annual statewide agents' awards meeting in San Antonio in 1990.

Mr. McKethan alleged that when it was time for him to be recognized, the regional sales manager handing out the awards said, "Sit down, you don't have anything; you haven't done anything to be recognized for," and that he "never had a master agent (award) and never would have one."

The cutting remarks went on for one to two minutes, Mr. McKethan alleged.

Mr. McKethan testified that he sought out the sales manager afterward, picked him up and told him, "I ought to kill you."

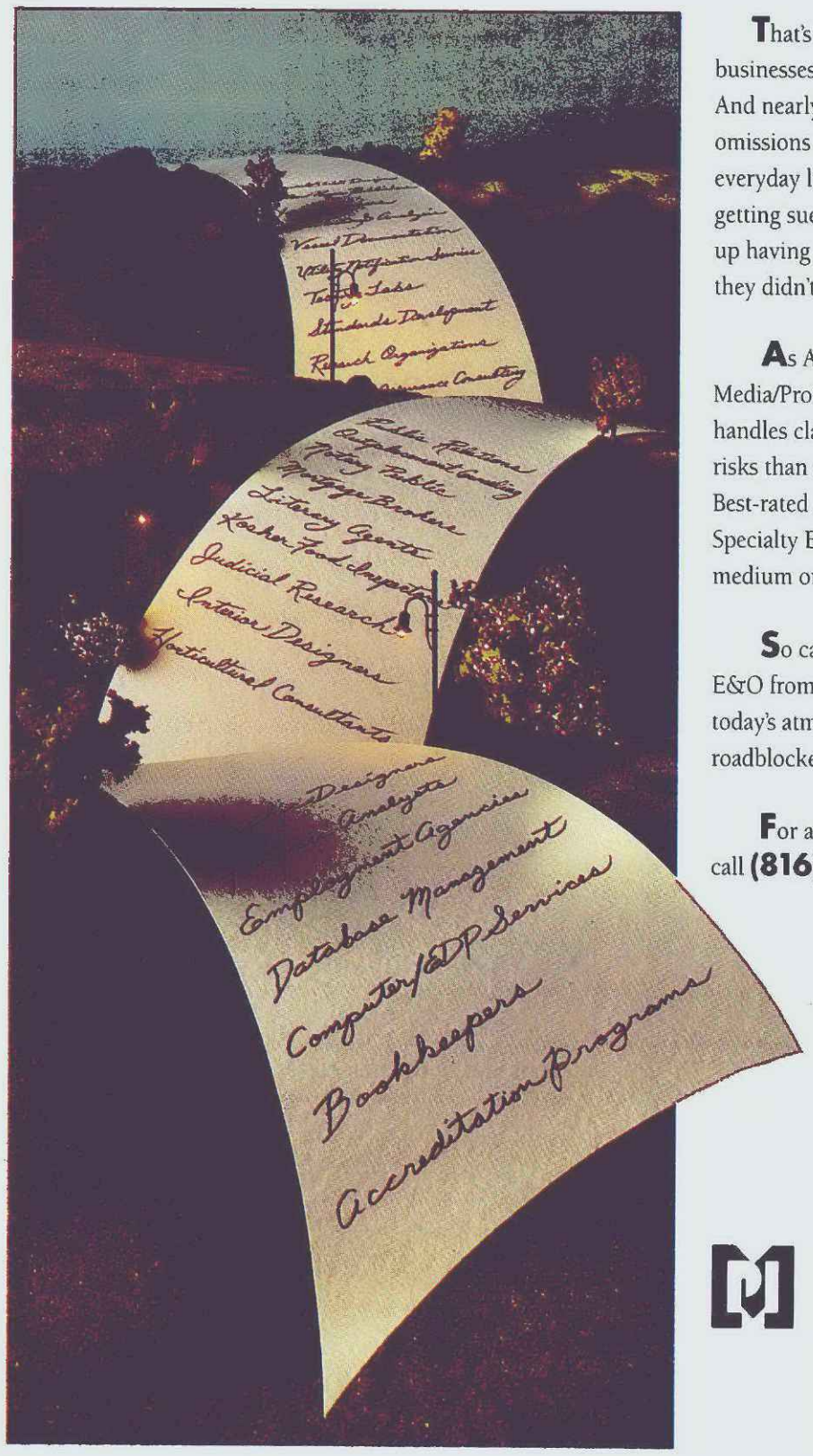
However, in his testimony to the district court, the sales manager said he asked Mr. McKethan to stand up and, while nervously looking for his place in the awards list, said: "Fred, it doesn't look like you did anything." He then found his place and said, "Fred, I was just kidding," and then announced Mr. McKethan's awards.

Mr. McKethan told the court that the events at the awards ceremony left him feeling that "they had effectively destroyed" his credibility with his home office, his district and his life.

Two weeks after the meeting,

Continued on next page

This List is Incomplete.



That's because there are more service businesses than you can think of, let alone list. And nearly every one of them has an errors and omissions exposure, meaning that in their everyday line of work, these companies risk getting sued for making mistakes. They may end up having to pay at least attorney's fees, even if they didn't make a mistake!

As America's E&O Authority,® Media/Professional Insurance underwrites and handles claims for a wider variety of these E&O risks than any other firm. And backed by A.M. Best-rated A+ Gulf Insurance Group, our Specialty E&O Plan can be tailored to large, medium or small service businesses.

So call today and find out more about E&O from Media/Professional. Because in today's atmosphere, any service business can be roadblocked by an unexpected lawsuit.

For a free Specialty E&O Kit, brokers may call **(816) 471-6118 x 281**.

Coverage is not available for licensed professionals such as doctors, lawyers, architects, engineers and accountants.

Media/Professional Insurance

A division of Aon Direct Group, Inc.
Two Pershing Square, Suite 800 • 2300 Main Street
Kansas City, Missouri 64108 • 816-471-6118
Facsimile: 816-471-6119

America's E&O Authority ®

Agent's suit

Continued from previous page

he informed his superior that he intended to retire in 13 months, citing tax reasons for delaying his retirement. Neither the supervisor nor any other agency official persuaded him to stay.

Nine months after the awards ceremony, Mr. McKethan, who was then 58, filed an age discrimination charge with the Equal Employment Opportunity Commission, claiming the awards incident constituted constructive discharge. He also filed a civil suit against the Farm Bureau, alleging slander and intentional infliction of emotional distress.

The agency denied Mr. McKethan's allegations and did not apologize for the alleged awards incident.

Mr. McKethan retired in July 1991, but later he wrote to the Farm Bureau seeking re-employment. The bureau answered that it had no intention of rehiring him.

At trial, the District Court accepted the bureau's request for a directed verdict on the age discrimination and emotional distress charges, while it granted summary judgment in favor of the bureau on the slander claim.

Mr. McKethan appealed.

The appellate court rejected Mr. McKethan's age discrimination claim, noting that his working conditions were not so intolerable that he was forced into involuntary resignation.

Given the context of the ceremony, the remarks were not defamatory, the appeals court ruled.

The court pointed out that he voluntarily delayed retirement 13 months for tax benefits and that he asked to have his job back after retiring.

The appellate court also upheld the trial court's refusal to allow consideration Mr. McKethan's claim of intentional infliction of emotional distress. To recover under such a claim, the plaintiff must establish that the defendant acted intentionally or recklessly, that the conduct was extreme and outrageous, and that the actions caused severe emotional distress. Mr. McKethan was not able to establish any of these factors, the court said.

Likewise, the appellate court rejected Mr. McKethan's slander charge.

"Considering the context of a jovial recognition ceremony, the nature of the remarks and McKethan's prominence as an exceptional district sales manager, we conclude that a person of ordinary intelligence would not have attributed a defamatory meaning to the remarks," the appeals court ruled. BI

PRODUCER SUPPORT SERVICE

We target market commercial lines and provide producers with custom programs, including: expirations, preapproach letters and appointment schedules. All work is performed by licensed insurance professionals.
For more information - please call
Brownlee Marketing and Advertising
106 Dekalb Street, Bridgeport, PA 19405
(800) 220-3533 • (215) 270-9705

Letters

IIAA also provides quality education

To the editor: As a member of both the Independent Insurance Agents of America and the National Assn. of Professional Insurance Agents, I enjoyed your June 7 *Agent/Broker Topics* section on the industry's major producer trade associations.

I am also chairman of the IIAA Education Committee and the Big "I" state national director from Massachusetts—a consolidated state association.

As IIAA Education chairman, I am very proud of the quality educational programs that our 51 state associations deliver to independent agents across the country. We at IIAA believe education is best delivered at the state level by professionals who know what their states and, most importantly, their members, need.

For those volunteers such as myself who work hard to provide IIAA members with the highest quality of educational products and services, I was disturbed by several observations in your June 7 article titled, "Its Roots in Mutuals, PIA Today Strives to Lead in Education."

A PIA board member was quoted as saying, "PIA's educational programs are superior to any other agent association." In my informed opinion, this statement is simply not supported by facts.

I would like the opportunity to share with you a bit more about the IIAA's education efforts.

IIAA is the only producer association to host an annual Education Convocation that brings insurance education specialists together from all over the country to share ideas and enhance insurance education for IIAA members. In addition, IIAA has developed a series of videos to assist agents in increasing their productivity and in training their staff. By taking one of IIAA's errors and omissions seminars, an agency may be entitled to a discount on its E&O policy.

The IIAA Accredited Customer Service Representative program has earned the distinction of being the largest and fastest-growing CSR insurance training program in the country, boasting over 6,000 graduates.

In the aforementioned article, PIA National President Jerry Hargrove was quoted as saying, "The PIA's CPSR program is the only designation program that has a three-part option." This is simply not true. ACSR offers concentrations in the same three areas as CPSR—personal lines, commercial lines or both. The ACSR program is the most comprehensive CSR program available in the industry, featuring both personal lines and/or commercial lines concentrations and offering the only self-study CSR program available to independent agencies.

I hope that this information dispels the myth that IIAA is in the shadow of any organization in the area of insurance education for its members. We have been and continue to be the most sought-after source for insurance education by the nation's independent insurance agents.

Thank you for the opportunity to set the record straight.

William F. Hofmann III
Hofmann Insurance Agency Inc.
Belmont, Mass.

ARE WE CRAZY? *Of course, we don't think so. We're committed to providing quality products to our customers. We're making this* ***introductory $500 price reduction*** *to virtually eliminate your purchase risk. We know that once you learn the ModMaster Advantage you will be a partner for years to come.*

THE ANNUAL SUBSCRIPTION RATE DOES NOT START UNTIL 1994!

User Friendly - Redefined

Here are a few things the ModMaster Plus will do automatically:

- Look up expected loss ratio, discount ratio, ballast,and weighting values
- Limit losses using appropriate loss limits
- Calculate aggregate and specific loss sensitivity analysis
- Generate a detailed handsome report
- Compute Assigned Risk Adjustment Program (ARAP) surcharge

The Annual Subscription Rate:
Rate maintenance for ALL states $395

A LIMITED TIME OFFER FOR 90 INCREDIBLE DAYS!

ModMaster Plus Software

Used by the TOP insurance brokers in the country
Marsh & McLennan, Sedgwick James, Alexander & Alexander and Johnson & Higgins

Name_____
Company_____
Address_____
City_____
State_____ Zip_____
Telephone ( )_____

Specific Software Solutions Corporation

YES, I ACCEPT YOUR INCREDIBLE OFFER!
MODMASTER **Plus**
❑ ~~$595~~ $95
Disk Size: ❑ 3 1/2" ❑ 5 1/4"
The Special $95 offer includes:
• ModMaster Plus Software
• Rating databases for 42 states
• Unlimited toll free customer support

Please send order and payment to:
P.O. Box 198221
Nashville, TN 37219 - 8221
Call 1 • 800 • 929 • 4052 for more information TODAY!

READER REPLY SERVICE

Agent/Broker Topics

To obtain free information on the products and services advertised, turn to our post-paid Reader Service Reply Card bound in this issue, or complete the coupon below and mail to:
BUSINESS INSURANCE
Reader Service Center
650 So. Clark St., 6th Floor
Chicago, IL 60605-1702

Issue of September 6

READER SERVICE #	ADVERTISER	PAGE #
100	A.I. Credit	24C
—	American Credit Indemnity	24D
—	Brownlee Marketing & Adv.	24H
101	Brownyard Group	24D
102	Jamison Special Risk Inc.	24F
103	Media/Professional Ins.	24G
104	Phico Insurance Co.	24E
—	Safeco Insurance Company	24B,24F
105	Specific Software Solutions	24H

Business Insurance
FREE LITERATURE FOR READERS
Issue Date: SEPTEMBER 6, 1993
Card Expiration: NOVEMBER 1, 1993

All questions must be answered to process inquiries.
PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

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

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

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

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

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

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **September 6, 1993** issue. Cards with more than 20 items circled will not be processed. This card expires **November 1, 1993.**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
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 ( ) _____

Continued from previous page

Great-West Life & Annuity Insurance Co.
8505 E. Orchard Road, Englewood, Colo. 80111; 303-689-3000; fax: 303-689-5760

Services began: 1985.
Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.
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. Manages investment of funds. Other services include diversified investment options.
Service area: Nationwide.
Locations: Administrative and consulting offices in Atlanta; Boston; Charlotte, N.C.; Chicago; Cleveland and Columbus, Ohio; Dallas; Denver; Detroit and Grand Rapids, Mich.; Ft. Lauderdale, Jacksonville and Tampa, Fla.; Hartford, Conn.; Houston; Indianapolis; Kansas City and St. Louis, Mo.; Los Angeles, San Diego, San Francisco and San Jose, Calif.; Minneapolis; Nashville, Tenn.; Newark, N.J.; Philadelphia; Phoenix; Portland, Ore.; Seattle and the state of Maine.
Staff: 3,065 total; 256 involved in 401(k) plan services.
Clients: 2,143 total. Average plan, 70 participants; minimum size plan, 20 participants; no maximum size plan
Charges: Determined by number of participants, complexity of plan, assets under management.
1992 revenues: $3.59 billion total; $427.8 million from 401(k) plan administration.
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.

H

HPL&S Inc.
125 S. Wilke Rd., Arlington Heights, Ill. 60005; 708-392-2999; fax: 708-392-1053

Services began: 1983.
Software: Purchased from outside vendor; accommodates 10 investment funds and 10 kinds of contributions.
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, 415 coordination with other plans maintained by sponsor.
Service area: Nationwide.
Staff: 34 total; 16 involved in 401(k) plan services.
Clients: 180 total. Average plan, 50 participants; no minimum size plan; maximum size plan, 5,000 participants.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1992 revenues: $2,330,000 total; $580,000 from 401(k) plan administration.
Officers: Mark Schwartz, president; George F. Castillo, Thomas J. Doherty, vps; William C. Ludwig, treasurer; Ira A. Post, secretary.
Contact: George F. Castillo.

Halliwell & Associates Inc.
1800 Two Gateway Center, Pittsburgh, Pa. 15222; 412-288-0822; fax: 412-288-0863

Services began: 1984.
Software: Purchased from outside vendor; accommodates 10 investment funds and 10 kinds of contributions.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include form designs, balancing of assets, minimum and hardship distrubutions.
Service area: Eastern Ohio, Western Pennsylvania, West Virginia.
Staff: 40 total; 10 involved in 401(k) plan services.
Clients: 35 total. Average plan, 250 participants; no minimum size plan; maximum size plan, 8,000 participants.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1992 revenues: $3 million total; $450,000 from 401(k) plan administration.
Officers: Paul D. Halliwell, president; David B. Thomas, vp; Thomas S. Baily, vp/president-professional risk management consulting.
Contact: Jonathan Siegel.

John Hancock Financial Services
200 Clarendon St., Boston Mass. 02117; 617-572-1645; fax: 617-572-9556

Services began: 1981.
Parent: John Hancock Financial
Continued on next page.

No One Offers You More . . .

. . . than the International Foundation of Employee Benefit Plans.

▶ *We offer* more than 50 educational programs a year, monthly and quarterly publications, *free* access to the world's largest employee benefits library, the Certified Employee Benefit Specialist (CEBS) program, a student intern program, research surveys and an online employee benefits database.

For more information, call, write or fax our Membership Department:

International Foundation OF EMPLOYEE BENEFIT PLANS

18700 W. Bluemound Road, Post Office Box 69, Brookfield, WI 53008-0069
Telephone (414) 786-6700 Fax (414) 786-2990

S I N G U L A R I T Y

SEAMLESS COVERAGE OF EMPLOYEE MEDICAL CLAIMS FOR THE SELF-INSURED.



Employers Reinsurance tailors A&H to fit whatever the client's requirements. Superior custom programs are our long suit, one reason more brokers and third party administrators are turning to us for stop loss protection. Precision underwriting, a Best's A+ rating, financial strength that stands up to tough losses--all part of a fabric that has worn like iron for three generations. Call 1-800-255-6931 or the branch nearest you for information.

EMPLOYERS REINSURANCE CORPORATION

5200 METCALF, OVERLAND PARK, KS 66201
A GENERAL ELECTRIC FINANCIAL SERVICES COMPANY

ATLANTA / BOSTON / CHICAGO / COLUMBUS / DALLAS / KANSAS CITY / LOS ANGELES / NEW YORK / PHILADELPHIA / SAN FRANCISCO

Founded in 1962, the Custard Companies, with ninety-two offices servicing forty states, is very pleased to present the following Profile:

- ◊ Claims Management - WC/AL/GL/Property/Marine
- ◊ Audits - Sixty projects in the last three years
- ◊ Runoff Programs
- ◊ Training and Development
- ◊ Consulting
- ◊ Subrogation
- ◊ Self-Administration Analysis

For a copy of our Service/Audit Brochures, please contact:

Dan Huggins- President- CCMS
1(800) 237-7993

1993 1994

Business Insurance
DIRECTORY

Now Available on Disk

of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services

Updated and expanded, the *1993/94 Directory* includes information on more than 12,000 executives from nearly 2,300 companies of all sizes located throughout the U.S. Plus, vital statistics on all companies listed include:

- primary type of business
- sales or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for:
  — employee benefits — pension/retirement plans — personnel — risk & insurance management — property/casualty insurance — international employee benefits and/or risk management

Order the *1993/94 Business Insurance Directory of Corporate Buyers* today — gain access to the executives who are directly responsible for the purchase of commercial insurance, risk management and employee benefits.

Order your copy today! Complete the coupon and mail, or phone 313/446-1623.

For tape sales or information call: 313/446-1625.

For disk sales or information call: 313/446-1623

Reserve_____ copies @ $95 each
15% discount when you order 5 or more.

All orders must be prepaid.
Make check payable to:

Business Insurance Directory 93/94

Total enclosed: $_____

or charge my ☐ Visa ☐ Mastercard ☐ American Express ☐ Optima

Account #_____

Exp. Date_____

Signature_____

print name

title

company

address

city state zip

phone

Mail to:
Business Insurance Directory • Single Copy Sales
965 East Jefferson Avenue • Detroit, MI 48207

Continued from previous page

Services.

Software: Purchased from outside vendor; accommodates 99 investment funds and 25 kinds of contributions.

Administration: Does not use full share accounting.

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. Manages investment of funds. Other services include comprehensive employee communication, benefit payment services, investment management services and trustee services.

Service area: Nationwide.

Locations: Consulting offices in Atlanta; Chicago; Dallas; Detroit; Los Angeles, San Francisco and San Jose, Calif.; Princeton, N.J.; Washington.

Staff: 100 total; 85 involved in 401(k) plan services.

Clients: 375 total. Average plan, 340 participants; minimum size plan, 250 participants.

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

Officers: Maureen Phillips, vp.

Harris Trust & Savings Bank

111 W. Monroe St., Chicago, Ill. 60603; 312-461-2121; fax: 312-987-4181

Services began: 1981.

Parent: Bank of Montreal.

Software: Purchased from outside vendor; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.

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. Manages investment of funds. Other services include personal financial services.

Service area: Nationwide.

Staff: 3,713 total; 100 involved in 401(k) plan services.

Clients: 83 total. Average plan, 2,200 participants; no minumum or maximum size plan.

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

Officers: George H. Walper Jr., Nancy Wolcott, senior vps; Jill Dillon, Cathy McBreen, vps; Jon Brightman, trust department executive.

Contact: Cecil R. Coleman, vp-institutional trust sales.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-893-0270; fax: 215-875-2833

Services began: 1986.

Parent: The Hay Group.

Software: Purchased from outside vendor; accommodates 20 investment funds and 15 kinds of contributions; software may be used by clients in-house.

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 enrollment services, fund searches.

Service area: Nationwide.

Locations: Consulting offices in Atlanta, Chicago, New York.

Staff: 100 total; 13 involved in 401(k) plan services.

Clients: 25 total. Average plan, 850 participants; minimum size plan, 25 participants; maximum size plan, 10,000 participants.

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

1992 revenues: $13 million total; $750,000 from 401(k) plan administration.

Officers: Ken Shapiro, president; Kurt Fichthorn, Don Samples, executive vps; Joe Sapora, senior vp.

Hazlehurst & Associates Inc.

400 Perimeter Center Terrace, Suite 850, Atlanta, Ga. 30346; 404-395-9880; fax: 404-512-6230

Services began: 1982.

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

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. Manages investment of funds. Other services include actuarial services, benefit calculation services, participant financial modeling and retirement asset projections, retirement service outsourcing, sell 401(k) software for in-house administration.

Continued on page 29

Pension phantasmagoria

By Larry W. Gabriel

THE INSURANCE INDUSTRY has been inextricably involved in the pension industry for decades. Initially, retirement coverage was provided through non-participating deferred annuity contracts purchased for each covered participant. The annuity benefit, once purchased, was fully guaranteed by the insurer; neither the plan sponsor nor the trustee had any further liability with regard to annuity benefits.

As pension coverage grew, the inefficiencies and disadvantages associated with individual policies required a more efficient marketplace. In the 1950s, the insurance industry developed the deposit administration contract, which in the 1960s evolved into the immediate participation guarantee contract.

The advent of the Employee Retirement Income Security Act and the introduction of the 401(k) defined contribution plan caused the insurance industry to revise the investment products it was offering to pension plans.

The pension guaranteed investment contract was introduced by the industry to meet the challenges and needs imposed by ERISA. This contract provided the major features of the immediate participation guarantee—a guaranteed return and book value accounting—but lacked its negative feature of floor rates and participation in earnings.

The 1980s saw tremendous growth in the pension GIC industry and in the dollar amount of the contracts issued by insurance companies. The product allowed the insurance industry to react to the volatile financial markets of the '70s and '80s by offering a product with a consistent high guaranteed return coupled with book value accounting with a known maturity date.

While many people knew how a GIC operated, few would have anticipated what the pension GICs would be if the issuing insurer failed. But, it was the 1980s, the decade of unlimited growth, and there was little reason to anticipate the failure of AAA-rated insurers.

With this as background, the experiences of a number of pension plans as a result of their investment in pension GICs during the 1980s invite comparison with Lewis Carroll's "Alice's Adventures in Wonderland." Two major insurance insolvencies, Executive Life Insurance Co. and Mutual Benefit Life Insurance Co., had a dramatic effect on the plans, one that has left them still trying to find their way out of the rabbit hole.

Down the rabbit hole

Like Alice at the outset of her adventure, the Pension GIC's life during the early 1970s was somewhat uncomplicated, stable and without much controversy. This lifestyle continued until the 1980s when all of a sudden, out of nowhere appeared a white rabbit, the insurance industry. Now, there was nothing remarkable about the rabbit and the Pensions didn't give it much thought until the rabbit said out loud, "Oh dear! Oh dear! How can I compete? Oh, I know, I'll offer greater return on principal and AAA comfort, too!"

Curious about a talking rabbit and his point about an increase in return, the Pensions followed it. Suddenly, the rabbit shot down a hole. The Pensions went headlong after it. On the way down, they took a look at where they were going. They considered options like bank CDs, municipal bonds, corporate debt and other financial products. None, however, gave the rate and comfort of the GIC and the guarantees it contained.

So, down and down the Pensions fell. When they hit the bottom of the hole with a thud, they realized the fall had left them with two rather large bumps, ELIC and Mutual Benefit.

The Pensions, somewhat dazed by this turn of events, picked themselves up and found that they

Insurance industry is a white rabbit to pension plans

were in a long hall containing a series of doors. Each door was labeled and appeared to give them a way out of their predicament. The first door was marked "Early Terminations" and had another sign, warning, "Danger—Market Value Adjustment—Book Value Endangerment." Unfortunately, this door became automatically locked upon the failure of an issuer. Their right to terminate became void and the Pensions soon realized that they could not escape through this route.

The next door was designated "Guarantee!" Heaving a deep sigh of relief, the Pensions slowly turned the doorknob, but the door disappeared. That is because the guarantee is an illusion. There are no absolute guarantees in any aspect of the GIC. The guarantee by the insurer to return principal along with the contractual rate of interest is only as good as the financial viability of the issuer.

A third door, identified as "State Guaranty Coverage," looked promising because it was slightly

The experiences of a number of pension plans as a result of their investment in pension GICs during the 1980s invite comparison with 'Alice's Adventures in Wonderland.'

ajar. This door could only be budged by those whose participants or trustees came from certain states. In truth, going through this door could provide little, if any, benefit.

After much searching, the Pensions came across a key lying on a table in the hallway. Across from the table was a little door only 15 inches high. This door was labeled "Conservation Court—Entrance Limited to Policyholders and Annuitants Only."

Fortunately, the key fit the door and as the door swung open, the rabbit scurried on through. Unfortunately, because of their dollar size, the Pensions were not able to get through the door. At the time of its failure, ELIC had outstanding more than $1.04 billion in pension GICs, which represented more than 10% of its policy reserves.

The Pensions peered through the passageway and were able to see all of the bright promises that the Insurance Commissioner made to the policyholders—that despite the failure of the two insurance companies, everything would be OK, the policyholders would be paid 100% of their contracts.

Oh, how they longed to go through the door. But the Commissioner had doubts if the Pensions were in fact annuities and while the rabbit went on its merry way, the Pensions were forced to wait so the Commissioner could study them. The Commissioner has vast powers over the entire process and can decide more or less conclusively what is in the best interest of policyholders and creditors even over their largely unanimous opposition.

The Pensions were frustrated. Never before had anyone considered a contract issued by an insurance company, with a term certain and an interest rate containing annuity options, as anything other than an annuity. The bumps on their heads from those two large insolvencies started to throb terribly.

As their pain increased, the Pensions sat down at the table and noticed a small black bottle. On the bottle was a tag that read "Drink me," and since it was not marked poison, the Pensions ventured a taste, finding the contents to be very pleasant indeed.

Suddenly the Pensions began to feel very curious and found themselves to be annuities, only 10 inches high and now able to fit through the door, which they did with no time to spare. You see, in ELIC's case, only four months after institution of conservation, the commissioners announced that pension GICs were annuities.

The Mad Hatter's tea party

The Pensions continued down the conservation shop road, feeling quite discriminated against, for in the case of both ELIC and Mutual Benefit Life, most of the other policyholders were getting some type of interim relief during the rehabilitation process, while none was being offered to them.

At long last, they stumbled upon the Mad Hatter's tea party. Sitting at the table were the assets of ELIC and several strange-looking creatures, including a Doormouse (the Commissioner's counsel), Whole Life Policyholders, Single Premium Annuitants, Qualified Retirement Annuitants and their cousins, Custom Qualified Retirement Annuitants, together with Structured Settlement Holders.

The creatures were all crowded together at one corner of the table. "No room! No Room!" they cried out when they saw the Pensions coming.

"There's plenty of room!" said the Pensions indignantly, and they sat down.

There was quite a lot of chatter at the table about who was to get what and how much, and whether the policyholders at ELIC and Mutual Benefit Life would get paid in full. Just as the Pensions were about to state their case, another curious creature appeared, one that no one had ever seen or heard of before. The Structured Settlements asked the creature, "Who are you and why are you here?"

Now this creature was very big, and in ELIC's case represented almost $2 billion in policy obligations. It informed the group that it represented Municipal Funding Agreements, or Muni-GICs, and that it was substantially similar to Pension GICs. "Clearly," it said, "We are annuities and must be treated the same as policyholders."

Great commotion followed. Everyone wanted to know exactly what was a Muni-GIC, and how could they be annuitants without being annuities. The Muni-GICs told the group that they were developed in the mid-1980s when there evolved a "non-qualified market" for investment contracts to be issued to entities other than retirement plans that would guaranty an interest rate for a specific term.

How would the Muni-GICs be treated for distribution of the assets, and were they policyholders or annuities for life insurance purposes? Should the Muni-GICs even be allowed at the table? All of the attendees started to become quite rude to each other, each saying they were better than the rest, and that they should not suffer because of ELIC's failure, but that the rest of the guests should bear any loss that might occur.

The tea party now over, the Pensions got up in great disgust and walked off because the Doormouse said that maybe Pension Plan GICs were really just like the Muni-GICs. The Doormouse soon fell asleep, and when the Pensions looked back, the Muni-GICs were trying to stuff him into the teapot.

The Pensions then noticed that one of the trees by the house had a door leading right into it. They immediately went through the door and found themselves in a beautiful garden, among bright flower beds and cool fountains. They had entered the land of rehabilitation.

The Queen's croquet ground

A large rose bush stood near the entrance to the garden. The roses growing on it were white, but there were several gardeners who composed the

Continued on next page

ASK A RISK MANAGER

Work comp barriers to 24-hour coverage

Q **With health care reform and workers compensation both making headlines, do you believe a 24-hour coverage concept will become a reality?**

A You have asked a complicated question on a subject that surely will continue to receive a great deal of public attention in coming months.

It certainly comes as no surprise to any of us associated with the insurance industry that "something has to give" when it comes to wrestling with the problems of making health care available for individuals on and off the job. Affordability is the big issue, and to break through the huge, bureaucratic systems driving both employee benefits and workers compensation appears to be an almost impossible proposition. Notice that I have chosen the word "almost," thereby leaving the door open for opportunities.

I do believe that most individuals directly involved with health care reform are sincere in their desire to make things better for everyone. Their challenge is to get an honest buy-in to proposed solutions from the regulators, medical providers and attorneys who often have financial interests in how the current systems operate. Let's take a moment and consider the role of each of these parties individually.

Perhaps the major drawback to a 24-hour coverage program centers on workers comp regulations. Employee benefit programs are "optional" for employers at this time. But, workers comp is mandatory for employers that hire a certain number of employees or that fall within a select risk category. As you have no doubt read, the intent of health care reform is to make coverage available to everyone. Funding a 24-hour coverage program adequately and fairly is a difficult decision.

Here's another important consideration. There is absolutely no consistency in how the 50 individual states manage their respective workers compensation programs. Consequently, an initial step toward blending employee benefit programs with workers compensation would require a standardization of workers compensation laws on a nationwide basis. After all, why should such regulations be different when they have a common objective? Insurance regulators must be willing to cooperate with each other and outside parties to successfully implement the necessary changes. The likelihood of this happening remains a big unknown.

Medical providers present us with an entirely different set of issues. Only recently have workers comp service suppliers focused on the importance of cost-containment mechanisms, which are routinely used by employee benefit insurers. While it's true that occupational and vocational rehabilitation programs have been in place for years, rehabilitation represents only one of several viable cost-containment measures. And, isn't it interesting that medical costs are higher for a broken leg on the job than for the same injury away from work? The solution is simple. There must be one fee schedule for an injury regardless of how or when it occurred.

I find it interesting that the term "managed care" is becoming synonymous with workers comp claims handling. Provider bill audits, utilization review and precertification of treatment plans are effective in controlling costs. The fact that workers comp and employee benefit service providers share these cost-containment strategies fuels speculation that the 24-hour coverage scenario can be administered relatively efficiently. The message being delivered to the medical community is straightforward and simple. A double standard for billing and treatment plans will no longer exist. The appropriate checks and balances will be employed to keep costs in line.

We certainly cannot exclude the impact of attorney involvement, especially in workers compensation matters. Without question, legal expenses have been instrumental in escalating the cost of coverage, often to the detriment of the employee as well as the employer. I think claimants' attorneys tend to place the employee at odds with the employer from the outset. The result is an adversarial relationship that does little to foster the proper atmosphere to successfully resolve a case and bring the employee back into the workplace with good feelings toward his or her employer.

We need less interference from the legal system, thereby allowing workers compensation to operate more efficiently. Too often, insurers have dumped claims into the legal system without considering the financial impact of such decisions. The price is paid by all of us, as demonstrated by increases in the cost of goods and services and the elimination of jobs by employers that just cannot afford the cost of coverage.

Without question, reform of the current employee health care and workers comp programs is on the way. However, we must be extremely careful that changes are realistic and focused on solving problems, not creating new ones. Opportunities for economical, high-quality health care should never discriminate between the rich and poor, young and old, employed and unemployed. If a 24-hour coverage concept provides the solution, all of us should be eager to merge our talents and make it a success. BI

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Risk Manager, Ask A Benefits Manager, Ask A Benefit Actuary and Ask A Casualty Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

This month's column on risk management issues is written by Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C. Dennis J. Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago, answers questions on employee benefit plans. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Pacific Actuarial Resources (PAR) Excellence in Ashland, Ore., answers actuarial questions in the casualty field.



Ms. Werner

Ms. Werner's next column will appear in December.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Appeals court rules ERISA doesn't pre-empt state work comp practice

Did the Employee Retirement Income Security Act pre-empt a state common law practice of offsetting workers comp benefit payments against employee benefit plan payments? The 6th U.S. Circuit Court of Appeals ruled it did not.

Ruby Saylor, a 22-year employee of Parker Seal Co., was covered under an employee benefit plan. When Ms. Saylor became disabled, she applied for and received disability benefits. But the state allowed Parker to offset the amount of workers compensation payments it paid to her by the amount she received in disability pension benefits under the plan. Ms. Saylor brought this suit in federal court, alleging the offset violated the pre-emption provision of ERISA. The trial court ruled against her.

Legal Briefs

The appellate court said Congress did not prohibit the "integration" of ERISA plans and state workers comp. Thus, the court said ERISA did not pre-empt the Kentucky common law. Integration involving employee benefit plans was legitimate, the court said. It added that the Kentucky law "likely operates as an incentive for Parker to maintain such a plan, in that otherwise Parker would be financing 'double recovery' for people in Ms. Saylor's position, a situation which might induce or force Parker to cancel its Plan." It upheld the trial court ruling.

Saylor vs. Parker Seal Co., 6th U.S. Circuit Court of Appeals, Sept. 14, 1992 (*BI*/05/Jy.-$10). BI

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a $10 check payable to Mayo H. Stiegler, to Business Insurance, *740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.*

Pension phantasmagoria

Continued from previous page

Queen's (the Commissioner) press corps. They were busily painting the roses red. The Pensions thought this very curious and went near to watch them and inquire why they were changing the color of the roses.

When told this was the way the Queen wanted them, the Pensions asked why.

The Gardeners said that because this way it would appear that everything would be just as the Queen wanted and would create the illusion that everyone would get red roses (or full payment) even though the roses were actually white.

"Well," inquired the Pensions, "what if you disagreed with the Queen and objected to her plan of rehabilitation to paint all roses red?"

They were told, of course, they would be beheaded, for that was the fate of anyone who disagreed with the Queen.

While the Pensions objected vigorously to the Queen's painting of the roses and wanted adequate protections in the event that they chose not to participate in the Queen's grand scheme—or chose to "opt out" of the plan to receive the liquidation value of the assets of the insurer—the Pensions didn't want to be beheaded. A true Alice in Wonderland riddle.

The insolvency of a life insurance company is a great tragedy for all concerned. For the plan administrator and trustee, it presents difficulties not only in regard to the impact on the contract and the assets of the plan, but also to the status of the proceedings and what it all means.

For as Alice said of Wonderland and the characters she met during her adventures, "I don't think they play at all fairly. They all quarrel so dreadfully, one can't hear oneself speak. And they don't seem to have rules in particular. At least if there are, nobody attends to them. And you have no idea how confusing it is with everyone offering suggestions and no one doing anything constructive." BI



Larry W. Gabriel is a partner with Pachulski, Stang, Ziehl & Young in Los Angeles. He specializes in insurance litigation.

Continued from page 26

Service area: Nationwide.

Locations: Administrative and consulting offices in Seattle.

Staff: 160 total; 80 involved in 401(k) plan services.

Clients: 105 total. Average plan, 5,500 participants; minimum size plan, 1,000 participants; maximum size plan, 100,000 participants.

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/chairman; T. Ray McKinney, David M. Gladstone, executive vps.

Contact: T. Ray McKinney.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-883-8321

Services began: 1981.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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 investment education, telephone service center, ADP/ACP nondiscrimination testing, interactive communication modeling.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Bedminster, N.J.; Newport Beach and Walnut Creek, Calif.; Rowayton, Conn.; Woodlands, Texas. Additional consulting offices in Charlotte, N.C.; Chicago; Dayton, Ohio; Denver; Houston; Los Angeles and San Francisco, Calif.; Milwaukee; Minneapolis; Philadelphia; Phoenix; Pittsburgh; Richmond, Va.; St. Louis; Seattle; Tampa, Fla.; Washington.

Staff: 3,000 total; 230 involved in 401(k) plan services.

Clients: 278 total. Average plan, 5,057 participants; minimum size plan, 2,500 participants; no maximum size plan.

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

1992 revenues: $336 million total.

Officers: Dale Gifford, CEO; Dick Hutson, director-business development; Dave Wille, director-human resources; Jim Nelson, director-account management; Christine Seltz, director-public relations.

Contact: Barbara Rueth.

A. Foster Higgins & Co. Inc.

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

Services began: 1982.

Parent: Johnson & Higgins.

Software: Purchased from outside vendor; accommodates 30 investment funds and 20 kinds of contributions; software may be used by clients in-house.

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 investment consulting services, investment education, full employee communications.

Service area: Nationwide.

Locations: Administrative and consulting offices in Dallas; Los Angeles; Princeton, N.J. Additional consulting offices in Atlanta; Cleveland; Costa Mesa and San Francisco, Calif.; Minneapolis; Philadelphia; Richmond, Va.; Seattle; Stamford, Conn.; Washington.

Staff: 1,300 total; 50 involved in 401(k) plan services.

Clients: 150 total. Average plan, 2,500 participants; minimum size plan, 50 participants; no maximum size plan.

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

1992 revenues: $161 million total.

Officers: Robert F. Powell, chairman/CEO; John N. Feldtmose, president.

Contact: Gus Sanchez, principal, 609-520-2443.

Hogg Robinson Consulting Group/Hogg Robinson Benefit Services

355 Lexington Ave., 3rd Floor, New York, N.Y. 10017; 212-867-4100; fax: 212-953-7765

Services began: 1981.

Parent: Hogg Robinson Inc.

Software: Purchased from outside vendor; accommodates 10 investment funds and 10 kinds of contributions; software may be used by clients in-house.

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 personal asset allocation models, analysis of investment returns.

Service area: Nationwide.

Locations: Administrative and consulting offices in Albuquerque, N.M.; Atlanta; Bloomington, Minn.; Boston; Boca Raton, Fla.; Chicago; Irving, Texas; Los Angeles; Marshfield, Mass.; Philadelphia; Southfield, Mich.

Staff: 265 total; 31 involved in 401(k) plan services.

Clients: 125 total. Average plan, 385 participants; minimum size plan, 50 participants; maximum size plan, 20,000 participants.

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

1992 revenues: $19.5 million total; $2.3 million from 401(k) plan administration.

Officers: Richard I. Citron, chairman; Gerard E. Desmond, president/CEO-Hogg Robinson Consulting Group.

Contact: Gerard E. Desmond.

I

IDS Institutional Retirement Services Inc.

1280 Northstar West, 625 Marquette Ave., Minneapolis, Minn. 55402; 800-437-0600; fax: 612-671-5031

Services began: 1981.

Parent: American Express Co.

Software: Purchased from outside vendor; accommodates 20 investment funds and 20 kinds of contributions.

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 compliance issues, employee communications. Manages investment of funds. Other services include trust and custody, recordkeeping, employee education.

Service area: Nationwide.

Staff: 378 total; 294 involved in 401(k) plan services.

Clients: 874 total. Average plan, 405 participants.

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

1992 revenues: $37.6 million total; $22.4 million from 401(k) plan administration.

Officers: Robert A. Rudell, president; Gary Anderson, senior vp; Darryl Horsman, vp; Mike Pietrzak, vp/controller; Lisa Hoene, vp-employee education.

Contact: Robert A. Rudell.

In Plain English

P.O. Box 3300, Gaithersburg, Md. 20885-3300; 301-340-2821; fax: 301-279-0115

Services began: 1981.

Administration: Does not use cash accounting, unit value accounting or full share accounting. Does not accommodate loan provisions or perform 401(k) or 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on employee communications.

Service area: Nationwide.

Staff: Nine total; three involved in 401(k) plan services.

Clients: 20 total. Average plan, 1,500 participants; minimum size plan, 150 participants; no maximum size plan.

Charges: Determined by complexity of plan, time and expense.

Officers: Ronald H. Wohl, president.

Independent Service Co.

143 East Main, P.O. Box 171; Albert Lea, Minn. 56007; 507-373-8216; fax: 507-373-6220

Services began: 1984.

Software: Purchased from outside vendor; accommodates 10 investment funds and nine kinds of contributions.

Administration: Does not use unit value accounting or full share accounting.

Client support: Daily valuations, 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: Midwest.

Staff: 13 total; seven involved in 401(k) plan services.

Clients: 150 total. Average plan, 40 participants; minimum size plan, 10 participants; maximum size plan, 1,000 participants.

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

1992 revenues: $1 million total; $250,000 from 401(k) plan administration.

Officers: Paul Overgaard, president; Robert Prentiss, vp.

J

J&K Retirement Administration

5201 Washington, Suite 4, Downers Grove, Ill. 60515; 708-852-8882; fax: 708-852-8901

Services began: 1986.

Software: Leased from outside vendor; accommodates 30 investment funds and 10 kinds of contributions.

Administration: Does not use unit value accounting or full share accounting.

Client support: Written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include plan document preparation.

Service area: Nationwide.

Staff: Five total, all involved in 401(k) plan services.

Clients: 69 total. Average plan, 120 participants; no minimum size plan; maximum size plan, 5,000 participants.

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

Continued on next page

READER REPLY SERVICE

PRODUCTS & SERVICES LISTING

Issue of September 6

READER SERVICE #	ADVERTISER	PAGE #
1	Acordia	12
2	Advanced Ergonomics	33
3	American Assn. Of Orthodontists	34
4	American Drugs Stores	20
5	AON Entertainment/CNA	13
—	Blue Cross/Blue Shield of TX	19
—	British Airways	4
—	Business Insurance	22-23,26,35
6	Capitol Special Risks	31
7	Claims Overload Systems	31
8	Crawford & Company	30
—	Custard Claims Management	26
9	E B G & Associates	20
10	Employers Reinsurance Corp.	25
11	ERMA	14
—	Fortis Inc.	10-11
12	John Hancock Mutual Life	6
13	John Hancock Mutual Life	24
14	Int'l Found. of Empl. Benefits	25
15	Int'l Found. of Empl. Benefits	32
—	NTC Publishing Group	21
—	Prudential Insurance Co.	15
16	Reliance National	7
17	Reliance Re	16-17
18	Royal Insurance	48
19	Skandia America Group	36
20	Travelers Insurance Co.	9
21	U.S. Postal Service	18
22	Wausau Insurance Company	5

READER SERVICE

To obtain free information on the products and services advertised, turn to our post-paid Reader Service Reply Card bound in this issue, or complete the coupon below and mail to:

BUSINESS INSURANCE
Reader Service Center
650 So. Clark St., 6th Fl.
Chicago, IL 60605-1702

Business Insurance

FREE LITERATURE FOR READERS

Issue Date: SEPTEMBER 6, 1993
Card Expiration: NOVEMBER 1, 1993

All questions must be answered to process inquiries.
PLEASE CHECK ONE ITEM FOR EACH CATEGORY:

1. My organization is best described as:
A ☐ Mfg/Svcs · B ☐ Association · C ☐ Union · D ☐ Government · E ☐ Educational Inst · F ☐ Ins Agent · G ☐ Ins Broker · H ☐ Ins/Reins Co · I ☐ Actry/Consit · J ☐ Attorney · K ☐ Adj/Apprs · L ☐ TPA · M ☐ Healthcare Inst · N ☐ Other ____

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

3. My title is best defined as:
A ☐ Administrative Mgt · B ☐ Financial Mgt · C ☐ Risk Mgt · D ☐ Benefits Mgt · E ☐ Loss prevention Mgt · F ☐ Other ____

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

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

Circle the numbers below that correspond to the companies listed on our Advertiser Index for the **September 6, 1993** issue. Cards with more than 20 items circled will not be processed. This card expires **November 1, 1993.**

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
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 ( ) _____

Continued from previous page
frequency valuations.

1992 revenues: $420,000 total; $234,000 from 401(k) plan administration.

Officers: James Hillman, actuary.

Howard Johnson & Co.

1111 Third Ave., Suite 1700, Seattle, Wash. 98101; 206-625-1040; fax: 206-682-8562

Services began: 1981.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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 bundled alliance products.

Service area: Nationwide.

Locations: Administrative and consulting offices in Chicago; Los Angeles and San Francisco, Calif.; Portland, Ore.; Spokane, Wash.; Washington.

Clients: 350 total. Average plan, 2,500 participants; minimum size plan, 250 participants; no maximum size plan.

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

Officers: Howard J. Johnson, chairman/president; Brendan O'Farrell, executive vp; Nancy B. Greer, vp/CFO; John C. Claus, vp/director-client information systems.

Contact: Howard J. Johnson.

The W.J. Jones Cos.

1983 Marcus Ave., Lake Success, N.Y. 11042; 516-775-5420; fax: 516-775-6601

Services began: 1983.

Software: Written and maintained in-house; accommodates six investment funds and five kinds of contributions.

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.

Staff: 75 total; five involved in 401(k) plan services.

Clients: 10 total. Average plan, 2,200 participants.

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

1992 revenues: $5 million total; $1 million from 401(k) plan administration.

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

Contact: Robert W. Molof.

K

KPMG Peat Marwick

1 Boston Place, Boston, Mass. 01890; 617-723-7700; fax: 617-973-2971

Services began: 1981.

Software: Purchased from outside vendor; accommodates 400 investment funds and 35 kinds of contributions; software may be used by clients in-house.

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 qualified plan account distribution counseling, pre-retirement planning, individual investment performance reporting at the participant account level, interactive loan modeling, investment supervision including asset allocation.

Service area: Nationwide.

Locations: Administrative office in Dallas. Consulting offices in all 50 states, District of Columbia and Puerto Rico.

Staff: 400 total; 130 involved in 401(k) plan services.

Clients: 1,025 total. Average plan, 390 participants; no minimum or maximum size plan.

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

1992 revenues: $1.9 billion total; $9.3 million from 401(k) plan administration.

Officers: Jon C. Madonna, chairman; James G. Brockman, deputy chairman.

Contact: Charles E. Humphrey, national leader-defined contribution plan services, 617-973-2732; Neil Weber, practice leader-compensation & benefits, 214-754-2954; Lester L. Oliver, national practice leader-compensation & benefits, 213-955-8837.

Kemper Financial Services Inc.

120 S. LaSalle St., Chicago, Ill. 60603; 800-621-1148 ext. 2250; fax: 312-499-5207

Services began: 1986.

Parent: Kemper Corp.

Software: Written and maintained in-house; accommodates 24 investment funds and eight kinds of contributions; software may be used by clients in-house.

Administration: Does not use unit value accounting or perform 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries, on-line 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 standardized and nonstandardized prototypes, summary plan descriptions.

Service area: Nationwide.

Locations: Consulting offices in Kansas City, Mo.

Staff: 65 total; 60 involved in 401(k) plan services.

Clients: 3,429 total. Average plan, 150 participants; minimum size plan, five participants.

Officers: Charles M. Kierscht, chairman/president/CEO; Gerald M. Cole, senior vp; Frank E. Diaz, senior executive vp; Robert T. Jackson, senior executive vp/CFO; S.A. Lincoln, chairman Kemper Asset Management Co.

Kimball, Akins & Bigwood Inc.

800 South St., Waltham, Mass. 02154; 617-894-2111; fax: 617-894-3781

Services began: 1982.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include actuarial services, group and flex benefit consulting, design and financial analysis services.

Service area: New England and New York.

Locations: Administrative and consulting offices in Needham, Mass.

Staff: 25 total; 12 involved in 401(k) plan services.

Clients: Average plan, 125 participants; no minimum or maximum size plan.

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.

Kwasha Lipton

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

Services began: 1981.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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 PC administration system, complete outsourcing through a participant service center, investment education.

Service area: Nationwide.

Staff: 421 total; 100 involved in 401(k) plan services.

Clients: 150 total. Average plan, 5,000 participants; minimum size plan, 300 participants; no maximum size plan.

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

Officers: David Skovron, chief executive partner; Bob Byrne, chief operating partner; Jim Brickman, chief recording partner.

Contact: Lance Tane, partner.

L

LFS Benefit Services Inc.

271 W. Cerritos Ave., Anaheim, Calif. 92805-6549; 714-774-8051; fax: 714-239-6862

Services began: 1980.

Software: Purchased from outside vendor; accommodates 99 investment funds and four kinds of contributions.

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.

Staff: 16 total; three involved in 401(k) plan services.

Clients: 65 total. Average plan, 90 participants; no minimum size plan; maximum size plan, 1,000 participants.

Officers: Alfred O. Long, president/CEO; Mark E. Long, vp-administration; Marcia E. Lichte, vp-sales/marketing.

Contact: Alfred O. Long.

Lincoln National Life Insurance Co.

P.O. Box 208, 1300 S. Clinton St., Ft. Wayne, Ind. 46801; 219-455-6500; fax: 219-455-7619

Services began: 1982.

Parent: Lincoln National Corp.

Software: Purchased from outside vendor; accommodates 100 investment funds and 100 kinds of contributions.

Administration: Does not use unit value accounting or full share accounting.

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 asset allocation, trustee services, enrollment services including one on one enrollment.

Service area: Nationwide.

Locations: Consulting offices in Atlanta; Baltimore; Birmingham, Ala.; Boca Raton, Fla.; Charlotte, N.C.; Chicago; Cleveland and Columbus, Ohio; Dallas; Denver; Detroit and Grand Rapids, Mich.; Indianapolis; Kansas City, Kan.; Los Angeles and San Ramon, Calif.; Nashville, Tenn.; Norfolk, Va.; Norwalk, Conn.; Philadelphia; Pittsburgh; St. Louis, Mo.; Washington; Worcester, Mass.

Staff: 100 total; 80 involved in 401(k) plan services.

Clients: 860 total. Average plan, 200 participants; minimum size plan, two participants.

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

1992 revenues: $8 billion total.

Officers: Mike McMath, senior vp; Jim Julian, Don Keller, vps; Gerald Dennis, John Waldrop, assistant vps.

M

MPS Ltd.

3 E. 54th St., New York, N.Y. 10022-3108; 212-838-8500; fax: 212-250-0582

Services began: 1983.

Software: Purchased from outside vendor; accommodates 10 investment funds and nine kinds of contributions.

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

Service area: Nationwide.

Staff: 12 total; five involved in 401(k) plan services.

Clients: 100 total. Average plan, 50 participants; no minimum size plan; maximum size plan, 400 participants.

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

Officers: Morton Herman, president; Roger Brandwein, Michael Frank, Marc Levinson, Donald Whitmire, vps.

Mammel, Schropp, Swartzbaugh, Engler & Jones Inc.

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

Services began: 1981.

Parent: The Redland Group.

Software: Purchased from outside vendor; accommodates 10 investment funds and 10 kinds of contributions.

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.

Staff: 101 total; 20 involved in 401(k) plan services.

Clients: 130 total. Average plan, 250 participants; no minimum size plan; maximum size plan, 10,000 participants.

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

Officers: Carl G. Mammel, chairman; Gary L. Hurley, vice chairman; Robert F. Swartzbaugh, president/CEO; Donn B. Jones, senior vp; Joseph Smith, secretary/treasurer.

Contact: Donn B. Jones.

Meeker Sharkey Consultants

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

Parent: Meeker Sharkey Financial Group.

Software: Purchased from outside vendor; accommodates 48 investment funds and nine kinds of contributions.

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: Connecticut, New Jersey, New York, Pennsylvania.

Staff: 14 total; eight involved in 401(k) plan services.

Clients: 200 total. Average plan, 100 participants; no minimum size plan; maximum size plan, 1,000 participants.

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

1992 revenues: $800,000 total; $350,000 from 401(k) plan administration.

Officers: Kenneth H. Spencer, chairman; Gerhard J. Gebauer, president.

Contact: Kenneth H. Spencer.

William M. Mercer Inc.

1166 Avenue of the Americas, New York, N.Y. 10036; 212-345-7000; fax: 212-345-7423

Parent: Mercer Consulting Group.

Software: Written and maintained in-house and purchased from outside vendors; accommodates unlimited investment funds and unlimited kinds of contributions.

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 investment

Continued on next page

ACCIDENT REDUCTION SYSTEM

Cost-Effective Solutions for Costly Problems

Accident reduction can be viewed as the first and best step in avoiding the financial blows of the workers comp crisis. Knowing where to look for problems—and finding cost-effective solutions to them—requires innovative approaches and an ability to treat each situation objectively.

Ours is a systematic approach involving the application of proven loss control techniques in a customized manner. Workable solutions then are developed with the intention that they will pay for themselves.

For more information on reducing your workplace exposures: Call Jim Sybert at

(800) 723-3890

Crawford
RISK CONTROL SERVICES
The FPE Group

Continued from previous page
manager selection, end performance measurement services, 401(k) modeling through interactive video or PC diskettes.

Service area: Nationwide.

Locations: Administrative and consulting offices in Albuquerque, N.M.; Atlanta; Baltimore; Birmingham, Ala.; Boston; Chicago and Deerfield, Ill.; Cincinnati, Cleveland and Columbus, Ohio; Dallas, Fort Worth and Houston, Texas; Denver; Detroit; Indianapolis; Kansas City and St. Louis, Mo.; Los Angeles, Orange and San Francisco, Calif.; Louisville, Ky.; Minneapolis; Morristown, N.J.; Pittsburgh; Portland, Ore.; Richmond, Va.; Rochester, N.Y.; Seattle; Stamford, Conn.; Tampa, Fla.

Staff: 3,383 total; 350 involved in 401(k) plan services.

Clients: 1,250 total. Average plan, 1,500 participants; minimum size plan, 100 participants; no maximum size plan.

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

1992 revenues: $432 million total; $60 million from 401(k) plan administration.

Officers: Peter Coster, chairman; Timothy J. Lynch, Vikesh Mahendroo, Edward G. Pringle, executive vps.

Contact: Robert Aglira, managing director, 215-963-4216.

Merrill Lynch

800 Scudders Mill Road,
Plainsboro, N.J. 08563;
609-282-2233;
fax: 609-282-3743

Services began: 1985.

Parent: Merrill Lynch & Co. Inc.

Software: Purchased from outside vendor, recordkeeping provided by third party; accommodates unlimited investment funds and unlimited kinds of contributions.

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. Manages investment of funds. Other services include benefit administration, kiosk access, satellite video network and customized materials, comprehensive communications capabilities including PC-based asset allocation, retirement consulting, investment packages and trustee services.

Service area: Nationwide.

Locations: Administrative offices in Somerset, N.J. Consulting offices in Princeton, N.J.

Staff: 640 total; 364 involved in 401(k) plan services.

Clients: 197 total. Average plan, 3,584 participants; minimum size plan, 1,000 participants; no maximum size plan.

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

Officers: J. Arthur Urciuoli, director/senior vp-business financial services; G. Stephen Thoma, first vp/director-group employee services; Richard A. Hanson, executive vp-financing & credit services; Jeffrey S. Feldman, president-business & advisory services.

Metropolitan Life Insurance Co.

1 Madison Ave., New York, N.Y. 10010; 212-578-3854;
fax: 212-578-4176

Services began: 1981.

Parent: Metropolitan Life.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Does not use cash accounting.

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. Manages investment of funds. Other services include conducting enrollment meetings, 24-hour account access, loan modeling, asset allocation information, trusteeship for bundled or semi-bundled arrangements.

Service area: Nationwide.

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

Staff: 1,800 total; 290 involved in 401(k) plan services.

Clients: 300 total. Average plan, 1,000 participants; no minimum or maximum size plan.

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

1992 revenues: $9.2 billion total; $4.8 billion from 401(k) plan administration.

Officers: Harry P. Kamen, chairman/CEO; Ted Athanassiades, president/COO; Stewart G. Nagler, senior vp/CFO; Catherine Rein, Gerry Clark, executive vps.

Contact: Edward Dietrich, 201-515-1579.

Minnesota Mutual Life Insurance Co.

400 Robert St. N., St. Paul, Minn. 55101-2098; 612-223-4286;
fax: 612-228-4827

Services began: 1984.

Software: Written and maintained in-house, purchased from outside vendor; accommodates 19 investment funds and 10 kinds of contributions.

Administration: Does not use unit value accounting or full share accounting.

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. Other services include complete plan administration, documents, complete enrollment services, local sales and service support.

Service area: Nationwide.

Locations: Consulting offices in Atlanta; Charlotte, N.C.; Chicago; Cleveland; Dallas; Los Angeles; Philadelphia; San Francisco; Seattle.

Staff: 125 total; 65 involved in 401(k) plan services.

Clients: 451 total. Average plan, 95 participants; minimum size plan, 15 participants; maximum size plan, 2,500 participants.

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

1992 revenues: $1.8 million from 401(k) plan administration.

Officers: Randy Wallake, Jenean Cordon, Dick Manke, Paul Hirschboeck, Dana Vogen.

Contact: Joan Curtiss.

Mutual of New York

4 Manhattanville Road, Purchase, N.Y. 10577; 914-697-8680;
fax: 914-697-3743

Services began: 1984.

Software: Written and maintained in-house; accommodates 20 investment funds and eight kinds of contributions.

Administration: Does not use full share accounting.

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. Manages investment of funds. Other services include pre-retirement counseling, integrated non-qualified deferred compensation plan, asset allocation funds, independent investment manager selection/monitoring, customization, on-site enrollment and re-enrollment, investment diversification seminars.

Service area: Nationwide.

Locations: Consulting offices in Charlotte, N.C.; Chicago; Cincinnati; Irvine and San Francisco, Calif.; New Orleans; New York; Waltham, Mass.

Staff: 490 total; 89 involved in 401(k) plan services.

Clients: 300 total. Average plan, 350 participants; minimum size plan, 100 participants.

Charges: Determined by number of participants.

Officers: Tom Schlossberg, executive vp; K. Rone Baldwin, senior vp; Gerry Katz, vp; Peter Kunkel, vp-corporate plans; Chris Cumming, vp-marketing.

Contact: John T. Boyce, vp, 914-697-8950.

N

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210, Farmington Hills, Mich. 48334; 313-539-4000;
fax: 313-539-4012

Services began: 1981.

Software: Written and maintained in-house; accommodates 99 investment funds and 99 kinds of contributions.

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 and IRA's.

Service area: Nationwide.

Staff: 27 total; eight involved in 401(k) plan services.

Clients: 93 total. Average plan, 80 participants.

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

Services began: 1982.

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

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

Service area: Nationwide.

Staff: Seven total; five involved in 401(k) plan services.

Clients: Average plan, 100 participants; minimum size plan, 50 participants; maximum size plan, 2,500 participants.

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

Officers: Gerald I. Kalish, president; Karen S. Bonn, senior vp.

Nationwide Life Insurance Co.

1 Nationwide Plaza, 12T, Columbus, Ohio 43215; 800-848-6331;
fax: 614-249-3208

Services began: 1988.

Software: Written and maintained in-house; accommodates 10 investment funds and six kinds of contributions; software may be used by clients in-house.

Administration: Does not use cash accounting or full share accounting.

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 telephone switching, 24-hour account balance inquiry, dollar cost averaging, local plan administration.

Service area: Nationwide.

Locations: Administrative and consulting offices in over 160 locations.

Staff: 60 total; 50 involved in 401(k) plan services.

Clients: 1,000 total. Average plan, 100 participants; no minimum or maximum size plan.

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

1992 revenues: $600 million total.

Contact: Ed Tessmer, national sales manager.

Noble Lowndes

3 Becker Farm Road, Roseland, N.J. 07068; 201-533-4500;
fax: 201-535-9540

Services began: 1981.

Parent: Noble Lowndes & Partners Ltd. U.K.

Software: Leased from outside vendor; accommodates 30 investment funds and 20 kinds of contributions.

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 asset consulting, preretirement counseling, supplemental 401(k) plans.

Service area: Nationwide.

Locations: Administrative and consulting offices in Chicago; Garden City, N.Y.; Newtown and Philadelphia, Pa. Additional consulting offices in Boston; Cincinnati; Dover, Del.; San Francisco; Washington.

Staff: 562 total; 110 involved in 401(k) plan services.

Clients: 625 total. Average plan, 375 participants; minimum size plan, 50 participants; maximum size plan, 10,000 participants.

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

1992 revenues: $45 million total; $10.7 million from 401(k) plan administration.

Officers: Peter R. Brew, CEO; Rene Mathis, CFO; Mary E. Simcox, national practice leader-defined contribution plans; Gerald I. Kranson, managing vp/general counsel.

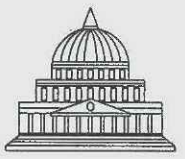
Contact: Mary Simcox, 516-741-5560.

Continued on next page

PROFESSIONAL LIABILITY

We have the Markets to Meet Your Needs...

- Errors & Omissions
  - Third Party Administrators
  - Managing General Underwriters
  - Safety & Engineering Services
  - Miscellaneous
- Directors and Officers
- Employment Practices Liability



Capitol Special Risks

Tel. (404) 956-0125 ◆ Fax (404) 956-9779

1640 Powers Ferry Road, Bldg. 24, Suite 200, Marietta, GA 30067

CLAIMS OVERLOAD SYSTEMS

SETTING THE STANDARDS FOR TEMPORARY CLAIMS PERSONNEL

Providing Experienced General Liability, Auto & Workers Comp. Adjusters, Medical Claim Examiners, Ins. Billers and Collectors, & Data Entry/Clerical Support Personnel That are...

Screened & Tested

■

Professional & Reliable

■

Hireable As Permanent Employees

■

Covered By Fidelity, GL, W/C and E&O Insurance

Immediate Service—30 Offices Nationwide
We Make It Easy!

CALL FOR THE LOCATION NEAREST YOU ■ 800-822-2422

Continued from previous page

Norwest Bank Minnesota N.A.

Sixth and Marquette, Minneapolis, Minn. 55479-0035; 612-667-0250; fax: 612-667-4620

Services began: 1982.
Parent: Norwest Corp.
Software: Purchased from outside vendor; accommodates unlimited investment funds and 20 kinds of contributions.
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. Manages investment of funds. Other services include prototype documents.
Service area: Nationwide.
Locations: Administrative and consulting offices in Billings/Helena, Mont.; Denver; Des Moines, Iowa; Fargo, N.D.; Ft. Wayne and South Bend, Ind.; Milwaukee; Omaha, Neb.; Sioux Falls, S.D.
Staff: 102 total-Minneapolis; 66 involved in 401(k) plan services.
Clients: 124 total. Average plan, 1,300 participants; minimum size plan, 25 participants; maximum size plan, 50,000 participants.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: J. Scott Spiker, senior vp/manager; Larry Irsfeld, Laurie Nordquist, Joyce Traynor, vps/managers.

Nowlin & Associates

2000 Southbridge Parkway, Suite 400, Birmingham, Ala. 35209; 205-870-3870; fax: 205-870-9025

Services began: 1985.
Software: Written and maintained in-house and purchased from outside vendors, recordkeeping provided by third party; accommodates 14 investment funds; software may be used by clients in-house.
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. Manages investment of funds. Other services include enrollment services to non-client plans, asset allocation or risk reporting to employees and plan termination seminars for retirees.
Service area: Alabama, Florida, Georgia, Mississippi, Tennessee.
Staff: 45 total; 10 involved in 401(k) plan services.
Clients: Average plan, 250 participants; minimum size plan, five participants; maximum size plan, 6,000 participants.
Charges: Determined by number of participants, complexity of plan, assets under management, frequency valuations.
Officers: Charles E. Nowlin, president; J.T. Bethea, sales management; Jchn Pelham, product management; Olin B. Barnes, director-corporate development.
Contact: Olin B. Barnes.

The Nyhart Co. Inc.

3505 N. Washington Blvd., Indianapolis, Ind. 46205; 317-923-2391

Software: Purchased from outside vendor; accommodates 50 investment funds and eight kinds of contributions.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.
Service area: Nationwide.
Locations: Consulting offices in Evansville, Ind.
Staff: 110 total; 18 involved in 401(k) plan services.
Clients: 55 total. Average plan, 500 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
Officers: Daryl Dean, president/CEO; Malott W. Nyhart, senior vp; Charles F. Rolph III, vp/general counsel; Nancy Cooper Pitt, vp-defined contributions; Jay Hanselmann, vp/chief actuary; Grace Stewart, vp-administration; Betty Anderson-Altwies, vp-group operations.
Contact: Malott W. Nyhart.

P

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300, Westlake, Ohio 44145; 216-871-8611; fax: 216-871-7485

Services began: 1983.
Software: Leased from outside vendor; accommodates unlimited investment funds and 25 kinds of contributions.
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 interactive touchscreen (monitor) and touchtone (telephone) information and personal planning system.
Service area: Nationwide.
Locations: Administrative and consulting offices in Charlotte, N.C. and surrounding states.
Staff: 20 total; nine involved in 401(k) plan services.
Clients: 100 total. Average plan, 120 participants; minimum size plan, 30 participants; maximum size plan, 25,000 participants.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1992 revenues: $1.5 million total; $250,000 from 401(k) plan administration.
Officers: John R. Parsons, Mark S. Sommers, Annette Abramczyk, Richard S. Wargo, Donald N. Dalessandro.
Contact: John R. Parsons or Mark S. Sommers.

Pension & Benefit Associates Inc.

225 S. Lake Ave., Suite 710, Pasadena, Calif. 91101; 818-792-8888; fax: 818-792-2889
Services began: 1983.
Software: Leased from outside vendor; accommodates 25 investment funds and five kinds of contributions.
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 coordination of employee enrollment and investment services.
Service area: Nationwide.
Staff: 15 total, all involved in 401(k) plan services.
Clients: 53 total. Average plan, 135 participants; minimum size plan, 10 participants; maximum size plan, 10,000 participants.
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, Wayne, Pa. 19087; 215-964-8040; fax: 215-964-7842
Software: Leased from outside vendor; accommodates 20 investment funds and 10 kinds of contributions.
Administration: Does not use unit value accounting.
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.
Staff: Six total; five involved in 401(k) plan services.
Clients: 110 total. Average plan, 70 participants; no minimum size plan; maximum size plan, 500 participants.
Charges: Determined by number of participants, complexity of plan, frequency valuations.
Officers: Jeffrey Hostman, Richard W. Sillmon.

Pension Resources

401 N. Michigan Ave., Chicago, Ill. 60611; 312-245-1740; fax: 312-644-4423

Services began: 1981.
Parent: Friedman, Eisenstein, Raemer & Schwartz.
Software: Leased from outside vendor; accommodates 25 investment funds and 20 kinds of contributions; software may be used by clients in-house.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications.
Service area: Nationwide.
Staff: 25 involved in benefit consulting; 15 involved in 401(k) plan services.
Clients: 800 total. Average plan, 50 participants; no minimum or maximum size plan.
Charges: Determined by number of participants, complexity of plan, time and expense, frequency valuations.
1992 revenues: $2.3 million total; $1 million from 401(k) plan administration.
Officers: Michael Schwartz, principal; Irwin Steinberg, managing partner.
Contact: Michael Schwartz.

The Principal Financial Group/Principal Mutual Life Insurance Co.

711 High St., Des Moines, Iowa 50392-0001; 800-543-4015; fax: 515-248-2118
Services began: 1981.
Software: Written and maintained in-house; accommodates 15 investment funds and five kinds of contributions.
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. Manages investment of funds. Other services include 5500 series filings; electronic reporting of plan data; electronic transfer of funds; automated voice response system; enrollment meetings; drafting of plan documents, booklets and amendments; nondiscrimination testing; direct mailing of statements to employees.
Service area: Nationwide.
Locations: Administrative offices in Mason City and Waterloo, Iowa. Consulting offices in 50 regional group and pension sales offices throughout the U.S.
Staff: 12,000 total; 1,200 involved in 401(k) plan services.
Clients: 11,448 total. Average plan, 50 participants; no minimum size plan.
Charges: Determined by number of participants, assets under management, frequency valuations.
1992 revenues: $11.6 billion total; $22.7 million from 401(k) plan administration.
Officers: G. David Hurd, chairman/CEO; David J. Drury, president; Theodore M. Hutchison, Ronald E. Keller, Charles E. Rohm, executive vps.
Contact: Scott Eltjes, 800-543-4015 ext. 77434.

Professional Consultants Inc.

2510 Lake Lansing Rd., Lansing, Mich. 48912; 517-372-7611; fax: 517-372-2770

Services began: 1983.
Software: Leased from outside vendor; accommodates 12 investment funds and six kinds of contributions.
Client support: Written communication of plan features to employees. Consults on plan design, compliance issues, employee communications.
Service area: Michigan.
Staff: Six total, all involved in 401(k) plan services.
Clients: Average plan, 50 participants; no minimum size plan; maximum size plan, 5,000 participants.
Charges: Determined by number of participants, assets under management, frequency valuations.
1992 revenues: $325,000 from 401(k) plan administration.
Officers: James R. Steckley, president; J. Gray Tuttle, secretary; Mary H. McCune, Gary Borucki, vps.
Contact: Mary H. McCune.

R

Regis Retirement Plan Services Inc.

1140 Ave. of the Americas, 15th Floor, New York, N.Y. 10036; 212-730-8500

Services began: 1993.
Parent: United Asset Management Corp.
Software: Recordkeeping provided by third party; accommodates 99 investment funds and 16 kinds of contributions; software may be used by clients in-house.
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. Manages investment of funds. Other services include asset allocation "lifestyle" portfolios, low-priced institutional mutual funds, trustee services.
Service area: Nationwide.
Staff: Five total; two involved in 401(k) plan services.
Clients: 137 total. Average plan, 5,000 participants; minimum size plan, 300 participants; no maximum size plan.
Charges: Determined by number of participants, complexity of plan, assets under management, time and expense, frequency valuations.
Officers: Mary Rudie Barneby, president; Paul F. Pesile, Toney Martin, vps.
Contact: Mary Rudie Barneby.

Retirement Plan Strategies Inc.

50 Braintree Hill Office Park, Suite 100, Braintree, Mass. 02184; 617-394-8100; fax: 617-394-1998

Client support: Written communication of plan features to employees. Consults on plan design, employee communications. Other services include vendor search.
Service area: Nationwide.
Staff: Three total; two involved in 401(k) plan services.
Clients: four total.
Officers: John Mulligan.

Frank Russell Trust Co.

909 A St., Tacoma, Wash. 98402; 206-572-2282; fax: 206-272-4097

Services began: 1986.
Parent: Frank Russell Co.
Software: Recordkeeping is managed in-house utilizing software service provided by a service bureau vendor; accommodates unlimited investment funds and unlimited kinds of contributions.
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 employee communications. Manages investment of funds. Other services include seminars to introduce retirement planning concepts to employees, including short term planning for those nearing retirement.
Service area: Nationwide.
Staff: 50 total; 40 involved in 401(k) plan services.
Clients: 158 total. Average plan, 1,750 participants.
Officers: Lynn Anderson, president; Kelly Haughton, director-client services; Eric Russell, director-defined contribution services; David Jepsen, manager-employee communications.
Contact: Eric Russell.

S

San Diego Associates Consultants Inc.

3550 Camino Del Rio North, Suite 206, San Diego, Calif. 92108; 619-283-7800; fax: 619-283-8686

Services began: 1985.
Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.
Client support: Written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include multi-plan and multi-company integration, custom software.
Service area: Nationwide.
Staff: Six total; three involved in 401(k) plan services.

Continued on next page

Become a Certified Employee Benefit Specialist

The Certified Employee Benefit Specialist (CEBS) program consists of ten college level courses and exams that cover all areas of employee benefits.

CEBS is cosponsored by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania.

No one else offers this program! Send for a free catalog. Call, write or fax the CEBS Department:

International Foundation of Employee Benefit Plans
18700 W. Bluemound Rd., P.O. Box 1270
Brookfield, WI 53008-1270
Telephone (414) 786-6700
Fax (414) 786-6647

CEBS

Continued from previous page

Clients: 30 total. Average plan, 150 participants; no minimum or maximum size plan.

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

1992 revenues: $900,000 total; $360,000 from 401(k) plan administration.

Officers: David N. Peterson, president; Bruce N. Kesler, director.

Contact: Bruce N. Kesler.

Scudder Investor Services Inc.

175 Federal St., Boston, Mass. 02110; 800-541-7701; fax: 617-422-6171

Services began: 1982.

Parent: Scudder, Stevens & Clark Inc.

Software: Purchased from outside vendor; accommodates 99 investment funds and 35 kinds of contributions.

Administration: Does not use cash accounting.

Client support: Daily valuations, toll-free service for account balance inquiries, toll-free service to request account activity. Consults on employee communications. Manages investment of funds. Other services include investment options, prototype plans, trustee services.

Service area: Nationwide.

Locations: Administrative offices in Salem, N.H. Consulting offices in Chicago, Los Angeles, New York, San Francisco.

Staff: 100 total.

Clients: 267 total. Average plan, 225 participants; no minimum or maximum size plan.

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

Officers: Dennis M. Cronin Jr., Joseph A. Ferris, senior vps-retirement plans; Paul W. Mercer, Kerry O'Connell, Joseph Rathgeb, Sydney S. Tucker, vps-retirement plans.

Contact: Dennis M. Cronin Jr.

Sedgwick Consulting Group

600 Montgomery St., 3rd Floor, San Francisco, Calif. 94111; 415-983-5250; fax: 415-983-4907

Services began: 1984.

Parent: Sedgwick Inc.

Software: Purchased from outside vendor; accommodates 20 investment funds and 15 kinds of contributions.

Client support: Daily valuations, on-line access, written communication of plan features to employees. Consults on legal issues, plan design, compliance issues, employee communications. Other services include enrollment meetings, periodic follow-up meetings, employee education.

Service area: Nationwide.

Locations: Administrative and consulting office in Short Hills, N.J. Consulting offices also in Arlington, Va.; Atlanta; Boston; Chicago; Denver; Irvine, Calif.; New York and Rochester, N.Y.; Philadelphia; Phoenix and Tempe, Ariz.; Portland, Ore.; Seattle; Spokane, Wash.

Staff: 383 total; 50 involved in 401(k) plan services.

Clients: 90 total. Average plan, 400 participants; no minimum or maximum size plan.

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

Officers: Carroll D. Cox, president; Donald Morford, chairman; Scot E. Smith II, COO; John C. Collins, senior vp; Thomas D. Borkowski, manager-retirement plans.

Contact: Tom Borkowski.

The Segal Co.

One Park Ave., New York, N.Y. 10016-5895; 212-251-5000; fax: 212-251-5490

Services began: 1981.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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 annual reporting of 1099-R forms, 5500 reports, summary plan descriptions, benefit statements, administration manuals, preparation and submission of plan documents.

Service area: Nationwide.

Locations: Consulting offices in Atlanta; Boston; Chicago; Cleveland; Denver; Hartford, Conn.; Houston; Los Angeles; Minneapolis; New Orleans; Phoenix; San Francisco; Seattle; Washington; West Palm Beach, Fla.; Edmonton, Alberta and Toronto, Canada.

Staff: 650 total; 70 involved in 401(k) plan services.

Clients: Average plan, 600 participants; minimum size plan, 50 participants; no maximum size plan.

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

Officers: Robert D. Paul, chairman; Robert D. Krinsky, president; Howard Fluhr, Dale Grant, executive vps.

Contact: Robert A. Liberto, vp/director-defined contribution services.

Small Parker & Blossom Inc.

4200 N. Knoxville, Peoria, Ill. 61614; 309-682-4200; fax: 309-682-2418

Services began: 1982.

Software: Purchased from outside vendor; accommodates 11 investment funds and 10 kinds of contributions.

Administration: Does not use full share accounting.

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.

Staff: 30 total; nine involved in 401(k) plan services.

Clients: 300 total. Average plan, 50 to 75 participants; minimum size plan, three participants; maximum size plan, 2,000 participants.

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

Officers: John D. Blossom Jr., president; Linda Byrne Blossom, Carol R. Sears, vps.

Contact: Linda Byrne Blossom.

Society National Bank

127 Public Square, Cleveland, Ohio 44114; 800-982-3811; fax: 216-689-5265

Services began: 1981.

Parent: Society Corp.

Software: Leased from outside vendor; accommodates 99 investment funds and 35 kinds of contributions.

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. Manages investment of funds. Other services include prototype plan documents, on-site enrollment meetings, preparation of governmental forms.

Service area: Nationwide.

Locations: Administrative and consulting offices in Akron, Ashtabula, Canton, Cincinnati, Columbus, Dayton, Findlay, Hamilton, Mansfield, Toledo and Youngstown, Ohio; Ann Arbor and Sturgis, Michigan; Elkhart, Indianapolis, Kokomo and South Bend, Indiana; Naples, Palm Beach Gardens and Tampa, Florida.

Staff: 300 total; 275 involved in 401(k) plan services.

Clients: 905 total. Average plan, 183 participants; no minimum or maximum size plan.

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

Officers: Frank I. Harding III, president-investment management & trust services; Richard C. Hyde, executive vp/chief investment officer; James J. McGuire, executive vp-institutional asset services; Timothy J. Connors, senior vp-institutional asset services & sales; John Brooks, senior vp-employee benefits.

Contact: Timothy J. Connors.

J.E. Stone & Associates Inc.

5555 San Felipe, Suite 550, Houston, Texas 77056; 713-622-8930; fax: 713-622-6705

Services began: 1987.

Software: Purchased from outside vendor; accommodates 20 investment funds and 20 kinds of contributions; software may be used by clients in-house.

Client support: 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 fund performance measurement, plan documents.

Service area: Nationwide.

Staff: 20 total; eight involved in 401(k) plan services.

Clients: 22 total. Average plan, 2,000 participants; minimum size plan, 100 participants; maximum size plan, 25,000 participants.

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

Officers: J.E. Stone, J.E. Ford, K.L. Haynes, T.M. McCord, C.P. Peters.

T

Towers Perrin

1500 Market St., Philadelphia, Pa. 19102; 215-246-8000

Services began: 1983.

Software: Written and maintained in-house; accommodates unlimited investment funds and unlimited kinds of contributions.

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 an integrated package of design, administration, investment selection and employee communication services, consults on plan investments.

Service area: Nationwide.

Locations: Administrative offices in Atlanta, Boston, Chicago, Dallas, Los Angeles. Consulting offices in 30 locations.

Staff: 5,000 total; 387 involved in 401(k) plan services.

Clients: 150 total. Average plan, 4,500 participants; minimum size plan, 1,000 participants; no maximum size plan.

1992 revenues: $670 million total.

Officers: John T. Lynch, chairman/CEO.

Contact: Michael L. Hockersmith, 215-246-6271.

Trust Consultant Inc.

155 Bovet Road, San Mateo, Calif. 94402; 415-574-8272; fax: 415-341-7382

Services began: 1989.

Parent: Seabury & Smith.

Software: Purchased from outside vendor, recordkeeping provided by third party; accommodates 99 investment funds and four kinds of contributions; software may be used by clients in-house.

Client support: Daily valuations, written communication of plan features to employees. Consults on plan design, compliance issues, employee communications. Other services include specialized client software called "Plan Manager", modem transmission of data.

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston; Dallas; Glendale, Calif.; Wilmington, Del. Additional consulting offices in Chicago, New York.

Staff: 100 total; 43 involved in 401(k) plan services.

Clients: 330 total. Average plan, 45 participants; no minimum or maximum size plan.

Officers: Mark Weimer, president; Jean Willis, Jack Ringlein, Gloria Erlick, vps.

Twentieth Century Services

4500 Main St., Kansas City, Mo. 64111; 816-531-5575; fax: 816-340-7932

Services began: 1984.

Software: Purchased from outside vendor; accommodates seven investment funds and 35 kinds of contributions.

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 investment management, comprehensive administration services, flexible communications, customized enrollment kits, administration manuals on PC.

Service area: Nationwide.

Staff: 1,672 total; 20 involved in 401(k) plan services.

Clients: 51 total. Average plan, 660 participants; minimum size plan, 500 participants; no maximum size plan.

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

Officers: James E. Stowers Jr., chairman; James E. Stowers III, president.

Contact: Denise McMurry, director-marketing programs, 816-340-4726.

V

The Vanguard Group Inc.

1400 Morris Drive, VM 832, Wayne, Pa. 19087; 800-523-1036; fax: 215-669-4035

Services began: 1982.

Software: Written and maintained in-house; accommodates 400 investment funds and 400 kinds of contributions.

Administration: Does not use full share accounting.

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. Manages investment of funds. Other services include nondiscretionary trust services, including: custodial services, plan-level accounting, plan distributions and tax reporting services; toll-free 24-hour/seven-day-a-week voice response information system.

Service area: Nationwide.

Locations: Administrative offices in Valley Forge, Pa.

Staff: 3,500 total; 620 involved in 401(k) plan services.

Clients: 420 total. Average plan, 1,700 participants; no minimum or maximum size plan.

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

Officers: John C. Bogle, chairman/CEO; John J. Brennan, president; James H. Gately, senior vp-institutions; F. William McNabb, vp/director-institutional sales; John E. Barth, vp-institutional client services.

W

Wells Fargo Bank

420 Montgomery St., San Francisco, Calif. 95104; 415-396-3131; fax: 415-956-9362

Services began: 1981.

Parent: Wells Fargo & Co.

Software: Written and maintained in-house; accommodates 20 investment funds and 10 kinds of contributions; software may be used by clients in-house.

Administration: Does not use cash accounting or full share accounting.

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. Manages investment of funds. Other services include trust services, investment services, 401(k) excess (non-qualified plan) trust, investment and recordkeeping services.

Service area: Nationwide.

Staff: 200 total; 135 involved in 401(k) plan services.

Clients: Average plan, 2,500 participants; minimum size plan, 100 participants; no maximum size plan.

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

Officers: Alan Kizor, executive vp; Bill Ring, senior vp; Peter Sorensen, Tom Torio, Nancy Van Gelder, vps.

Contact: Neal Ringquist.

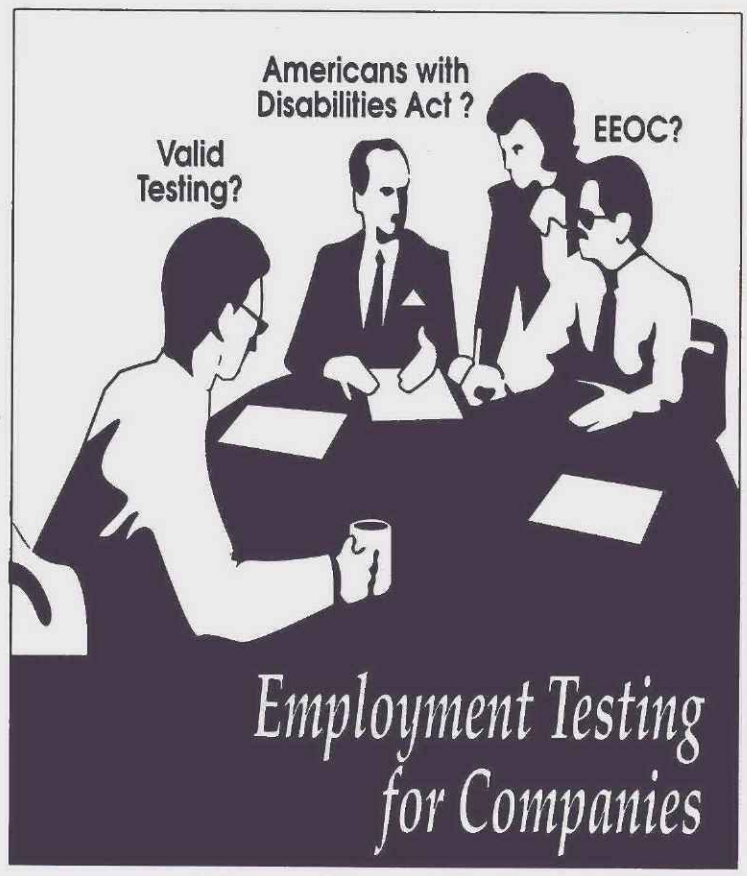
Williams, Thacher & Rand

630 Third Ave., New York, N.Y. 10017; 212-949-1344; fax: 212-682-9147

Services began: 1981.

Software: Written and maintained in-house; accommodates unlimited

Continued on next page



Advanced Ergonomics, Inc.
5550 LBJ Freeway, LB-40, Suite 350, Dallas, Texas 75240
1-800-682-0169

Continued from previous page
investment funds and unlimited kinds of contributions.

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 plan document preparation and filing, annual government reporting (5500 and related forms), administration manuals, data collection software, comprehensive benefit statements, investment surveys.

Service area: Nationwide.

Locations: Administrative and consulting offices in Baltimore; Indianapolis; Philadelphia; Richmond, Va.; Washington.

Staff: 185 total; 50 involved in 401(k) plan services.

Clients: 225 total. Average plan, 500 participants.

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

Officers: Charles Thacher, Robert Williams, Thomas Rand, Terry Stokes.

Contact: Richard Darian.

The Wyatt Co.

601 Thirteenth St. N.W., Suite 1000, Washington, D.C. 20005; 202-508-4600; fax: 202-508-4688

Services began: 1981.

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

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. Manages investment of funds. Other services include strategic alliance investment managers and trustee, full range of consulting services, administrative systems, employee communications/education.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Cleveland and Columbus, Ohio; Dallas; Denver; Detroit and Grand Rapids, Mich.; Fort Lee and Little Falls, N.J.; Honolulu; Houston; Irvine, Los Angeles, San Diego, San Francisco and Santa Clara, Calif.; Lake Oswego and Portland, Ore.; Memphis, Tenn.; Miami; Milwaukee; Minneapolis; New York; Philadelphia; Phoenix; Seattle; Stamford, Conn.

Staff: 3,400 total; 350 involved in 401(k) plan services.

Clients: 2,000 total plans. Average plan, 700 participants.

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

1992 revenues: $412 million total.

Officers: A.W. Smith Jr., president/CEO; Paul Daoust, executive vp/COO.

Contact: Louis Valentino, director, 212-725-7550. BI

If it were less cost-effective for your clients or less competitive for you, it would be just another dental plan.

Concept DR®

It's a good thing Concept DR® doesn't mind standing out from the crowd.

If you haven't learned about this loner yet, here's a brief description: Concept DR is a simplified form of self-funding that reimburses employees directly for their dental expenses.

Your clients will like Concept DR because it can save them from the profit margins and perplexing claims forms often "part of" or "associated with" traditional dental insurance plans.

And instead of paying premiums for everyone, companies with Concept DR pay only for employees who use dental services—usually about 60% of their work force. Employee co-payments and maximum annual ceilings contribute to your clients' cost savings.

You'll like Concept DR because of its low overhead and high rate of success.

We'll provide you with qualified leads, promotional materials, cost estimates, claims software, sample plan documents, marketing assistance, training and sales proposals. It's all in support of Concept DR—the simplified, self-funded dental plan that's a proven winner with hundreds of companies and organizations across the country, and a powerful source of new or collateral business for you.

To find out more about Concept DR, call 800-424-2841. Or just return the coupon below. You may find that standing apart from everyday dental plans could attract a crowd of clients.

BI

Yes, I am interested in finding out more about Concept DR.

Name: _____

Title: _____

Company: _____

City: _____ *State:* _____ *Zip:* _____

✆ *Telephone:* _____

I am a ❑ *TPA* ❑ *Benefits Consultant*

Mail to:

Concept DR

401 North Lindbergh Boulevard
St. Louis, Missouri 63141-1745
Phone: 800-424-2841 · Fax: 314-997-1745

Comings & Goings: Buyers

Prudential scales down top management office

The Prudential Insurance Co. of America is reducing the size of its top management office to two executives from five.

Under the change, **Robert C. Winters,** chairman and chief executive officer, and **Garnett Keith**, vice chairman, will remain members of Prudential's Office of the Chairman. Previously, they were part of the Newark, N.J.-based insurer's five-person Executive Office.

The Executive Office had consisted of Mr. Winters and Mr. Keith, plus **William P. Link**, an executive vp responsible for group insurance, managed medical care and defined contribution pension business; **Hardwick Simmons**, president and chief executive of Prudential Securities; and **Edward D. Zinbarg**, an executive vp overseeing various corporate functions.

The top office has been downsized to give Messrs. Link, Simmons and Zinbarg time to focus on their core responsibilities, Prudential said.

In other insurer changes:

Wayne R. Moon named president and chief executive officer of Blue Shield of California. He previously was president and chief operating officer of Kaiser Foundation Health Plan.

John M. Griffin named president of Landmark Insurance Co., a unit of American International Group Inc. in New York. Previously, he was a senior vp at Crum & Forster Inc.

James D. Ericson, president and chief operating officer of the Northwestern Mutual Life Insurance Co. in Milwaukee, will become CEO Oct. 1. Mr. Ericson succeeds **Donald J. Schuenke,** who will continue as chairman.

Thomas H. Welch named president of Ohio State Life Insurance Co. and Investors Guaranty Life Insurance Co., wholly owned subsidiaries of Farmers Group Inc. located in Columbus, Ohio.

David H. Hawkins named a vp at Transamerica Corp. in San Francisco.

Ron Holder named vp-safety management for Argonaut Insurance Co. in Menlo Park, Calif.

Agents/brokers

Richard F. Ferruci joined Aon Corp. as senior vp in Chicago, where he will work with its Rollins Hudig Hall unit. Mr. Ferruci recently resigned as chairman of the construction division of Willis Corroon Group in New Hyde Park, N.Y.

David E. Shuey joined the Philadelphia office of Willis Corroon Corp. of Pennsylvania as senior vp.

Phil Rhodes named vp and account executive of Adams & Porter, a Houston-based broker.

Susan Leeming and **Paul Taubman** named vps of Starkweather & Shepley Inc., a Providence, R.I., insurance agency.

Daniel Militzer named senior vp of Willis Corroon Corp. of Minnesota in Minneapolis.

Reinsurance

C. Alan Mauch named senior vp and chief marketing officer of Employers Reinsurance Corp. in Overland Park, Kan. Also at Employers Re, **William J. O'Donnell III,** named vp.

Gordon Jardin named president of Winterthur Life Re Insurance Co. in Dallas. Mr. Jardin succeeds **Alan Ryder** who left the company to form his own consulting firm in Toronto.

Excess/surplus

Donald G. Anderson, named program division manager of the Seattle office of surplus lines broker F.B. Beattie & Co. Inc. Previously, Mr. Anderson was senior vp. BI

Forbes plan

Continued from page 1

health care budget covers about 500 employees and dependents. It includes premiums for major medical and dental coverage written by CIGNA Corp. and hospitalization coverage written by Empire Blue Cross & Blue Shield.

Like most employers, Forbes grew weary of double-digit premium increases, so last year the company modified its plans. Most notably, it began using the lure of cold, hard cash to discourage routine medical claims.

Healthy employees stand to do quite well under the Forbes formula. Those with 1993 claims of less than $600 will be paid the difference between their expenses and the $600 threshold—and then double that amount.

For example, employees who submit no claims would collect $1,200. An employee who incurs $200 in medical expenses for the year but does not submit any claims for reimbursement will receive an $800 bonus: the $600 threshold minus $200 equals $400; $400 times two equals $800.

This system, however, relies on the honesty of Forbes employees to admit they incurred medical expenses even though they did not file any claims.

Forbes said the program has produced a 30% decrease in medical and dental claims paid and a 25% reduction in the volume of claims filed by workers and their families covered under Forbes' indemnity plan in 1992.

In his Jan. 18 editorial, President and Editor-in-Chief Malcolm S. Forbes Jr. said the magazine's incentive plan had "national implications" and described Forbes' approach as "a free-market" solution to spiraling health costs.

Using cash to influence employees is the key to saving money, Mr. Forbes said in a recent interview.

"The usual solutions, like forcing employees into HMOs, don't change people's behavior, they just make them angry," he said. "But by giving them a direct economic stake, they take a proprietary interest" in the health care dollars they spend.

The reduction in claims filed "cuts down a huge amount of paperwork so overall insurance costs are less and therefore employees who pay premiums pay less," Mr. Forbes added.

Cutting administrative costs is important to Forbes and other mid-sized employers, which typically spend about 20% of their health care budgets on claims administration. Large companies, on the other hand, spend 5% or less on administration.

Forbes executives insist the strategy is an unequivocal success, noting that, overall, health insurance premiums have dropped 10% since Forbes introduced the incentive plan last year.

About 30% of eligible employees qualified for bonuses in 1992, most of them about $1,000, said Joel Redler, vp and treasurer. A premium refund granted by CIGNA more than covered the cost of the bonuses, which Forbes treats as non-taxable medical reimbursements.

While benefit consultants favor encouraging employees to take responsibility for health care costs, some are questioning the cost-effectiveness of the Forbes incentive plan.

"We like the basic idea—rewarding employees for spending money more carefully—but there are other ways to achieve the same thing," said Allen Steinberg, a consultant with Hewitt Associates in Lincolnshire, Ill.

"I don't see how Forbes can be saving any money if they have to pay $2 out for every $1 in claims not filed," he said.

Because Forbes is a relatively small company with a young workforce, "only a tiny percentage of people in any given year won't make money with this plan," pointed out David Rahill, a principal with A. Foster Higgins & Co. Inc. in New York, who has looked into the Forbes plan for other clients.

Other consultants say the incentive program may inadvertently discourage employees from seeking preventive or routine care, thereby exacerbating hidden health problems.

"You don't want people to avoid getting routine care just in order to make a few bucks," pointed out Bill Danish, health and welfare practice leader for Alexander Consulting in Lyndhurst, N.J.

Another problem is uncertainty surrounding the tax status of the bonuses, which the company insists are medical expense reimbursements and therefore not taxable income to employees.

"I have real reservations about the tax treatment of the bonus," Hewitt's Mr. Steinberg said. "How can an employee who files no health claims escape taxation on a $1,200 bonus that is not a reimbursement for medical expenses?"

"There is not a snowball's chance that will pass muster with the IRS," charged Charles Ginsberg, managing director for Alexander Consulting Group in Newburyport, Mass.

Internal Revenue Service regulations on flexible benefit plans, for example, say that money that is not used to directly pay for employee medical care is taxable income for the employee, he explained.

Several IRS attorneys told *Business Insurance* a bonus like Forbes' can not be treated as a tax deductible reimbursement for medical expenses because employees can receive the payment regardless of whether it is used to pay for medical care.

While Mr. Forbes insists the bonus program is saving the company money, consultants say substantial cost-shifting to employees is probably what is keeping premium increases in check.

In 1992, the magazine abandoned the traditional approach to calculating health insurance deductibles. Forbes now fixes health plan deductibles for all employees at 1% of gross pay. Deductibles had been $150 for single coverage, and $300 for family coverage.

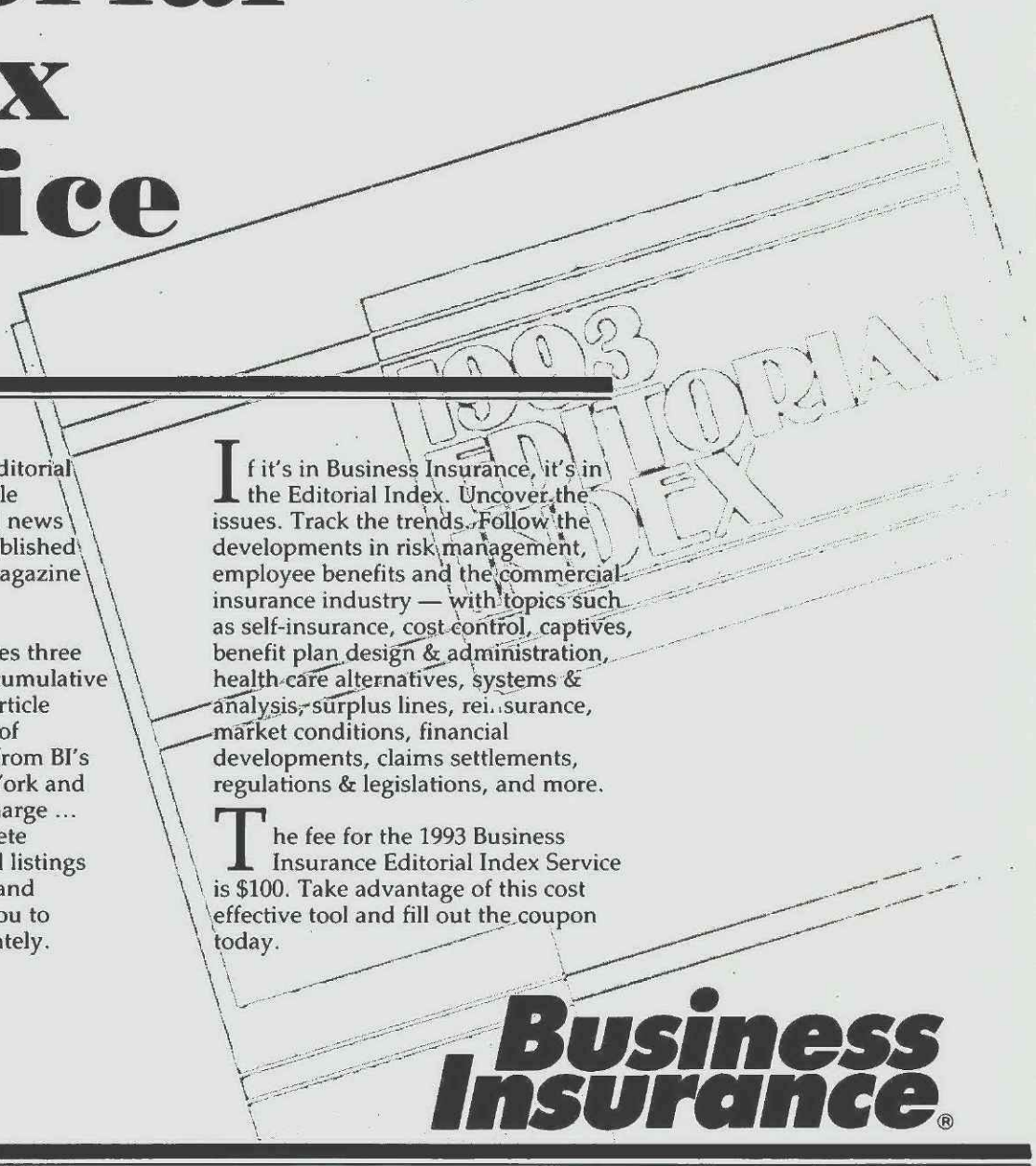
Forbes also raised employees' out-of-pocket contributions. Employees now are responsible for paying 20% of the first $10,000 in medical expenses, after meeting their deductibles, up from 20% of $4,000 before 1992.

Forbes concedes that it is impossible to determine whether the 1992 and 1993 savings are the result of plan design changes or simply better health plan experience. "In any given year, the mix of claims could make it a good or bad year," said Mr. Redler.

But Forbes is satisfied that the "philosophy" that employees must be more careful health care consumers has "gotten in the trenches," Mr. Redler said.

"It makes people more aware of what services cost," Mr. Forbes added. "Now they are asking themselves, 'Do I really need another visit to the doctor?' We don't have to tell people to do that, they do it themselves." BI

Editorial Index Service 1993



The Business Insurance Editorial Index Service is a valuable resource that directs you to all news reports and feature articles published by Business Insurance newsmagazine during the year.

The annual service includes three quarterly reports and a cumulative annual volume. In addition, article citations between publication of quarterly reports are availble from BI's Information Centers in New York and Chicago ... at no additional charge ... it's part of the service. Complete alphabetical and chronological listings by company, person, subject and geographic location enables you to access data quickly and accurately.

If it's in Business Insurance, it's in the Editorial Index. Uncover the issues. Track the trends. Follow the developments in risk management, employee benefits and the commercial insurance industry — with topics such as self-insurance, cost control, captives, benefit plan design & administration, health care alternatives, systems & analysis, surplus lines, reinsurance, market conditions, financial developments, claims settlements, regulations & legislations, and more.

The fee for the 1993 Business Insurance Editorial Index Service is $100. Take advantage of this cost effective tool and fill out the coupon today.

Business Insurance®

Please send me the following index(es):
Full Index Service at $100* for: ☐ 1993 ☐ 1994
Softcover editions at $100* each:
☐ 1992 ☐ 1991 ☐ 1990 ☐ 1989 ☐ 1988 ☐ 1987 ☐ 1986
Hardcover editions at $150* each:
☐ 1985 ☐ 1984 ☐ 1983 ☐ 1982 ☐ 1981
* foreign postage additional

TOTAL ENCLOSED $ _____

PAYMENT MUST ACCOMPANY ORDER —

☐ Visa ☐ Mastercard ☐ Optima ☐ American Express

☐ Check Enclosed (payable to Business Insurance)

Mail to:
Editorial Index Service
Business Insurance
220 East 42nd St.
New York, NY 10017
Or call: 212/210-0137

name _____

title _____

company _____

address _____

city _____ state _____ zip _____

phone# _____

account# _____ exp. date _____

signature _____

Quality

Continued from page 2

Nalco Chemical Corp. in Naperville, Ill., said improving the quality of the insurance industry is more important than tort reform. "The industry needs a revolutionary way to do business."

Those complaints and others set the stage for a discussion of the need for an industrywide organization to address this problem and find a solution.

"This is the first time I feel like this is an opportunity to work together for the mutual good of the industry," said J. Bransford Wallace, chairman of Willis Corroon Group P.L.C. and host of the two-day seminar.

At that meeting, industry officials laid the groundwork for the proposed formation of a permanent Quality Insurance Congress that would, among other things:

- Identify and develop a common measurement of critical industry service issues needing improvement.
- Help insurers understand quality and its economic impact on the insurance industry.
- Promote cooperation and continued education throughout the industry.
- Facilitate changes in management practices to achieve continuous quality improvement.

While quality programs currently are tailored to individual companies, "there are lots of areas where we can do better together," Mr. Wallace said.

Executives from nearly 80 insurance companies, brokers and agencies (see chart) heard from dissatisfied customers and quality management experts who said a long-term change must occur if the insurance industry is to thrive.

The proposed Quality Insurance Congress, intended to include all interested in the insurance industry, will give the industry the opportunity to change the status quo.

A proposed timetable calls for membership drives this year and services to begin early next year.

"You don't know anything about quality," William W. Scherkenbach, group director for statistical and process improvement methods for General Motors Corp. in Detroit, told insurance industry representatives.

"The quality initiative has not been taken seriously in the insurance industry as it has in other industries," contended Linda Hall, president of Caterpillar Insurance Services Inc., a Nashville-based subsidiary of Caterpillar Inc.

The insurance industry is more "internally focused," she said.

Risk managers on the panel voiced complaints, but they also offered sound advice for improving quality in the insurance industry.

Quality improvement can begin by asking customers what they want. "Our insurance carriers have never asked us what we want—never asked us once," said Ms. Hall. "We will not do business with any broker or insurer that does not have a quality initiative."

This leaves a basic message: "Improve or you'll be left behind." she added.

"If you want to be part of our future, you'll have to conduct your business differently," agreed Dick Heydinger, director of risk management services for Hallmark Cards Inc., in Kansas City, Mo., and the 1993 *Business Insurance* Risk Manager of the Year. "You must convince us that you have skilled team players and that you can be trusted to pursue results that are mutually beneficial."

Nalco Chemical's Mr. Marshall said there are three key areas the insurance industry must address:

- The industry needs a new way of thinking about customers.

"Call a customer a customer," he said, adding that insurers must recognize these are the people who pay the bills.

- Insurers must change to a "customer-focus culture," Mr. Marshall said. Once the industry realizes the tie between customers and revenues, it needs to address different ways to satisfy those customers. Customer surveys are one way of finding out what makes them happy, he said.
- The insurance industry needs to establish "a quality process" aimed at maintaining this customer focus, Mr. Marshall said.

"I'm not talking about using quality in advertisements" or a small quality group within a company, he said. "It has to start with the CEO and permeate." If it doesn't start at the top, it won't work, he added.

Insurers, agents and brokers in the audience had mixed reactions to the employers' assertions.

"I was not surprised" by what was said during the session, said Myra Leigh Tobin, managing director for Marsh & McLennan Cos. Inc. in New York. It was "not a new reaction."

According to Scott Welch, chairman of broker Bowers, Schumann & Welch in Washington, N.J., "It was embarrassing to be on the other side of the table" listening to the employers' complaints.

"These are not plumbing wholesalers across the street; they're large accounts like Hallmark and Xerox" complaining about the industry, said Mr. Welch. "We've got to fix that."

"What we heard wasn't a wake-up call but the sound of a starter's pistol for a cross-country marathon, not a hundred-yard dash," said John McCaffrey, chairman of Belle Meade Group, a brokerage development association in Chicago.

Most insurers, agents and brokers at the meeting agreed that a change must occur within the industry.

"I felt encouraged that there may be some industry initiative" to improve quality, said M&M's Ms. Tobin. However, development of a permanent Congress is "premature," she added.

"Quality is what most corporations are continually trying to improve, but whether it's able to be done on an industrywidebasis. . . is hard to tell," Ms. Tobin said. There are a couple of issues the industry could address together, she said. These include improving education and developing criteria as a way to measure insurance industry performance. If the industry could measure its customer service, it "would spur improvement" among individual companies, she said.

The proposed Quality Insurance Congress needs further investigation to come up with ideas that would benefit from cooperation, contends John F. Ryan, vp-marketing for Liberty Mutual Insurance Co. in Boston. "There was not a broad enough consensus (among the seminar audience) to move forward."

Before anyone "signs on," the organizers of the proposed Congress need to fill in details, Mr. Ryan said.

Other audience members were not as skeptical. "We're in—absolutely," said Mr. Welch of Bowers, Schumann & Welch. If the industry comes together, it would "create a combined learning curve," bringing along the best consultants and resources to help with the effort, he said.

"I'm inclined" to join the Congress, said Robert A. Engle, president of Meadowbrook Insurance Group in Southfield, Mich. "It's important to set standards as to what quality is. The term means a million things to a million people."

•

For more information about the proposed Quality Insurance Congress, contact Jay T. Deragon at 615-872-3270.

Top executives from nearly 80 insurance companies, agencies and brokerages attended the first Quality Insurance Congress in Nashville, Tenn. Aug. 24-25.

Representatives of the following companies took part:

ACORD
Aetna Life & Casualty Co.
AIG/QM
Alexander & Alexander Services Inc.
Allendale Mutual Insurance Co.
Am-Re Managers
American Home Assurance Co.
Argonaut Insurance Co.
Atlantic Mutual Cos.
Bechtel Group Inc.
Belle Meade Group
Bowen, Miclette, Descant & Britt
Bowers, Schumann & Welch
Brandow, Howard, Kohler & Rosenbloom
C. Douglas Wilson Co. Inc.
Caterpillar Insurance Services Inc.
Chubb Corp.
CIGNA Corp.
Citizens Realty & Insurance Inc.
CNA Insurance Cos.
Continental Corp.
Cooper, Love & Jackson
Core Source Detroit
Cotterell, Mitchell & Fifer Inc.
Crum & Forster Inc.
The Daniels Agency Inc.
The Dunlap Corp.
Fairfield Enterprises Inc.
Fireman's Fund Insurance Co.
Flat Top Insurance Agency
Frank F. Haach & Associates
The Formula Group
Gale, Smith & Co. Inc
Gallagher-Cole
General Reinsurance Corp.
Gerald J. Sullivan & Associates
Glatfelter Insurance Group
Great American Insurance Co.
ITT Hartford Insurance Group
Hartford Steam Boiler Inspection & Insurance Co.
Henderson & Phillips Inc.
Herbert L. Jamison & Co.
The Home Insurance Cos.
Independent Insurance Agents of America Inc.
Industrial Risk Insurers
Jardine Insurance Brokers Inc.
John Burnham & Co.
Johnson & Higgins
Lawrence Group Inc.
Liberty Mutual Insurance Co.
Marsh & McLennan Inc.
Maryland Insurance Group
McDonough Caperton Insurance Group
Meadowbrook Insurance Group Inc.
Meeker-Magner Co.
Natioal Assn. of Casualty & Surety Agents
North American Insurance Agency Inc.
Palmer & Cay/Carswell
Pettit-Morry Co.
Premier Network Service Group
The Prudential Insurance Co. of America
Reliance National Insurance Co.
Rollins Hudig Hall Group Inc.
Royal Insurance
Seaboard Surety Co.
Sedgwick James
Sigel Insurance Group
The St. Paul Cos. Inc.
TIG Holdings
Transamerica Insurance Group
Travelers Insurance Co.
Underwriter's Safety & Claims Inc.
Walter P. Dolle Insurance Agency Inc.
Wausau Insurance Cos.
Willis Corroon
Wright & Percy Insurance
Zurich American Insurance Co.

SINCE 1900, Skandia America Re has been doing business in the U.S. In fact, we are the country's oldest continuing domestic reinsurer.

Our core values are straightforward—to provide our brokers and clients with underwriting excellence and superior customer service, supported by advanced use of technology.

Our underwriting focus is on casualty reinsurance, both Treaty and Facultative.

Backed by capital and surplus of ~~$293 million~~ $326 million @ June 30, 1993, we're proud of our "A" rating from A.M. Best Company and the financial protection we deliver to our clients.

Skandia

Skandia America Reinsurance Corporation
One Liberty Plaza, New York, NY 10006
Tel: (212) 978-4700 Fax: (212) 385-2135

Facultative Branch Offices

•New York
Tel: (212) 978-4925
Fax: (212) 385-8660

•Chicago
Tel: (312) 236-7833
Fax: (312) 236-3826
(800) 621-9260

•Atlanta
Tel: (404) 393-4300
Fax: (404) 393-9639
(800) 242-7044

•Norwalk
Tel: (203) 854-9966
Fax: (203) 853-4005

•San Francisco
Tel: (415) 398-1700
Fax: (415) 398-1544

•Skandia/Facman
Tel: (203) 854-9966
Fax: (203) 853-4005

Captives to play more vital roles ahead

By GAVIN SOUTER

BURLINGTON, Vt.—Captives and risk retention groups are not only here to stay, they will become more important risk management tools over the next 10 years, observers say.

Vermont Captive Insurance Assn.

Risk managers with well-run captives understand their risks better, and through their captives they can gain stable coverage for their risks in an unstable insurance market, they say.

But for captives and risk retention groups to go a step further and cover all of a companies exposures, including employee benefits, legislative problems will have to be overcome, they say.

Well-managed captives have risk assessment techniques far superior to those of insurers, said H. Felix Kloman, vp at Tillinghast in Stamford, Conn.

He was among several speakers at the eighth annual Vermont Captive Insurance Assn. conference, held here last month.

Captive managers' firm grasp of the risks they cover is also reflected in their use of the conventional insurance market, Mr. Kloman said.

"A number of captives have pushed risks into the commercial market during the soft market. They do this because they have a better understanding of risks and they know where the cheapest coverage is," he said.

Companies with well-run captives and well-run risk management departments manage their risks better than commercial insurers, agreed Kathryn J. McIntyre, vp, publisher and editorial director of *Business Insurance*.

"But I would hazard a guess that there is a large proportion of captives out there where the risk assessment is no better than a commercial insurer's because their fronting insurer is doing it for them," she added.

Risk retention groups can also help members better assess their risks, said Karen Cutts, managing editor of the Risk Retention Reporter in Pasadena, Calif.

"Well-run risk retention groups can gather relevant underwriting information, they know what the problems are and they can create underwriting standards," she said.

The benefits of captives and the alternative risk transfer market are clear, with a different kind of "third market" developing in Bermuda than some people 15 years ago predicted would develop, according to Ms. McIntyre. The first two markets are London and New York.

Some captives that tried to develop Bermuda as a third market did write third-party risks, but many suffered poor results and withdrew, she noted.

But now, Bermuda is home to giant excess liability insurance and catastrophe reinsurance facilities, as well as the largest domicile for captive insurers, she said.

Broadly, however, "the third market is self-assumption of risk. It is anywhere that corporations use alternatives," she said.

And the alternative market will continue to grow as corporations put their predictable risks into their captive insurers and pass the catastrophe risks onto the commercial insurance markets, Ms. McIntyre said.

This channeling of predictable risks into the captive market could jeopardize the future of the conventional insurance markets, said Tillinghast's Mr. Kloman.

While the alternative market is now well established and stable, "the conventional market has shown itself totally unable to control volatility," Mr. Kloman said.

One factor in controlling the volatility is the the development of risk retention groups since the 1986 Risk Retention Act. That act set the legislative ground for groups of policyholders with similar products and risks to band together to insure or purchase coverage for liability risks.

There are 79 risk retention groups either established or in the process of raising capital and they are domiciled in 17 states, Bermuda and the Cayman Islands, said Ms. Cutts. Since 1985, risk retention groups can no longer be established in Bermuda and the Cayman Islands under a sunset provision in the original Risk Retention Act. Vermont is the largest domicile of risk retention groups, with 31 active groups.

Although the soft market has slowed the establishment of risk retention groups, the trend has not stopped, Ms. Cutts said.

The Risk Retention Act did not lead to the thousands of risk retention groups that some observers predicted at the time, but it did achieve its purpose for those groups that have been established, observed Ms. McIntyre.

Theoretically, broadening their coverages to include property and workers compensation risks would be beneficial to the groups already established, she said.

However, she added, it is unlikely that Congress would amend the law to include these coverages unless there was an coverage crisis in property and workers comp lines.

Legislators are also unlikely to amend laws which make it difficult for captive insurers to write employee benefits programs, Ms. McIntyre said.

"Currently, a wholly-owned insurance subsidiary that writes 50% non-related business can write employee benefits plans," she said.

This rule prevents most captives from writing employee benefits business, though some observers argue that property and casualty premiums could be classified as non-related (*BI*, June 14).

The issue is further clouded on the issue of reinsurance of benefits, said Ms. McIntyre. The Labor Department reviews on a case-by-case basis requests for exemptions from provisions of the Employee Retirement Income Security Act that restrict the use of corporate insurance subsidiaries to insure or reinsure benefit coverages (*BI*, July 26).

The session was moderated by Brian S. Webb, vp-marketing at BF&M Management Ltd. in Hamilton, Bermuda. BI

Vermont meeting draws a record 570

BURLINGTON, Vt.—A record 570 people attended the eighth annual conference of the Vermont Captive Insurance Assn., held Aug. 10-12.

Since 1986 the meeting has grown from a discussion group into a full-fledged conference on the alternative risk transfer market. Attendees can choose from basic, intermediate and advanced seminars.

The ninth VCIA conference will be held Aug. 16-18, 1994, in Burlington. For more information contact: Diane Leach, Executive Director, Vermont Captive Insurance Assn., P.O. Box 763, Stowe, Vt. 05672; 802-253-2263; fax: 802-253-2353.

Financing pollution risks

BURLINGTON, Vt.—Finding affordable pollution liability coverage is a problem for many corporations, but those with captives may be a step closer to a solution than businesses that rely solely on commercial insurers for coverage.

Vermont Captive Insurance Assn.

New underwriting standards will eventually make pollution risks more predictable —and therefore more affordable —to underwrite, reinsurance executives say.

And with careful planning, captives can help reduce the costs of pollution liabilities even further, they say.

The joint and several liability imposed in cases of pollution has produced a nightmare for risk managers, said James W. Satterfield, vp-environmental products for Reliance Reinsurance Corp. in Philadelphia.

"Your job in managing those risks is that of either Superman or Wonder Woman," Mr. Satterfield said at the Vermont Captive Insurance Assn.'s eighth annual conference, held here last month.

Although commercial insurance capacity for coverage of pollution risks is not widely available, it is poised to grow drastically over the next several years, Mr. Satterfield said.

Currently, approximately $500 million in coverage is available in the commercial market for environmental impairment liability coverage, he said. However, by the end of the decade available coverage could reach $3 billion to $5 billion, he predicted.

This expansion of capacity will be generated by the growing number of insurers that are developing environmental products and by the implementation of tough environmental standards now being created, Mr. Satterfield said.

"Previously, there were no underwriting standards to follow, but now there are a few underwriting tools to use," he said.

One set of standards has been produced by the American Society for Testing & Materials, another has been produced by the Air & Waste Management Assn., and another has been produced by the National Fire Protection Assn., according to Mr. Satterfield.

These standards will make environmental cleanups easier to price for insurers, he said.

For example, the ASTM is developing fixed-price cleanup scales on which cleanups can be priced on what needs to be done rather than the time it takes to do it, Mr. Satterfield said.

The AWMA has recently set up an environmental insurance section that will serve as a forum for discussion. And the NFPA is working on standards for storage tanks, he said.

Also, several organizations are providing data bases that give the environmental history of many property sites, he said.

The data bases draw on information collected by state authorities on the location of polluted sites and the location of environmentally sensitive equipment such as underground storage tanks, Mr. Satterfield said.

Once information on pollution risks has been ascertained, companies can use their captives to fund the environmental risks, said Daniel G. Marren, president and chief executive officer of Commercial Risk Re-Insurance Co. in Stamford, Conn.

Captives are particularly useful for gradual pollution risks and known or suspected environmental risks, which are difficult to cover in the commercial insurance market, he said.

By blending environmental risks with conventional risks in a captive, companies can secure insurance and reinsurance coverage from the conventional market, Mr. Marren said.

Captives can also be used to cover environmental impairment exposures in real estate transactions, said Lyle McCoy, assistant vp at Am-Re Managers Inc. in Princeton, N.J.

For example, Company A might wish to sell a site to Company B for $50 million, but during an environmental test it is discovered that the site is polluted and it will cost $3 million to clean the site.

To solve the problem, Company A could issue an insurance policy through its captive to pay for the cleanup.

"In the ideal case, Company B accepts the policy as indemnity and no future contingent liability remains at Company A," Mr. McCoy said.

As the estimated cost of a cleanup is bound to be uncertain, the policy could have limits of $5 million, he said.

Then, as long as the risk is carefully assessed, a $5 million layer excess of the $5 million primary layer could be obtained in the commercial market at a reasonable charge, he said.

"The end-product is a $10 million policy of remedial insurance which could be approximately the same cost as the expected cleanup. Avoided are the legal costs of negotiating a new sales price and all of the lost bargaining position such an exercise creates," Mr. McCoy said.

The session was moderated by Gregory E. Leonard, president and CEO of Pegasus Advisors Inc. in Simsbury, Conn.

—By Gavin Souter

Captive experts assess impact of regulation

By GAVIN SOUTER

BURLINGTON, Vt.—The debate over state vs. federal regulation has crucial ramifications for risk retention groups and captive insurers.

Vermont Captive Insurance Assn.

Many state regulators currently are antagonistic toward alternative risk transfer vehicles, but federal regulation might be just as bad or worse, captive experts say.

Instead, the alternative risk transfer market should be regulated separately, says an alternative market interest group.

The National Assn. of Insurance Commissioners should revise its sometimes negative opinion of risk retention groups, said Philip C. Olsson, a partner with Washington law firm Olsson, Frank & Weeda.

"The Risk Retention Act is not a loophole; it's about creating decent insurance coverage for homogeneous risks," he said.

Risk retention groups can underwrite coverage for their members more economically than commercial insurers and provide aggressive claims management, said Mr. Olsson at the eighth annual conference of the Vermont Captive Insurance Assn., held here last month.

The NAIC should recognize this and provide strong regulation for risk retention groups, he said.

Lax regulation would permit weak groups to survive and would blur the lines between them and strong groups, he said.

Federal regulation could also be hazardous for alternative risk transfer mechanisms, warned John Harkavy, vp and general counsel for USA Risk Group in Arlington, Va.

Conceptually, the insurer solvency bill introduced by Rep. John D. Dingell, D-Mich., dovetails well with the alternative risk transfer market, Mr. Harkavy said.

H.R. 1290 would provide for regulatory standards that would be implemented by all insurance departments for insurers operating in multiple states. And it would avoid expensive over-regulation by individual states, Mr. Harkavy said.

However, Rep. Dingell's bill has other drawbacks, he said. "What concerns me is that we will have one-size-fits-all solvency standards where you have companies like Aetna and AIG together with captives and risk retention groups under a single solvency structure."

Such a system would be too onerous and expensive for many alternative risk transfer facilities, he said.

The session was moderated by William G. Hurlman, vp-alternative risk at Reliance Reinsurance Corp. in Philadelphia.

Meanwhile, alternative risk financing facilities should be regulated through a new, alternative regulatory system, according to a position paper released during the conference by the Coalition of Alternative Risk Funding Mechanisms.

Captive jurisdictions could be accredited by a federal agency, but the accreditation process should be granted on a case-by-case basis rather than through compliance with set standards, the group said.

Some captive domiciles might be penalized under all-embracing regulation despite their good regulatory records, the group said in its paper.

"For instance, Vermont has operated for over 10 years with a captive solvency record far superior to that of the national experience for traditional insurers," the group stated.

The group said it would also welcome separate captive accreditation through a plan worked out with the NAIC.

Members of the group include the Captive Insurance Company Assn.; the Colorado Assn. of Captive Entities; the National Risk Retention Assn.; the Risk & Insurance Management Society Inc.; and the Vermont Captive Insurance Assn. BI

Largest U.S. reinsurers' first-half 1993 results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

Reinsurers	Net reinsurance premiums written 1993	Net reinsurance premiums written 1992	Policyholders surplus (reinsurers only)	Net income 1993	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1993	Combined ratio 1992
1. General Re	$1,083,890	$1,056,307	$3,534,384	$303,956	$762,203	71.7%	$342,039	31.6%	103.2%	104.7%
2. Employers Re	882,260	696,719	1,643,683	132,283	649,622	77.8	233,279	26.4	104.2	101.5
3. American Re	627,691	503,179	1,030,582	68,404	371,273	63.7	228,943	36.5	100.1	101.2
4. North American/Swiss Re	382,622	335,947	659,223	33,863	263,364	72.5	145,741	38.1	110.6	110.5
5. Prudential Re	362,835	330,905	566,509	47,178	267,687	76.0	115,778	31.9	107.9	113.4
6. Munich Re	321,186	312,969	694,682	9,091	269,893	85.4	105,165	32.7	118.1	113.5
7. Transatlantic/Putnam	283,730	237,845	501,161	31,784	214,113	80.9	76,457	26.9	107.8	108.1
8. Berkshire Hathaway	269,097	237,967	N/A	N/A	137,247	108.5	21,980	17.3	125.8	158.3
9. F&G Re	253,931	124,282	N/A	N/A	164,334	66.1	69,406	27.3	93.4	91.1
10. Kemper Re	252,388	288,936	335,409	833	226,618	89.2	67,882	26.9	116.1	105.7
11. Constitution Re	213,248	151,181	283,809	11,451	152,253	71.2	69,163	32.4	103.7	105.0
12. The St. Paul Cos.	202,822	172,041	N/A	N/A	163,586	93.0	57,517	28.4	121.3	126.8
13. Hartford Re. Mgmt. Co.	184,200	N/A	N/A	N/A	141,400	76.2	43,500	23.6	99.8	N/A
14. National Re	176,481	119,196	343,013	30,019	99,899	64.0	63,966	36.2	100.2	102.2
15. Transamerica Re	170,431	185,275	308,747	37,987	131,803	79.0	54,948	32.2	111.3	107.1
16. NAC Re	147,483	119,137	401,591	22,118	97,060	68.3	63,893	43.3	111.6	108.7
17. SCOR U.S. Group	109,882	104,191	270,554	18,679	72,744	68.2	37,001	33.7	101.9	99.9
18. Winterthur Re	105,591	113,393	183,089	13,557	77,774	74.2	35,403	33.5	107.7	107.8
19. Underwriters Re	100,808	64,522	181,334	8,856	77,899	84.2	23,913	23.7	107.9	106.4
20. Skandia America Re	91,501	193,176	325,603	24,510	126,907	87.2	34,484	37.7	124.9	110.5
Totals for Top 20	**6,222,077**	**5,347,168**	**11,263,373**	**794,569**	**4,467,679**	**75.8**	**1,890,458**	**30.4**	**106.2**	**108.7**
Total for all companies	**6,908,161**	**6,070,834**	**15,244,953**	**952,679**	**5,021,636**	**75.5**	**2,191,669**	**31.7**	**107.2**	**106.7**

Source: Reinsurance Assn. of America and *Business Insurance*

Reinsurers

Continued from page 2

107.9% combined ratio reported for the first quarter.

The 20 largest U.S. reinsurers fared better, reporting a 106.2% combined ratio for the first half. The 19 reinsurers in that group that reported results for the first half of 1992 had posted a 108.7% combined ratio. A slightly different group of Top 20 reinsurers posted a 110% combined ratio in the first quarter of 1993.

Net premiums written for all U.S. reinsurers increased 13.8% to $6.91 billion in the first six months from $6.07 billion in the year-earlier period. The 19 large reinsurers that reported results for both years posted a 12.9% increase to $6.04 billion from $5.35 billion.

One reason for the premium growth could be an increase in pro rata reinsurance business, among other factors.

"I think the results reflect a continued softness generally in the marketplace and the cat losses that happened in the first six months," said Pru Re's Mr. Gallagher.

Results are "pretty much in line with what I would have expected, and probably the most significant aspect is the disparity among companies," said John G. Bidwell, president and CEO of Winterthur Reinsurance Corp. of America in New York. While some companies' premium volume has grown as much as 50% over a year ago, other reinsurers have reduced their portfolios, some significantly, he said.

There is a similar disparity in combined ratios, with some hovering about 120%, and others right around 100%.

"It's very unusual that you would have a 20- or a 30-point spread between companies and you kind of wonder how that comes about," Mr. Bidwell said.

He said the demand for catastrophe coverages has developed into a "fairly significant amount" of added premium. This business has generated "pretty favorable results" and probably offset some of the adverse development caused by the continued pressure on pricing for other types of reinsurance.

Overall, though, the first-half results "don't demonstrate much of a trend one way or the other," said N. David Thompson, president and CEO of North American Reinsurance Corp./Swiss Reinsurance Co. in New York.

Obviously there has been a reaction in catastrophe reinsurance rates and in property rates that are subject to catastrophes, but "casualty is unchanged," Mr. Thompson said. "It's a very dull picture right now."

"Casualty's getting cheaper and cheaper," said Paul Ingrey, president of F&G Re Inc. in Morristown, N.J., a unit of USF&G Corp. "Nothing is up in the casualty area except workers comp," he said.

"Certainly in terms of the overall market, there's not much happening on the casualty side. There's been no improvement there," agreed Paul Malvasio, vp and chief financial officer of NAC Reinsurance Corp. of Greenwich, Conn.

'The best business is still going to the big players,' says Michael Smith, of Lehman Bros.

The U.S. reinsurance industry's 107.2% combined ratio during the first half, said Mr. Malvasio, "is still reflective of an overall competitive market" coupled with claims from catastrophe losses, including last December's "Nor'easter" storm and the World Trade Center bombing earlier this year.

Pointing to the increase in reinsurers' net premium volume, Constitution Re's Mr. Bunaes said insurance companies unable to buy sufficient catastrophe protection are buying proportional reinsurance instead. "Certainly, for us, it's a major factor in our growth in premiums."

Premiums are being boosted by pro rata business and the decision by several large ceding companies to buy prospective stop-loss covers and other forms of financial reinsurance, said F&G Re's Mr. Ingrey.

Referring to the pro rata business, Mr. Ingrey said reinsurance buyers over the last six months "have been trying to parcel out property proportional business to reduce their cat exposures, and they've had a very uneven playing field in terms of what they've been able to purchase."

"Each deal has had better terms, bigger margins" for reinsurers, said Mr. Ingrey.

Another factor explaining the increase in U.S. reinsurers' premium volume is that some of the business that had been placed in the London market now is remaining in the United States, said NAC Re's Mr. Malvasio. "In general, the bigger companies are showing the bigger increases, which again is reflective of what we've seen the trend in the past couple of years where the more capitalized reinsurers seem to get the better benefit in terms of what goes on in the market: the flight to quality," he added.

Michael Smith, an analyst with Lehman Bros. in New York, said the large volume gains reported by U.S. reinsurers during the first half, compared with the much lower premium hikes reported by primary insurers during the same period, means "the squeeze is on" for ceding companies.

In addition to slow premium growth, primary insurers are generating less investment income, yet they are paying more for reinsurance. This "has to be positive for a turn in the cycle sometime," he said.

Mr. Smith noted that big and small reinsurers alike are reporting increases in volume. "That to me is the first indication we've seen in a long time of an overall increase in demand, where perhaps ceding companies are feeling some sense of urgency to lay business off and are becoming a little less rigorous in their security requirements."

Mr. Smith noted that other large reinsurers are reporting better underwriting results, so "it is still clear the best business is still going to the big players."

However, he added, "just the idea that the smaller companies participated almost equally with the large suggests to me the demand is picking up. The tea leaves are starting to clear up."

Other observers, though, are less encouraged about a turn in the cycle.

"As long as people talk about it, it's not going to happen," said F&G Re's Mr. Ingrey, with regard to a turn in the overall market. The market will harden only when executives believe that they are not getting good returns and they dedicate themselves to do something about it. That's not happening at this point, he said.

"Bottom-line income was generally up last year and again for the first six months. As long as that is the case, the pressure is not as strong as it should be for improved pricing," said North American Re's Mr. Thompson.

While low interest rates have held back investment income, "both stock and bond markets have provided very generous capital gains to most insurers and reinsurers and that continues to have a significant effect on the bottom line of the business. But it can't go on forever," said Mr. Thompson, adding he has no sense of when that might change.

It is "very difficult right now for us to get a sense" of what the Jan. 1 reinsurance renewal season will be like, said NAC Re's Mr. Malvasio. Claims activity, coupled with new capital entering the market and the decline in interest rates, "might make for an interesting renewal season, but it is still too early to tell. There's a lot of factors pointing in the right direction that maybe there is some momentum that might build, but we have to wait and see what happens in the next two months." BI

We've Made A Name For Ourselves.

BUSINESS INSURANCE

It's Business Insurance.

We're the weekly it takes to stay on the cutting edge of the commercial insurance marketplace.

SUBSCRIBE TODAY!
CALL TOLL-FREE on 1-800-678-9595.
Fax your order in on 1-313-446-0961. Use the card in this issue or if it's gone, use the coupon below.

Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

Check Here	Surface Mail 1 year	Surface Mail 2 years	By Air 1 year	By Air 2 years
USA	☐ $80	☐ $140	☐ $175	☐ $330
Canada	☐ $118	☐ $210	☐ $185	☐ $350
All other countries (by expedited air)			☐ $200 U.S.	☐ $380 U.S.

☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Business Insurance.

4C043

INTERNATIONAL

Investors, brokers optimistic about Lloyd's

New investment funds set up for corporate members

By ADRIAN LADBURY

LONDON—The prospect of returns as high as 20% apparently is proving irresistible to potential corporate members of Lloyd's of London, if the rapidly growing number of newly incorporated investment vehicles is a reliable measure of interest.

But some of the corporate entities that have announced plans to invest in Lloyd's next year believe that the "hundreds of millions of pounds" in potential corporate capital talked of in and around Lloyd's will be hard pressed to find enough quality syndicates in which to invest next year. Although final figures are not yet available, the number of active syndicates at Lloyd's next year could drop to about 150 from the current 228 due to consolidation in the market.

Nevertheless, officials of the newest investment funds are not worried about coming up short in attracting additional capital.

According to these funds' sales pitches to potential investors, an investor in a $50 million fund, for example, could expect roughly a 20% return on the invested funds. For example, a modest 5% return, or $2.5 million, could be made by investing the money in equities until it is required by the syndicates to meet claims. In addition, a conservative 7% underwriting profit could be made on $100 million of underwriting capital, or $7 million, assuming corporate capital will be allowed to write double its allocated capacity.

The overall return of $9.5 million on the original investment of $50 million pounds is just under 20%.

During the past two weeks, three more corporate investment vehicles for Lloyd's have been unveiled.

The Miller Insurance Group Ltd., a Lloyd's broker, plans to raise up to 20 million pounds ($29.8 million) for a new investment company to be called Miller Incorporated Capital at Lloyd's.

London merchant bank Rea Brothers Ltd., in cooperation with UBS Ltd.—which is the London arm of Union Bank of Switzerland—has announced its intention to raise 35 million pounds ($52.2 million) for a new Lloyd's investment company to be called Finsbury Underwriting Investment Trust.

And Chase Manhattan Bank, which claims to be the world's biggest investor in insurance and mutual funds with more than $11.5 billion loaned to insurance companies worldwide, has indicated that it could invest in Lloyd's some of the $400 million the bank hopes to raise for its new insurance investment fund, Insurance Partners L.P.

The number of corporate investors is expected to grow after details on the terms for corporate membership are released by the Council of Lloyd's on Thursday. Once the details are released—and assuming the membership approves the plans at an Oct. 20 extraordinary general meeting—the new companies hope the institutional and private capital will flow into the funds and enable them to

Continued on next page

Fewer syndicates doesn't alarm brokers

By ADRIAN LADBURY

LONDON—Brokers are not too worried about a possible sharp drop in the number of active syndicates at Lloyd's of London in 1994.

Brokers say they will be happy to deal with fewer syndicates, as long as the market's most skilled underwriters are not lost in the shakeout and the remaining syndicates are still able to lead risks in the London market.

One potential source of concern would be if the remaining syndicates could not offer enough capacity to meet clients' needs. But most brokers are confident that the introduction of corporate capital will be ratified at an extraordinary general meeting next month (*BI*, Aug. 30).

Brokers contend that if there are fewer but better capitalized syndicates, the market could actually be more attractive.

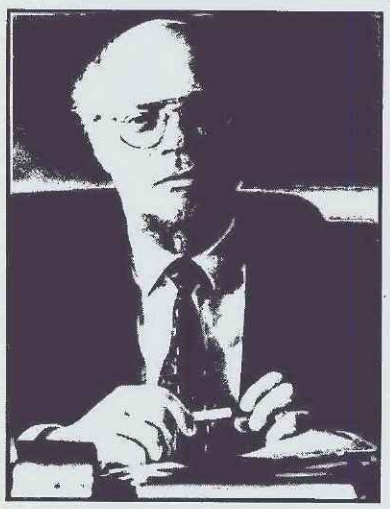
"If it creates larger and stronger syndicates still able to lead and provide innovative products then I see no problem," said Anthony Howland Jackson, chairman and CEO of Hogg Group P.L.C.

Mergers and closures are expected to reduce the number of syndicates to about 150 in 1994 from 228 this year.

Another factor could accelerate that retrenchment. As of Jan. 1,

Continued on next page

German government hindering insurers: Michaels



DUSSELDORF, Germany—A rift between the German government and German insurers is widening because of new European Community directives, according to Bernd Michaels, the new president of the German Insurance Assn.

By mid-1994, the government plans to implement regulations based on E.C. non-life insurance directives that will diminish the influence of the federal insurance regulatory office, Bundesaufsicht fur das Versicherungswesen.

With the upcoming regulations and other issues, it appears trouble is brewing for insurers on the political front, Mr. Michaels said.

"Growing instability" among the nation's insurance companies is resulting from the German government's handling of these issues, demonstrating that regulators are "out of touch" with insurance reality, Mr. Michaels warns.

Under the regulations that will become effective July 1, German insurers will no longer need to have policy rates and terms approved by regulators before marketing the policies. The aim of the E.C. non-life directives that led to the regulation is to create a freer market environment.

Regulators in the Netherlands and United Kingdom support insurance deregulation, noted Mr. Michaels. However, German regulators did not have the insurance industry's interests at heart when they acceded to pressure from other countries to adopt the E.C. directives, he said.

"Our government representatives in Brussels failed to get important points across. The issue here is not flexibility or inflexibility to develop new products—it's consumer protection," he contends.

German policyholders are used to a regulator's seal of approval on policies, otherwise it is very difficult for consumers to know which policies are best, he said.

Consumers now essentially will dictate price and wording of policies. "Unfortunately, the implementation of E.C. guidelines means controls will be imposed after the harm has been done—after policies enter the market," he said.

In spite of deregulation, Mr. Michaels does not expect added competition from foreign insurers. "Many already do business in Germany," he explained. "Those who have new ideas will have to market them. That's very costly and not very practical. It just doesn't make sense to offer 1,000 people 1,000 different policies."

Agents and brokers will play a significant role in a deregulated market, he said, but advisory ser-

Continued on page 41

EIL coverage gamble

Australian risk managers say the costs outweigh the benefit of extra protection

By KATE McILWAINE

BRISBANE, Australia—Australian risk managers are still reluctant to buy environmental impairment liability insurance, relying instead on their broad-form liability policies, most of which cover only sudden and accidental pollution.

Underwriters offering EIL cover say that until sudden and accidental pollution is no longer covered under standard general liability policies, risk managers will not appreciate the need for a specific EIL policy that would cover both sudden and gradual pollution.

But as Australian liability rates start to harden, liability underwriters are beginning to exclude pollution coverage or narrow policy wordings (*BI*, Aug. 2). Industry analysts say Australian underwriters are following a trend set by U.S. insurers.

Trevor R. Pearsons, marketing manager for Melbourne-based Richard Oliver International Pty. Ltd., a broker and underwriting agent that offers EIL policies, said sudden and accidental pollution coverage will "become the exception rather than the norm" in broad-form liability policies. "But we're still in the throes of a soft market for liability, so it won't happen overnight," he noted.

EIL underwriters say they are "ahead of their time" in Australia, but eventually all risk managers will give the same consideration to purchasing EIL coverage as they now give to specialized liability insurance like directors and officers liability.

While EIL underwriters will not say how much coverage they have written, most agree there are probably only about 12 specific EIL policies currently in place for major corporations in Australia.

That figure is expected to grow as pollution coverage litigation expands. Australian insurance lawyers expect the question now bedeviling U.S. courts—do general liability policies cover gradual pollution?—to eventually be litigated in Australia.

EIL policies are selling slowly, said Peter O'Shea, managing director of Sydney-based Harbor Pacific Holdings Pty. Ltd, an underwriting agency that specializes in difficult risks. Mr. O'Shea said there has been no significant growth in the market since the push for tougher environmental laws in Australia began three years ago (*BI*, July 16, 1990).

Most companies think "their sudden and accidental cover is enough," Mr. O'Shea noted. He said risk managers view EIL as expensive—and it is, because of the audit process required by insurers before they assume a risk. Mr. O'Shea said Harbor Pacific's minimum premium is $20,000 Australian ($13,420), but "we've never got down to that minimum." The underwriter's clients include hazardous goods storage depots and transit companies.

In addition to its current EIL policy, Harbor Pacific is developing a special, stand-alone policy specifically for transport companies that can not get coverage under their liability policies. "We're having discussions (with underwriters) now, but it may be at least six months before (the facility) could be put in place."

Mr. O'Shea said he had expected

Continued on page 41

European insurance market faces era of consolidation and change, consultant says

By ADRIAN LADBURY

The number of European multiline insurers will shrink by up to 50% in the next few years, while the number of leading underwriters in industrial risks will fall to as few as 10 from more than 150 and buyers will be hit with triple-digit premium increases, a recent report predicts.

But commercial insurance buyers will fight back in response to this drastic consolidation, according to the report. Industrial corporations will head for alternative markets in droves, it says.

The removal of trade barriers that accompanies the European Community's plans for a single market will have as dramatic an effect on the European insurance industry as the deregulation of the U.S. airline, transportation and financial services industries in the late 1970s and 1980s, says the report's author, Michael Muth, a Munich-based consultant with international management consulting firm McKinsey & Co. Inc.

The report, published in the latest edition of The McKinsey Quarterly, says European multiline insurers can't continue business as usual.

"Based on government-approved premiums and conditions, European insurers' decades-old formula for success—'Go for volume'—is not merely obsolete, it is a recipe for disaster," Mr. Muth writes.

In the already deregulated insurance industries of the United Kingdom, the Netherlands and, to a lesser degree, France, insurers' profits have plummeted to almost one-third of earnings by insurers in the still heavily regulated markets' like Germany and Switzerland. Once premium rates and other factors are dictated by the free

Continued on page 41

2 schemes of arrangement due soon

LONDON

By ADRIAN LADBURY

LONDON—Provisional liquidators for two failed London insurers that have left many U.S. policyholders with unpaid claims expect to soon offer schemes of arrangement to policyholders and creditors.

Coopers & Lybrand, which was appointed provisional liquidator for the group of five failed insurance companies owned by London United Investments P.L.C., said that a scheme of arrangement for the insurers could be ready by the end of this week or the beginning of next. The five insurance companies, known collectively as the KWELM companies, are: Kingscroft Insurance Co., Walbrook Insurance Co., El Paso Insurance Co., Lime Street Insurance Co. and Mutual Reinsurance Co.

The last official estimate of the total losses incurred by the KWELM companies was $5 billion, which is owed to more than 100,000 creditors, but the figure could easily reach $6 billion, according to Coopers & Lybrand.

The provisional liquidator has already collected $250 million from reinsurers and still is pursuing further recoveries from nearly 600 other reinsurers worldwide.

Separately, the provisional liquidator for Andrew Weir Insurance Co. Ltd. expects that a scheme of arrangement could be ready by October, when the U.K. commercial court returns from vacation.

The latest estimate for Andrew Weir's losses, which was issued last month by provisional liquidator Price Waterhouse, is 30.2 million pounds ($45.7 million) as of Dec. 31, 1992.

This compares with the previous figure, calculated by the failed insurer's management, of only 1.5 million pounds ($2.27 million) as of Sept. 30, 1992.

The massive increase in the size of its estimated deficiency is blamed mainly on the need for extra reserves for U.S. pollution and asbestos losses, according to Price Waterhouse.

Andrew Weir originally wrote mainly marine and aviation business, which has deteriorated in line with the London market. But it also wrote a book of U.S. liability business up until 1972, which continues to deteriorate.

The provisional liquidators report that the insurer's asbestos claims were mainly the result of new notifications on existing claims for pre-1966 underwriting years.

"In respect of environmental pollution reserves, the company has seen a high growth of notifications on pre-1970 policies over the past year, particularly in the last quarter, and its reserves for this risk have been strengthened accordingly," stated Price Waterhouse.

Claims from the U.S. liability book are now estimated to account for approximately 50% of the current costs.

F&G Re in London

F&G Re Inc., the reinsurance underwriting unit of USF&G Corp., plans to open a liaison office in London Sept. 15 to better service its international clients.

The office will serve as a contact office and will not have the authority to underwrite business on behalf of the Morristown, N.J.-based company.

But Tim Olsen, a F&G Re senior vp who will be based in London, said that it will give the reinsurer "greater opportunities to access business, improve service to producers, and increase its ability to target business types."

Mr. Olsen will be joined by two other underwriters in the office. BI

Skandia, UNI Storebrand show improved results

By MARIA KIELMAS

STOCKHOLM—Skandia Insurance Co. Ltd. has posted improved results for the first half of this year.

Skandia's first-half underwriting profit rose 23.6% to 241 million Swedish kronor ($29.5 million) from 195 million Swedish kronor ($35.4 million) last year.

Gross premiums rose by slightly more than 23% to 21.38 billion Swedish kronor ($2.62 billion) from 17.33 billion Swedish kronor ($3.15 billion) a year ago. However, the company attributed 19% of the increase to exchange rate gains.

The combined ratio for non-life operations was 113%, unchanged from the same period last year.

In June, Norway's UNI Storebrand and Denmark's Hafnia Holding sold their combined stake of nearly 40% of Skandia. The shares were bought by more than 100 institutional investors, Skandia said.

Earlier this summer, several banks filed a lawsuit against Skandia, Trygg-Hansa SPP Holding A.B. and Svenska Kreditforsakring A.B., which is being liquidated.

The banks argue that because of a "letter of comfort" issued by these companies, they should bear some liability for the debts of International Credit Insurance, a credit insurer in liquidation in which the three held varying stakes. International Credit's bankruptcy trustee also is suing Skandia, Trygg-Hansa and Svenska Kredit, citing the same letter of comfort (*BI*, July 19).

The trustee's suit seeks payments of previously issued loans, including 605 million Swedish kronor ($74.1 million) from Skandia.

Meanwhile, in other Scandinavian market news, UNI Storebrand announced a profit of 689 million Norwegian kroner ($94.7 million) for the first half of 1993, up from a 79 million Norwegian kroner ($13.2 million) profit for the same period last year. The results were affected by a sharp rise in investment income, the insurer said.

Its non-life subsidiary, UNI Storebrand Skadeforsikring, posted a pretax profit of 471 million Norwegian kroner ($64.7 million) during the first half of this year.

The non-life company's gross premium income rose by 559 million Norwegian kroner ($76.8 million) to 3.94 billion Norwegian kroner ($660 million). Of this increase, 530 million Norwegian kroner ($72.8 million) came from the transfer of direct marine and energy business from UNI Storebrand International to the non-life unit. The company's solvency margin rose to 74%, compared with 57% at the same time last year.

UNI Storebrand International reported a pretax profit of 17 million Norwegian kroner ($2.3 million), a 51.4% drop from 35 million ($5.9 million) for the same period last year.

Gross premiums written fell 18.8% to 1.69 billion Norwegian kroner ($232.2 million) from 2.08 billion Norwegian kroner ($348.4 million) for the first half of 1992. This decrease was caused by the transfer of parts of the business to the non-life insurance unit.

The first-half results were only slightly affected by major losses, except for the blizzard that struck the U.S. East Coast in March, resulting in losses of 13 million Norwegian kroner ($1.8 million) for UNI Storebrand's U.S. operations.

The international company's solvency margin rose by 5% to 35%.

Lloyd's investment funds

Continued from previous page

start underwriting next year.

But many of the new fund sponsors plan to limit their capital targets for investment in Lloyd's because they are dubious about the projected figures for corporate capital being discussed in the market.

Some believe that there are not enough "quality syndicates" left at Lloyd's that would be capable of handling a dramatic influx of capacity. In addition, Lloyd's rules on corporate capital are not expected to allow more than 50% of a syndicate's gross allocated capacity to come from corporate investors.

"We have deliberately entered the market in a modest way, largely because our Lloyd's adviser told us that about 30 million pounds ($44.7 million) would be the maximum amount they could find quality homes for," said David Lyons, director of Rea Brothers, which plans to use Wren Underwriting Agencies Ltd., one of the biggest Lloyd's members agents, as its adviser in placing the new capital.

"Most analysts believe that within five years, about three-quarters of Lloyd's capital will be corporate capital. But as far as 1994 is concerned, they are skeptical about the ability of certain investors to place millions of pounds in the current homes," Mr. Lyons said.

Rea Brothers' fund could invest up to 70 million pounds ($104.3 million) at Lloyd's in 1994, but Mr. Lyons said it will only commit 60 million ($89.4 million) in the first year and use the rest as a "cushion" for its equity investments and to cover costs, which are expected to be "about 1 million pounds ($1.5 million)."

Michael Mahoney, Miller's finance director, is also cautious. He said that Miller intends to invest 1.5 million pounds ($2.2 million) in the fund itself and that the estimated total investment will be "somewhere between 10 million and 20 million pounds ($14.9 million and $29.8 million)," depending on interest shown and the nature of the rules released by Lloyd's.

The company expects much of the capital to come from its current brokerage clients, especially in the shipping industry. "Ten million to 20 million pounds is a pretty big spread," said Mr. Mahoney. "We wouldn't expect to see large amounts of capital in place for 1994. We could well end up with only 2 million ($3 million) to 3 million ($4.5 million) for next year, but we will build it up as the capacity at Lloyd's builds up gradually," he said. MICAL will use Murray Lawrence & Partners Ltd. to help select its portfolio of syndicates. BI

German deregulation

Continued from previous page

vices will focus on standard policies. "Opportunity alone does not create a new market," Mr. Michaels said. "Just because new products can be developed doesn't mean they will be. Ninety percent of the policies sold in the future will be standard policies with identical insurance coverage."

More of a problem than foreign competition are taxes and the government's health care policy, Mr. Michaels said. Other legislation this year has also unnerved German buyers, he added.

This year, the German government imposed a 15% tax on non-life insurance policies to raise revenues to help pay for the cost of reunification (*BI*, Feb. 15), Mr. Michaels said. In the last five years, there has been a 300% increase in taxes on non-life insurance premiums, he said. Only five years ago, government revenues from insurance taxes amounted to 2.9 billion deutsche marks ($1.74 billion). In 1995, it will reach 12 billion ($7.18 billion), according to Mr. Michaels

Already burdened by the cost of setting up new offices and hiring and training staff, insurers are objecting to the tax demands.

"If the government thinks the insurance industry can get out of its financial rut, it's mistaken," Mr. Michaels said. "We're warning the government not to go any further. Otherwise, we see a danger they'll push companies into states of instability."

Instability factors include new government regulation of health care and company liability, Mr. Michaels said.

As of 1994, the German government will compel insurance companies to include many long-term nursing-care costs in their health care cover (*BI*, May 31).

Continued on next page

Lloyd's brokers' outlook

Continued from previous page

1994, Lloyd's members agents will offer both corporate and individual names pooled investment vehicles, similar to mutual funds, called members agents pooling arrangements, or MAPAs. The arrival of MAPAs is expected to force a consolidation of syndicates into bigger but less specialized units as these investment pools allocate their resources to a limited number of syndicates. Some fear the number could fall to as few as 50 to 60 syndicates (*BI*, Aug. 30).

Several other entities are also offering investment funds for corporate investors (see story, page 39).

"I do not view the reduction in the number of syndicates as a problem," said Peter Allen, spokesman for broker Steel Burrill Jones Ltd. "I would have thought we would welcome it to an extent, as larger, better-capitalized syndicates would be cheaper and easier to deal with. Also remember that the survivors should be the good ones," he added.

"It is a concern that MAPAs will cause a concentration of syndicates but, as far as I am concerned, the theory that brokers only come to Lloyd's if there are 500 syndicates so they can place business with 450 of them is simply not true; it is far more sophisticated than that," said Max Taylor, chairman and managing director of Willis Faber & Dumas Ltd. "As long as there is a good spread of business there is no problem. If it falls too far then we would have to think again," he said.

Most Lloyd's brokers appear to agree that while the current consolidation among syndicates is painful, it will prove beneficial in the long run. Indeed, many brokers believe that the principle of survival of the fittest will ensure that Lloyd's will emerge stronger than ever.

Sax Riley, chairman of Sedgwick Group P.L.C., voiced concern that capacity at Lloyd's could drop too far due to consolidation, but he was also hopeful the changes would send a "back to basics" message. "(Syndicates) got involved in things that they should not have done and now they are getting back to the original business like marine and energy and not trying to compete in things like U.S. property," said Mr. Riley.

Brokers are more likely to desert Lloyd's if it loses its renowned underwriting skills rather than its leadership in capacity.

"I want Lloyd's to be there as a lead market but it is not a problem if it drops from down to 20% to 30% of the risk. As long as it can still lead the risk that's no problem," said Alan Colls, group chairman of Nicholson Chamberlain Colls Ltd.

Mr. Colls also said that shifts in capacity within the market present no real problems to the brokers. "The broker provides the continuity. Overseas clients often see the broker as the provider of continuity. If 60% goes to London it doesn't matter to the client where exactly that 60% goes," he said. "We may place 30% of a risk in London and change 50% of the syndicates on that risk from year to year but it is still 30%."

A spokesman for Alexander & Alexander Services Inc. sounded a similar theme. "Even if it fell as low as 50 (syndicates) it would not matter as long as they are strong and responsive to our needs. We need capacity, but even with 50 syndicates you would still have a dynamic market with opportunities for specialists, leaders and competition.

"You still have over 50 underwriters in there respected throughout the world. This is very important. It is not crucial that Lloyd's has the lead. . . .But it is likely that these are the more successful underwriters and therefore the more likely to be there next year," the spokesman said. BI

INTERNATIONAL

German deregulation

Continued from previous page

The greatest problem, Mr. Michaels said, is an unrealistic assessment of financing such a plan.

"The government plans to cap insurance company premiums at a level equal to maximum contributions to sickness funds (which also would cover long-term nursing care under legislation being drafted). Insurance doesn't work like that. If you cover the risk of nursing care, you have to calculate the cost according to risk," he said.

The German government plans to force insurance companies and sickness funds to accept all risks, including existing nursing-care patients and anyone for whom they already write other coverage.

"There are few examples in insurance of someone trying to insure a burning house. This is one of them," Mr. Michaels said.

Health insurers in Germany favor a free-market system with tax breaks for the underprivileged, he said. But he admitted there is little hope such a plan will be adopted.

Similar problems exist with company pension plans, said Mr. Michaels, who claims the government is sabotaging free-market prospects. "If the government overtaxes insurance companies, they can't offer the coverage the government demands. It's our duty to tell government it's going a dangerous route."

The government is going an even more dangerous route when it comes to environmental liability, he said. A strict environmental liability law went into effect in 1991 (*BI*, Oct. 7, 1991).

"German companies face a situation in which they can't get insurance coverage for their liability. It's the first time this has happened. It's a gap which can't be bridged."

Mr. Michaels expects environmental liability problems in several sectors of industry, particularly those dealing with biotechnologies. "There is no way to calculate future risk. We are not in the position to judge these risks quantitatively or qualitatively. As a result, it is just not possible to insure them."

Even if German insurers were able to insure companies against the risk of damage to the environment, they would have difficulty finding reinsurance in today's market.

On top of everything else, limited reinsurance capacity has dramatically transformed the market, according to Mr. Michaels. "It's a completely new situation," he said. "Not only have rates jumped, as we've seen in the past, but there's a reduction in capacity.

"As a result, reinsurance has become an important factor in calculating insurance premiums," he explained. "It means premiums go up or policyholders retain more risk."

"The situation is serious for weaker German insurers," he said. "I know from talks with reinsurers that close scrutiny is planned," Mr. Michaels said. Reinsurers will limit the amount of risk they accept from ceding insurers, he said.

Reinsurance capacity has become so limited and expensive worldwide that even large, direct insurers have to rethink their strategy, Mr. Michaels said. "It means insurance companies must retain more of the risk themselves. As a result, company solvency is a factor. Unfortunately, many German insurers are undercapitalized."

One positive element in Germany's system is that insurers are allowed to establish claims reserves, Mr. Michaels said. Unfortunately, the German government is also considering doing away with claims reserves to allow greater taxation of corporate profits.

Growing dissatisfaction with government policy has made politicking Mr. Michael's first priority as president of the German Insurance Assn. As head of the 400-member group—Gesamtverband der Deutschen Versicherungswirtschaft—he expects a year of turmoil.

"We have to tell government there is a limit to what we can take, and we have reached it," he said. BI

European outlook

Continued from page 39

market, insurers in these other countries will also see a dramatic decline in profits, according to Mr. Muth.

The biggest losers, he says, will be the big multiline insurers, which are too conservative and bureaucratic in their management, slow to react to market pressures and prone to losing market share to smaller, more targeted specialist insurers.

Mr. Muth believes that risk managers and corporate buyers of the big European industrial and commercial companies will play an important role in the coming shakeup.

"More discerning customers are beginning to see insurance as a major financial burden and are actively seeking more favorable terms and conditions," he wrote.

"As households and industrial corporations alike opt for self-insurance more frequently, the total volume of premium in the market will fall by 20% to 25% from today's levels," he wrote.

Mr. Muth believes there has been a "commoditization" of industrial insurance products over the past five years, caused by overcapacity of 30%, and a subsequent fall in price of the products also by 30%.

In other words, Europe has had too many insurers pursuing too little business, and rate increases will be inevitable, he says.

The well-publicized losses at Lloyd's of London and recent losses in the German commercial property and business-interruption insurance sectors are a direct result of this "commoditization," he said.

"Industrial customers may soon have to accept double-digit, in some cases, even triple-digit percentage price hikes, even in the midst of recession in Europe. Until recently, good margins in personal lines enabled even small companies to write prestigious but loss-making industrial risks. In effect, the average European household has been subsidizing industry—in 1992, by several billion dollars," Mr. Muth wrote.

But this subsidization of industrial risks by personal lines policyholders will not continue, according to the consultant.

"Industrial customers will attempt to evade the massive increases in premiums by means of self-insurance, pools and captives, thus reducing the total volume of premiums. In the United States, analysts estimate that the share of such 'alternative coverages' will reach 50% of premiums by the year 2000. Insurers will be called upon to support those coverages with specialized 'unbundled' services like loss analysis, loss prevention and claims handling," Mr. Muth wrote.

•

For a copy of the McKinsey Quarterly, contact Pom Somkabcharti, Managing Editor, The McKinsey Quarterly, 55 E. 52nd St., New York, N.Y. 10022.

Australian EIL

Continued from page 39

demand for EIL to be slow, but he is disappointed that the insurance industry is unable to standardize its liability policies. "They should have a general consensus on what's in and what's out," he said, meaning underwriters should have the same exclusions.

EIL underwriters will not stay in the market if their products are not supported, Mr. O'Shea said. If the industry continues to offer some pollution coverage through general liability policies, and risk managers perceive it to be sufficient, the EIL underwriters will not have a sufficient market, he said.

Some risk managers agree.

Mike Guilmartin, risk manager for ALCOA Australia Ltd., an aluminum company, said there is a Catch-22 in the EIL coverage situation. It's expensive to go through the required pre-coverage audits for the limited capacity available.

But he said he understands that the market can't get a sufficiently high premium pool to offer more capacity. The amount of coverage available was insufficient when ALCOA considered an EIL policy, Mr. Guilmartin said.

Sid R. Levett, risk manager for Amcor Ltd., a major Melbourne-based plastics, paper and packaging company, said his company has purchased EIL coverage overseas for seven years. However, Amcor may look at risk financing alternatives, such as self-funding, because he has concerns about the long-term availability of EIL coverage at acceptable rates. "A lot of companies don't buy it," he said. "They perceive their only risk is sudden and accidental, and they can get coverage under their liability policies."

Richard Oliver has an EIL facility in place with $10 million Australian ($6.7 million) in capacity. Several policies have been written since the facility was launched in 1991, said Mr. Pearsons. Richard Oliver offers site-specific, third-party liability coverage for gradual land, air or water pollution, with an option to include sudden and accidental pollution.

While Richard Oliver's engineers conduct 400 to 500 environmental audits and thousands of quick surveys annually, few polices are actually written.

Once companies start feeling the pressure of environmental protection laws, EIL coverage will become a bigger issue, he said. Already some finance companies that become property owners when lenders default want to protect themselves from any liability.

The Richard Oliver facility is led by Sydney-based QBE Insurance Group Ltd., with seven other underwriters on the slip. Australian Reinsurance Co. Ltd., a Swiss Reinsurance Co. unit, is the lead reinsurer. Mr. Pearsons said the facility is "regarded as a showpiece" and the company has taken a lot of effort to develop it.

Sales are "very slow," he said, adding he had always considered it a long-term product. "We think the market will mature."

Mr. Pearsons said stringent new environmental protection laws in Australia and its states should spur demand for the coverage.

Companies are just beginning to appreciate environmental impairment as a potential exposure, said John Clarke, public affairs manager for Melbourne-based C.E. Heath Casualty & General Insurance Ltd., which writes a limited amount of EIL coverage in Australia.

American Home Assurance Co. has offered a pollution coverage facility since late last year, but has not yet written a policy, said Michael D. Grossman, regional casualty manager for Australasia at the American International Group Inc. unit.

AIG's facility is the only one in Australia offering first-party cleanup coverage, and it also will cover contaminated sites, which other EIL policies will not, Mr. Grossman said.

The AIG package, written by the insurer's Commerce & Industry Insurance Co. unit, combines self-insurance at lower layers with insurance at higher layers. The policies have limits of $40 million and deductibles of $500,000 to $1 million.

Potential buyers are deterred in part by the novelty of the product, said Mr. Grossman.

Another factor may be what he calls a "head-in-the-sand" attitude that Australian companies have toward pollution liability. Many companies will not realize the potential for losses, he said, until the government "actually hauls someone into court and makes them pay, and it's a big bill."

The competitive Australian market and low rates being written for Australian and New Zealand business in the "predatory London market" put pressure on the Australian market in terms of rates and coverage, Mr. Grossman noted.

Many Australian companies will not realize the potential for losses until the government 'actually hauls someone into court and makes them pay, and it's a big bill,' says Michael Grossman, regional casualty manager of American Home Assurance Co.

Melbourne-based broker OAMPS Ltd. has sold only a few underground storage tank policies from a facility written by Fireman's Fund Insurance Co., said Chairman Peter R. Claringbold. The facility was launched three years ago in the United States, where several other policies are in place.

OAMPS, which specializes in services to the oil distribution industry, requires a statistical analysis of a tank and, if it is not leaking, will provide coverage.

Tank coverage is not "a madly expanding market" in Australia, he said. OAMPS clients are mainly service stations and storage depots. The coverage provides for $1 million for any one loss and $2 million aggregate.

EIL coverage is slow to grow in Australia because of policyholder's initial costs of a mandatory environmental audit, said Patrick Thompson, a partner in the Sydney law firm Hunt & Hunt's reinsurance group.

"If the audit is acceptable to the insurer, there is still a high premium for limited cover with high deductibles," he said.

Hard hit by the recession, many Australian firms cannot afford the relatively new insurance, he said. And one could argue, Mr. Thompson said, that if the audit reveals little or no environmental risk, there's no reason to purchase the insurance.

Said one risk manager who chose not to be named: "Why bother when an underwriter will only look at a clean site anyway." Deductibles are too high to make it worthwhile, he added.

But Mr. Thompson warned that it is often the party occupying the land, rather than the polluter, that is found liable for cleanup costs under Australian law.

Stanley W. Drummond, a partner in the Sydney law firm Minter Ellison Morris Fletcher, has questioned the extent to which general liability policies cover environmental damage.

A 1986 case in the Supreme Court of Victoria, *Carlingford Australia General Insurance Ltd. vs. EZ Industries Ltd.*, centered on the standard pollution exclusion in Australian liability policies, which says that pollution is not covered unless it is sudden and accidental. The decision favored the policyholder, a mining company that exported lead concentrates to California and was sued in the United States by workers who alleged they were injured by spilled lead dust.

According to Mr. Drummond, the ruling "surprised and alarmed insurers. Since then, (several) have amended their pollution exclusions in an attempt to ensure that only abrupt, brief, unexpected and unintended events are covered."

And Mr. Drummond said major reinsurers, even before the EZ Industries decision, had responded to "unfavorable American decisions by limiting cover provided under reinsurance agreements."

The reinsurers' wordings are mirrored in some general liability wordings currently available, Mr. Drummond said. But he warned that not all wordings follow reinsurers' guidelines, and there could be instances in which insurers could find themselves without reinsurance for some claims.

Mark Waller, a solicitor with Clayton Utz in Brisbane, anticipates more litigation in Australia over the extent to which general liability policies cover sudden and accidental pollution.

Insurers and companies facing potential pollution liability should consider the shortcomings of their general liability policies for pollution risks, he recommended. For example, insurers that do not intend to cover gradual pollution should amend their broad form liability policies to specifically exclude coverage for that peril.

"Although some insurers may say that the qualified pollution exclusion already achieves that purpose, the American experience. . .indicates more may be needed to put the issue beyond doubt and avoid expensive litigation," Mr. Waller said.

He blamed the limited acceptance for EIL coverage in Australia is because of limited capacity, pre-coverage requirements and a lack of first-party cleanup coverage.

"Insurers are not able to offer sufficient insurance to cover the real risk for policyholders of catastrophe liability," he said. Maximum cover ranges from $10 million Australian ($6.7 million) to $20 million Australian ($13.4 million).

"The onerous nature of pre-policy requirements, including site audits, and premium and excess levels (mean) the insurance is usually out of reach of small to medium-size operations," Mr. Waller said. He said first-party cleanup is normally covered only if it will avoid further contamination to a third party's property. BI

The Professional Marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $130.00 per column inch, minimum of one inch. Straight classified is $11.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $17.50 charge for all blind box ads. Only those reponses which fit into a business size envelope will be forwarded. Responses are forwarded daily.*

Closing: *Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for all advertisements. Mail ads to, Lisa Mazzetti, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-649-7799.*

LIBILITY CLAIM SUPERVISOR
Litigation/D&O/BI Specialist
Metro NYC

Regional carrier offers career opportunity to seasoned/ hands-on Libility Claim Specialist responsible for: a case load of NYC Liability files; supervising/training of staff; managing outside independents/attorneys; improving systems/service/results.
Computer literacy a plus. College and continuing education major consideration.

Attractive compensation/benefits pkge
Reply in confidence to:
Box 2815, Business Insurance, 740 Rush Street, Chicago, IL 60611

SENIOR SURETY UNDERWRITER

A growing, multi-faceted risk and insurance management organization is seeking an experienced, senior level bond underwriter with a strong background in contract surety.
The ideal candidate should possess:

- Ten years of Insurance Company Surety Experience
- A demonstrated ability in financial analysis
- An extensive knowledge of the surety marketplace
- The ability to establish a surety underwriting department

This is an excellent opportunity for an individual seeking to establish a surety facility.

Please send resume and salary requirements to: **Box#2818, Business Insurance, 740 N. Rush St., Chicago, IL 60611-2590.**

TRUCK AGENTS
Stop Wasting Your Time
Improve Your Hit Ratio
Increase Your Market Share
We Sell Truckers X-Dates
"NATIONALLY"
800-288-XDATES (9328)
Not Available in All States

CAROLYN DAVIS ASSOCIATES, INC.
STAFFING CONSULTANTS TO THE INSURANCE INDUSTRY
701 Westchester Avenue
Suite 317W
White Plains, NY 10604
914-682-7040 • Fax: 914-682-8361

HELP WANTED

P&C PROGRAM MANAGER

Opportunity to profit directly from your underwriting results. Entrepreneurial, successful property and casualty company is seeking underwriters or marketers who have developed profitable books of property or casualty business. Unlimited compensation potential based on the profitability of your book of business. All inquiries will be maintained in strict confidence. **Box: 2817, Business Insurance, 740 N. Rush St., Chicago, IL 60611-2590.**

CLAIMS/RISK MANAGEMENT/ CONSULTANT/AUDITOR

We are a fast paced claims audit, risk management consultants and third party administration specialty firm in the Chicago area. We are seeking a full-time qualified and highly motivated individual with experience in Automobile Liability, General Liability and Workers' Compensation claim administration. Prefer 10 years experience. Salary is commensurate with experience. Please call at (708) 960-1020 or forward your resume to:

WRAMSCO
1431 Opus Place, Suite 622
Downers Grove, Illinois 60515
Attention: C.J. Schoolcraft

PACKAGE/CASUALTY UNDERWRITER

Commercial Package Underwriter needed for Louisville agency. Should have thorough knowledge of restaurant, hotel/ motel, liquor liability, commercial auto liability and physical damage underwriting and rating. Experience in establishing rates and use of rating software is a plus. A minimum of 2-3 years experience in a similar position is beneficial. Send resume and salary requirements to: **Richard Wooldridge,9000 Wessex Place, Suite 300, Louisville, KY 40222**

BRANCH MANAGER

"A- Excellent" and admitted Commercial P&C carrier located in Northeast is seeking an individual to establish and manage a new branch office in Denver. Territory to include CO, KS, MT, NM, & WY. College educ., CPCU and 7+ yrs of commercial multiline production & underwriting experience is required. Please send resume & salary requirements to:

Box 2811
Business Insurance
740 N. Rush St.
Chicago, IL
60611-2590

RISK MANAGER

Five county governments seek a risk management professional for a new shared position based in Pittsburgh, Pa. Responsibilities include: review and analysis of current coverages, negotiating with underwriters and brokers; claim trend analysis; directing loss prevention programs; and personnel training.

At least 10 years of risk management experience including background in workers' compensation rating, incurred losses, and paid loss retro is required. Strong organizational and communication skills as well as the ability to work productively with staff professionals and elected officials are essential. Casualty/health experience is also desirable.

Send resume and salary history to:
Southwestern Pennsylvania Corporation
Risk Manager Position
The Waterfront, 200 First Avenue
Pittsburgh, PA 15222

An equal opportunity employer.

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA
COMPANIES (WINDING-UP)
1991 : No.259

IN THE MATTER OF ANECO REINSURANCE UNDERWRITING LIMITED IN LIQUIDATION

NOTICE IS HEREBY GIVEN that under cover of a letter dated the 11th of August, 1993 the Joint Liquidators of Aneco Reinsurance Underwriting Limited have forwarded to creditors appearing in the Company's records forms providing information to creditors of their position in accordance with the Company's records. If you are a creditor of Aneco Reinsurance Underwriting Limited and have not received a communication from the Joint Liquidators or from the broker through whom you placed business with Aneco Reinsurance Underwriting Limited please contact the Joint Liquidators in writing as soon as possible and in any event no later than the 30th of September, 1993 at the following address:

The Joint Liquidators
Aneco Reinsurance Underwriting Limited- In Liquidation
c/o Cork Gully
P.O. Box HM 1171
Hamilton HMEX
BERMUDA
Attn: PCBM/AH/ARU

Peter C.B. Mitchell &
Christopher J. Hughes
Joint Liquidators
11th August, 1993

IN THE SUPREME COURT OF BERMUDA
COMPANIES (WINDING-UP)
1988 : NO.77
IN THE MATTER OF THE COMPANIES ACT 1981
AND IN THE MATTER OF UNIVERSAL MARINE INSURANCE COMPANY LIMITED

NOTICE IS HEREBY GIVEN that Peter C.B. Mitchell and Michael A. Jordan, the Joint Liquidators of the above-named Company, have obtained an order from the Supreme Court of Bermuda ("the Court") affecting all creditors having provable claims, including future, unliquidated and contingent claims, against the above-named Company, which is in compulsory liquidation. By the terms of the said Order, all creditors are required to lodge with the Joint Liquidators on or before 30 September 1993 duly completed Claim Forms in respect of any and all of their claims. If the Joint Liquidators do not receive such a completed Claim Form from a creditor on or before the said date (or prior to the distribution mentioned below), that creditor, in respect of any amount not proved, will not be admitted to rank for, or be entitled to receive and shall be absolutely debarred from receiving, any portion of any dividends declared and paid by the Joint Liquidators in accordance with the order of the Court. Forms of Claim Form have been dispatched to all known creditors. Any creditor who has not received a form of Claim Form should contact the Joint Liquidators in writing at the following address:

Universal Marine Insurance Company Limited
Cork Gully
Dorchester House
Church Street
Hamilton, Bermuda

Mr. Peter C.B. Mitchell
Michael A. Jordan
Joint Liquidators of Universal Marine Insurance Company Limited (In Liquidation)

Account Executive

The Competitive Advantage

Savvy insurance professionals know that bureaucratic structures can create obstacles to success. That's why Protection Mutual's account teams are given decision-making authority and the most comprehensive support service in the industry. That's our competitive advantage.

As a member of the Factory Mutual System, we are a world leader in the HPR Commercial Property Insurance industry. We're a marketing-driven company committed to the development of our people and our business.

We currently seek to add to staff an Account Executive in our **Dallas** District Office.

You will be responsible for developing new business, both direct and through Brokerage Firms, as well as servicing existing clients. As a team leader, you will have the support of Underwriters and Engineers on prospective and existing accounts. That frees up your time to produce new business. We offer a significant base salary in addition to a very attractive incentive compensation plan.

To qualify, you should have 5 or more years related account servicing and sales experience from the Company or Broker side of the business.

For further information, please call Terry McLaughlin in our corporate headquarters at: (708) 825-4474. Or send your resume, including salary history, in confidence, to:

PERSONNEL DIRECTOR
PROTECTION MUTUAL INSURANCE COMPANY
300 S. NORTHWEST HIGHWAY
PARK RIDGE, IL 60068

Protection Mutual®

An equal opportunity employer.

PRESIDENT/CEO
Chicago
This retail brokerage operation is a solid profitable firm with quality staff. We need a CEO who can lead the sales effort & build on the fine foundation.

PRESIDENT/CEO
Los Angeles
Retail brokerage operation with a mix of domestic and international business. Prefer an executive who has remained active in personal production.

Executive V.P.
Philadelphia
Opportunity for a sales oriented unit manager to move up to a #2 spot with a major broker.

Sr. Underwriting Officer
California based carrier needs individual with strong multi-state Workers Compensation skills. Must be creative and an effective communicator.

EVP Sales Mgr.
Oregon
If you have attained "rainmaker" status as a hands on sales leader, we have a high visibility spot for you.

Superstar Free Agents
Are you a lead producer with a team that handles your accounts? Do you want more impact on how your organization is managed? We have lucrative opportunities for start-up operations backed by an international firm. Locations in the northeast, upper midwest, and west. Our firm has over a decade of experience in structuring such agreements. Don't risk such an important move on your own. Take advantage of advice from experts

IR Group

Please Contact
Richard Shoemaker, President
IR Group Companies
7844 Madison Ave., Ste. 120
Fair Oaks, CA 95628
Phone (916)965-5511
Fax (916)965-4844
Consulting & retained executive search for the insurance industry.

MANAGER, THIRD PARTY LIABILITY CLAIMS BRANCH (3612-93-AH)

The Washington Metropolitan Area Transit Authority has an opening for a Manager, Third Party Liability Claims Branch in the Office of Risk Management. The individual will be responsible for preparation, formulation, review and execution of the WMATA third party liability claims program and for directing and supervising the activities and personnel for the branch. Other duties include responsibility for the negotiation and management of all structured settlements and litigation support of claims in suit.
The Successful candidate should have:

- Bachelor's Degree in Risk Management, Accounting, Finance, Business Administration or other related field.
- Extensive high level professional experience in third party claims administration with a large organization.
- Knowledge of motor vehicle regulations, principles, theories and practices of claims; with emphasis on case law and statute law as they pertain to torts, No-fault statute and Workers' Compensation Acts of the State of Maryland, Virginia and the District of Columbia.

Metro provides an extensive benefit package including paid retirement, free Metrorail/bus pass and a non-smoking work environment. Interested candidates should mail their application/resume with salary history including title and position number by **SEPTEMBER 17, 1993.**

WASHINGTON AREA TRANSIT AUTHORITY
OFFICE OF PERSONNEL AND TRAINING
600 FIFTH STREET N.W.
WASHINGTON, DC 20001
EOE/M/F/V/H

MANAGER, RISK FINANCE/INSURANCE

Responsible for the development, management, and financial reporting of all insurance programs, including captive insurance companies, commercially-insured programs, and self-insurance. Duties include:

- **Develop and maintain an underwriting data base**
- **Oversee the insurance application process**
- **Development of annual budgets and financial reporting of all insurance programs**
- **Development and continuing refinement of premium allocation methodologies for all P/C programs**

Candidates require a Bachelor's Degree in Business Administration, of Finance, Risk and Insurance Management, or a related field. ARM or CPCU designations desirable. Five years experience in an organization preferably related to health care, with primary responsibility for the preparation of underwriting information for professional and general liability insurance, as well as property and casualty insurance, or five years with an insurance agency with experience in the placement or underwriting of professional and general and/or property and casualty insurance. Excellent oral and written communication skills.
Please send resume and salary requirements to:

VP, Ins.& Risk Management • St. Joseph Health System
505 S. Main Street, Suite 400 • Orange, California 92668

BI Classifieds assure top quality results!

Florida rulings

Continued from page 2

nomic damages.

"Judgment should be entered against each party liable on the basis of that party's percentage of fault," the court said in *Fabre vs. Marin*. "Clearly, the only means of determining a party's percentage of fault is to compare that party's percentage to all of the other entities who contributed to the accident, regardless of whether they have been or could have been joined as defendants."

In reaching its conclusion, the Supreme Court cited numerous other state rulings interpreting similar tort reform statutes, including a 1992 California Supreme Court decision in *DaFonte vs. Up-Right Inc.* (*BI*, May 25, 1992).

In *Fabre vs. Marin*, Ann Marin was injured while riding in a car driven by her husband, Ramon Marin. Mrs. Marin sued Marie and Eddie Fabre, claiming that Mrs. Fabre had negligently changed lanes in front of the Marin vehicle, causing it to swerve into a guardrail.

At trial, the jury returned a verdict finding both Mrs. Fabre and Mr. Marin 50% at fault. At the time Florida law prohibited Mrs. Marin from suing her husband. So Mrs. Fabre was forced to pay 100% of the award, which included $12,750 in economic damages and $350,000 in non-economic damages.

(The doctrine of spousal immunity was repealed about a month ago in an unrelated Florida Supreme Court case.)

That decision was upheld on appeal. In discarding joint and several liability, the appeals court said, the Florida Legislature "did not intend to curtail a fault-free plaintiff's ability to recover the total of her damages." Because Mrs. Marin could not recover from her husband, the court allowed her to recover in full from Mrs. Fabre.

The state Supreme Court disagreed in its 4-2 ruling, pointing to a 1991 decision by the state's 5th District Court of Appeal that reached the opposite conclusion.

In that decision, *Messmer vs. Teacher's Insurance Co.*, the 5th District had found that "the obvious purpose of the (tort reform) statute was to partially abrogate the doctrine of joint and several liability by barring its application to non-economic damages. To exclude from the computation the fault of an entity that happens not to be a party to the particular proceeding would thwart the intent."

"The Fabres' percentage of fault was 50%. To accept Mrs. Marin's position would require the entry of a judgment against the Fabres in excess of their percentage of fault and directly contrary to the wording of the statute," the high court found.

In the other case, *Allied-Signal Inc. vs. Kevin Fox*, the court was asked to apply the 1986 tort reform statute to a comparative negligence case that had been appealed to the 11th U.S. Circuit Court of Appeals. In that case, Mr. Fox, a technician for Eastern Airlines, was injured while repairing an aircraft fan manufactured by Allied Signal.

The federal appeals court had asked the Florida Supreme Court to decide whether it was necessary to consider the percentage of Mr. Fox's employer's fault when determining Allied Signal's liability, even though the airline was immune from tort liability under workers compensation law.

As reason for certification, the 11th Circuit noted the conflicting Florida opinions on the subject in *Messmer vs. Teachers Insurance Co.* and *Fabre vs. Marin*.

Quoting from its decision in *Fabre vs. Marin*, the high court, in another 4-2 decision, said that Florida law does require the jury to consider the employer's comparative fault when determining the defendant's liability.

Most defense lawyers feel both decisions are a victory for defendants and their liability insurers.

The decisions "equalize the responsibility so everybody bears their fair share," noted Ms. Davis of Katz, Kutter, who filed amicus briefs in the cases on behalf of the American Insurance Assn.

Robert Austin of Austin & Pepperman, an insurance defense firm based in Leesburg, Fla., agreed.

"It will place the responsibility in accordance with the degrees of fault and not because of some artificial shield," like statutory immunity, Mr. Austin said.

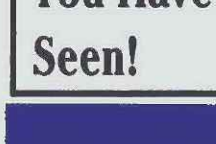
Plaintiffs' attorneys, however, contend that the decisions could backfire in defendants' faces.

"This decision is going to lead to an increase in litigation, not a

Continued on next page

Insurance Services Guide

SBPA
SYSTEMS
Benefit Administration Systems For Today And Beyond.
1-800-444-1189

InPhoto Surveillance

Experts in long range video surveillance. Agents stationed within a 3 hour drive of 80% of the U.S. population.
800-822-8220 FAX 800-752-0720

To advertise in the INSURANCE SERVICES GUIDE
Contact: Lisa Mazzetti...
740 N. Rush St. Chicago, IL 60611-2590
Phone: 312-649-5340
FAX: 312-649-7799
To Be Heard... You Have To Be Seen!

WLT Software of Florida, Inc.
Insurance Software Specialists
- Sophisticated Software
- Quality Service
- Affordable Pricing

- HEALTH CLAIMS ADMINISTRATION AND BILLING
- WORKERS' COMPENSATION CLAIMS ADMINSTRATION
- CLAIMS EDITING SYSTEM AND BILL REVIEW SERVICES
- FLEXIBLE BENEFITS SOFTWARE, COMMUNICATIONS AND CONSULTING

STAND ALONE AND NETWORK BASED PC SYSTEMS
Call today for more information or a free demonstration - 813/442-9296
831 NORTH HERCULES AVENUE • CLEARWATER, FLORIDA 34625
. . . THE INDUSTRY'S ONLY TRUE 24 HOUR SOLUTION SOURCE.

FOCUS CONSULTING SERVICES
- Executive Recruiters to Benefits Consulting Firms: Actuarial, Managed Care, HRIS and Benefits Technology, Compensation & Communications Consultants nationwide.
- Our Client, a major benefits consulting firm, is staffing a center to provide Defined Benefit plan administration on an outsourse basis. We seek pension administrators with large employer (30,000+ lives.) experience for east coast locations.

305/476-0411 305/476-2685(fax)

AssuranceWARE
Common Sense Software for the Insurance Industry
- Workers' Compensation
  - Policy Adminstration
  - Rating
  - Claims Adminstration
  - Premium Billing/Accounting
- Workers' Compensation Managed Care
  - PPO Management
  - Billing & Administration
  - Utilization Review
  - Pre-Certification Management
- State Medical Fee Schedule
- Reasonable & Customary Bill Processing
- Rehabilitation Case Management

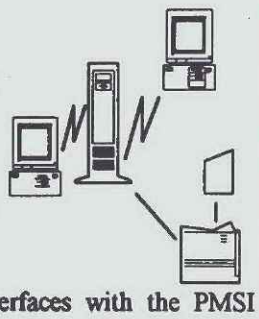
IBM Business Partner — Industry Application Specialist

Call today for more information and for a **FREE** demonstration diskette.
PROGRESSIVEDATASOLUTIONS, INC.
1320 N. SEMORAN BLVD., SUITE 205 ■ ORLANDO, FL 32807 ■ 407-382-5920

Control Staffing Costs
In Medical/Dental Claims Processing
CSRG CLAIM SERVICES RESOURCE GROUP
Use CSRG's *Flexible Staffing* to:
- Reduce staffing costs immediately
- Increase claim production instantly
- Reduce overhead permanently

Proven Results in Over 1,300 Companies Nationwide.
800-288-3920

Insurance Software Packages
A PMSI® Company
- ✓ *Micro & LAN Based Claims Systems since 1985*
  Workers Comp W/ Fee Schedule & PPO
  Employee Benefits
  Auto, GL, Property
- ✓ Fee Schedule and PPO repricing System
- ✓ First Notice of Injury Service & Software
- ✓ Over 300 Systems Country Wide
- ✓ Powerful, Complete systems, Easy to use
- ✓ Mini & Mainframe Integration
- ✓ Certified IBM, Novell, Microsoft



ISP systems can provide information interfaces with the PMSI family of services and other 3rd party systems and services. For the best in claims and cost containment software, Call ISP.
Call us for more info at 800-237-8133

COST-CONTAINMENT SOFTWARE SOLUTIONS
Medata, the originator of computerized medical billing review, offers a complete line of affordable, dependable, cost-containment software products. Call now for a FREE demo disk.
- **UCR-MASTER** A national database of reasonable and customary charges for medical procedures
- **Rx-MASTER** Compares drug and supply charges to manufacturers' wholesale prices and evaluates the appropriateness of drugs for a diagnosis
- **FEE SCHEDULE-MASTER** Replaces cumbersome fee schedule books, increasing speed and accuracy
- **TREATMENT-MASTER** Evaluates the appropriateness of procedures when used with a specific diagnosis
- **Dx-MASTER** Analyzes length of treatment by providers for a specific diagnosis
- **MEDATA'S MICRO BILLING REVIEW (MMBR)** Detects abuses in medical provider billings by monitoring charges, billing practices and treatment patterns
- **MONITOR** The most comprehensive medical billing review available with PC to mainframe integration and claims system compatibility

medata® *Software for the '90s*
For a FREE demo disk, call (800) 935-9995

For advertising information in the INSURANCE SERVICES GUIDE Contact: Lisa Mazzetti, Classified Advertising
740 N. Rush Street, Chicago, Illinois 60611. Telephone (312) 649-5340

Texas board's last act angers insurers

By NANCY P. JOHNSON

AUSTIN, Texas—Insurers may sue to block a pair of new rules the Texas Board of Insurance passed last week just hours before its rulemaking authority expired.

Among about a dozen new rules passed by the board, two of the more controversial ones—one prohibiting redlining, the other "blacklisting"—apply to commercial insurance and allow policyholders to sue insurance companies under the state Deceptive Trade Practices Act.

Another high-profile rule, which would require insurers to give certain policyholders a "Consumer Bill of Rights," applies only to personal lines coverage, said Amy Johnson, public counsel at the Office of Public Insurance Counsel in Austin.

State regulators call the consumer-oriented measures long overdue, while insurers say they will be expensive and burdensome.

The rules were passed during the last meeting held by the Board of Insurance before it lost most of its rulemaking authority on Sept. 1 (*BI*, Aug. 16). The session stretched through Monday and Tuesday and included two new board members.

The rule creating the Consumer Bills of Rights is effective Oct. 1 for policies that become effective on or after that date. The rules against discrimination and blacklisting—rejecting insurance applications because applicants had been rejected elsewhere—are effective Sept. 23.

Insurers contend that the board may have overstepped its authority under Texas law. David Snyder, assistant general counsel for the American Insurance Assn., said his group is considering a range of possible responses, including a lawsuit.

Insurance companies contend that the anti-discrimination rule imposes costly reporting requirements that could ultimately raise premiums and unfairly requires insurers to combat a problem that is not their fault.

"Conditions which lead to charges of insurance redlining actually reflect broader societal problems which make insurance costlier in inner cities," said Bob Zeman, assistant vp and assistant general counsel of the National Assn. of Independent Insurers in Des Plaines, Ill. "If premiums do not account for those higher costs, then all insurance customers ultimately will be subsidizing those in inner cities."

Insurers also say that the rule will permit individuals who are not policyholders to sue insurers.

They also faulted the rule for directing them to distribute a Consumer Bill of Rights along with each personal auto, homeowners, credit life, disability or involuntary-unemployment insurance policy, with Spanish versions to be supplied on request. The document alerts consumers about their legal rights in the areas of buying insurance, cancellation, claims and discrimination.

Mr. Snyder of the AIA contends that the rule is unneeded because Texas law already bars discrimination based on race or national origin.

Insurers also said the new rule would be costly, a charge that didn't sit well with Ms. Johnson of the state consumer agency. "We estimate that compliance will cost a total of $90,000 to $100,000 for the entire $9 billion auto and homeowners industry," she said. "The notion that this is an extremely expensive undertaking is outlandish."

Taking part in the two-day meeting were two new appointees to the Texas board.

Texas Assistant Attorney General Edna Ramon Butts was sworn in Tuesday as the interim state insurance commissioner. She is chief of the finance division for the attorney general's office, and will serve until Gov. Ann Richards names a permanent replacement for the outgoing commissioner, Georgia Flint, who was appointed by the board in March 1992 and decided to step down this year.

In addition, Deece Eckstein, Gov. Richards' director of economic and regulatory policy, was named last week to fill a vacant seat on the three-member board. He has been Gov. Richards' director of economic and regulatory policy since 1991, having worked on the Omnibus Insurance Reform Act of 1991 and on H.B. 1461.

Even though her position is an interim one, Ms. Butts will have far more authority than previous Texas insurance commissioners. Under sunset legislation adopted by the Texas Legislature earlier this year, the board transferred many of its powers to the new commissioner as of Sept. 1. BI

Independent statistics firm hired

AUSTIN, Texas—Texas insurers lost a round last week when the State Insurance Board selected an outside contractor—rather than the industry-financed Texas Statistical Assn.—to gather data used in insurance regulation.

The board selected Conway, Ark.-based Acxiom Corp. to collect statistics on private-passenger auto, residential property and commercial insurance.

Selecting Acxiom allows Texas regulators to have "detailed, timely information, free of the control of industry-sponsored organizations," said the Texas Department of Insurance.

Insurers cried foul, pointing out that they will bear the entire cost of data collection—estimated by Acxiom at $1 million—without being allowed any input.

The board selected Acxiom over six other proposals, including one from TSA, an independent agency that the Texas Insurance Advisory Assn., the state's existing property insurance statistics organization, created specifically to meet the board's specifications.

Insurers had proposed that up to one-fourth of TSA's governing board should consist of insurance company representatives. But the State Board of Insurance insisted that insurers not have any representation on the TSA governing board, said Rick Gentry, regional vp of the Insurance Information Institute in Austin.

The issue has been hotly debated in Texas since 1990, when Gov. Ann Richards called for independently collected insurance data as part of her gubernatorial campaign.

—By Nancy P. Johnson

Fibreboard coverage settlement

Continued from page 1

sure, which happens to be the only major exposure of this type Chubb faces," a spokeswoman said.

Analysts say that, on the surface, the deal appears more favorable for Chubb than CNA because it caps Chubb's Fibreboard liability at less than $1.2 billion and disposes of the insurer's largest environmental liability exposure.

While analysts still applauded CNA's decision, they noted that CNA will contribute much more: $1.7 billion to $2 billion, depending on how many pending claims are processed through the settlement. In addition, CNA still faces other major environmental and product liability exposures, analysts say.

Major rating agencies echoed the analysts' assessments. Standard & Poor's Corp. reaffirmed Chubb's AAA rating, but lowered CNA's rating to AA– from AA. Best lowered CNA's overall rating to A from A+, but reaffirmed Chubb's A++ rating.

The Chubb spokeswoman said there is no reinsurance for Chubb's portion of the settlement.

CNA, meanwhile, believes it has reinsurance for a portion of the settlement from Lloyd's of London syndicates. While the company has set its reserves without factoring in any reinsurance, CNA says it will explore reinsurance alternatives once the settlement is finalized.

"We can't examine our treaties until terms of the settlement are exact," a spokeswoman said.

To finance the settlement, CNA will add another $500 million to reserves of $1.5 billion established in February to pay Fibreboard claims (*BI*, Feb. 15). Chubb will add $675 million to about $575 million in existing Fibreboard loss reserves.

CNA said it will take a $325 million aftertax charge to third-quarter earnings as a result of the settlement. Chubb said it would take an aftertax charge of $358 million, which will cause the insurer—long a favorite of Wall Street—to post a net third-quarter loss.

Chubb's stock, traded on the New York Stock Exchange, dropped $1.50 to $88.38 a share on Aug. 30, the day the settlement was announced. It closed at $88 on Sept. 1. Meanwhile, CNA's NYSE-traded stock, 83% of which is owned by Loews Corp., fell by 75 cents per share on Aug. 30 to $86.50. The stock rose to $87.75 by Sept. 1.

Insurance analysts were startled at its scale, but said the settlement would help both firms.

"It's surprising that Chubb was so inadequately reserved," said Michael Lewis, senior vp with Dean Witter Reynolds in New York, referring to Chubb's $675 million boost to reserves. "But, all in all, it will have only a minimal impact on the company. This was their biggest single environmental exposure and their only open-ended exposure. To shut that down on a one-time basis is positive."

"They're out of this game now, which for Chubb is good," said Alan M. Levin, senior vp with Standard & Poor's.

"CNA's achieving finality or not achieving it is not a major reason why we lowered their rating," Mr. Levin said.

"What's most important is that another $500 million on top of $1.5 billion is just too great a drain on capital to absorb without feeling it," he said.

CNA reported surplus of $3.33 billion as of June 30; Chubb's surplus stood at $1.9 billion.

"Chubb has enough financial strength, flexibility and earnings capabilities to manage this," added Best's Mr. Snyder.

"With CNA, we thought $1.5 billion would exhaust the excess in their balance sheet and then to revisit loss reserves just six months later with another $500 million, that's just too much ground lost to still be a superior-rated company," he explained.

"For CNA, it's a move toward stability with a very high price tag," said Bruce Ballantine, an analyst with Moody's Investors Service Inc. in New York. "But we considered the possibility of a further addition to reserves when we last looked at these companies in June," Mr. Ballantine added.

At that time, Moody's lowered CNA's financial strength rating to Aa2 from Aaa. Chubb's rating, he said, is still under review.

Mr. Chookaszian said that "nobody should be surprised by us adding to reserves. We said in February that we were changing our strategy (to pursue a settlement). At that time we put out a number we thought would be reasonable to settle these claims. Through further discussions it became necessary to increase the amount.

"Certainty has a real value. It allows us to rid ourselves of a major distraction. We felt we had strong coverage defenses. We believed our policies included per-occurrence and per-person limits, but we were not sure about how successful our appeal would be," he said.

If approved by U.S. District Court Judge Robert M. Parker of Tyler, Texas, the settlement would be the largest ever for personal injuries caused by a product made by one company.

The pact revolves around a $1.535 billion trust fund that would cover an estimated 200,000 or more future asbestos claims against Fibreboard.

Of that amount, CNA and Chubb would pay $1.525 billion, with CNA responsible for about 65%, or about $987 million, and Chubb responsible for the remaining $538 million.

Only $10 million would come from Fibreboard, which for years has teetered on the brink of bankruptcy because of its asbestos liabilities.

The settlement also calls for another $1.4 billion to $1.7 billion to be made available to pay 165,000 pending claims.

In an agreement between Chubb and CNA, Chubb's obligation for these pending claims would not exceed $635 million, with CNA paying the remainder.

While the amount that CNA and Chubb have agreed to contribute is enormous, analysts insist that it is a wise investment because it caps what a California court determined was unlimited coverage owed to Fibreboard by Continental Casualty Co., a CNA unit, and Pacific Indemnity Co., a Chubb subsidiary.

Continental Casualty insured Fibreboard for 22 months in the late 1950s, while Pacific Indemnity, which Chubb purchased in 1967, wrote liability coverage for Fibreboard for 12 months in 1956-1957. The Continental Casualty coverage was written for $1 million in per-occurrence limits; copies of the Chubb policies no longer exist and the limits written are unknown.

Concord, Calif.-based Fibreboard won unlimited coverage from the two insurers when a California Superior Court ruled the policies contained no aggregate limits. Both insurers appealed that ruling. Fibreboard and Pacific Indemnity entered into settlement negotiations (*BI*, March 11, 1991), while Continental Casualty continued to pursue its appeal.

The settlement is a big victory for Fibreboard, one of its attorneys says.

"For 15 years it has been our goal to resolve all asbestos claims within available insurance. This accomplishes that, and for that reason we're extremely encouraged about the strong possibility of a mass settlement," said William Irwin of Brobeck, Phleger & Harrison in San Francisco.

No details have been released of the settlement in the underlying personal injury suits. Participating plaintiffs attorneys expect it to be a mandatory settlement with no opt-out provisions.

Claims would be paid based on the statistical history of awards for similar claims. Payments also would be based on severity of injury, with priority and higher values given to the most severely injured victims.

"This is very good for asbestos victims. And, for the insurers it must be good because they wouldn't have agreed to it if it wasn't," said Elihu Inselbuch of Caplin & Drysdale in New York, who represents some of the victims. BI

Florida rulings

Continued from previous page

decrease, which the Legislature intended," predicted Barbara W. Green, an attorney in private practice who filed an amicus brief in the Fabre case on behalf of the Academy of Florida Trial Lawyers.

"It forces the plaintiff to sue everybody that might conceivably be at fault," which means insurers could end up defending policyholders in more cases, Ms. Green said.

In addition, "settlements will be discouraged."

Ms. Green also agreed with dissenting Florida Supreme Court Justice C.J. Barkett, who said the Legislature never intended to prevent plaintiffs from full recovery of damages.

"The decision doesn't make sense as a matter of public policy," she said. "The innocent injured person should not be forced to bear the financial burden of another person's fault," regardless of whether they are immune from liability.

"The people who will be impacted most are those who are seriously injured since the decision doesn't apply to cases for less than $25,000," Ms. Green added.

The 1986 statute applies only to lawsuits involving more than $25,000.

•

Allied Signal Inc. vs. Kevin Fox, Supreme Court of Florida. Case No. 80.818. Aug. 26, 1993. Certified Question of Law from the 11th U.S. Circuit Court of Appeals, Case No. 91-5587.

Marie G. Fabre vs. Ann Marin, Supreme Court of Florida. Case No. 79.869. Aug. 26, 1993.

Exxon cover

Continued from page 1

Lloyd's syndicate 79/650, managed by Janson Green Ltd.

The oil spill occurred in Alaska's Prince William Sound just after midnight on March 24, 1989, when the Exxon Valdez ran aground shortly after leaving the port of Valdez with its newly loaded cargo of crude oil.

About 20% of the cargo—11 million gallons—spilled into the sound, creating the worst environmental disaster in U.S. history (*BI*, April 3, 1989).

The National Transportation Safety Board concluded that the ship's crew was fatigued and that the ship's captain was impaired by alcohol when the spill occurred, though a third mate was at the ship's helm when the Valdez ran aground (*BI*, Aug. 6, 1990).

But, an Alaska appeals court overturned a misdemeanor charge of negligent discharge of oil against Valdez Capt. Joseph Hazelwood in July 1992.

Exxon says it has spent about $2.2 billion so far to clean up the spill and $300 million to settle claims filed by 12,000 fishermen and other claimants. It still faces civil claims from about 3,500 plaintiffs.

Exxon and subsidiary Exxon Shipping Co. in late 1991 also agreed to settle civil charges leveled by the state of Alaska and the federal government for $1 billion, which Exxon agreed to pay in installments through September 2001 (*BI*, Oct. 7, 1991).

Exxon also agreed to pay a $25 million criminal fine as part of that settlement, but it is not seeking to recover that from its GCE insurers.

Exxon also is not seeking to recover from the insurers Exxon Shipping's portion of the $32 million settlement that Alyeska Pipeline Service Co., the operator of the trans-Alaska pipeline, agreed to pay Alaska and the federal government. That 1992 settlement resolved allegations that the consortium of oil companies failed to maintain sufficient oil spill response capabilities on Prince William Sound (*BI*, Dec. 7, 1992).

Sources say that Exxon, as the owner of the Valdez, already has recovered a portion of its pollution cleanup costs from the International Tanker Indemnity Assn., a Bermuda protection and indemnity club, and from its general liability insurers.

Exxon had $400 million of pollution liability limits through the P&I club. It also had $100 million of general liability coverage in the Scandinavian market excess of a $200 million deductible, as well as $200 million of general liability coverage in the London market excess of $700 million.

Exxon took a $1.35 billion aftertax charge in 1989 for costs related to the oil spill cleanup.

In its 32-page lawsuit, Exxon briefly explains the various sections of the GCE policy that it says covers its pollution liabilities and third-party personal injury and property damage settlement costs.

It says Section I of the policy, or the cargo coverage section, covers the loss of or damage to property; Exxon's costs in safeguarding, recovering, preserving and forwarding the insured property; salvage costs; and the costs to remove debris or the insured property.

Section IIIA of the policy, or the marine liability section, covers the company's pollution liabilities as a cargo owner, according to Exxon.

And, Section IIIB, or the non-marine third-party liability section, covers the cost of third-party claims, Exxon says.

In court documents, Exxon says the insurers' extensive investigation of the claim after denying coverage in late 1990 as well before then resulted in an "unreasonable delay" in resolving the coverage dispute.

Exxon says it has complied with all "reasonable requests" by insurers for information since 1989, providing insurers with more than 5 million pages of documents.

"The insurers' failure to act in good faith forced Exxon to resort to litigation," the company says.

"Rather than resolving Exxon's claims, defendants have chosen to use every means at their disposal to avoid their obligations and to stave off payment as long as possible," Exxon charges in the suit.

But, in their 30-page lawsuit, the insurers say that pollution liability coverage is excluded under the GCE policy's marine liability section. That section excludes pollution liability coverage, because Exxon already had that coverage through the P&I club.

The other sections of the GCE policy under which Exxon says it is covered do not cover pollution liability, the insurers contend.

In addition, the insurers' suit claims that Exxon—as a cargo owner—had no legal duty to clean the spill and that the GCE policy does not cover voluntary cleanups.

"Any state laws which might be claimed to give rise to such a legal duty or liability are unenforceable because they are in violation of the due process clause of the United States Constitution, are contrary to the principle of the federal uniformity in maritime law, and are pre-empted by federal law," the insurers argue.

The suit also notes that an Alaska District Court ruled in December 1992 in civil litigation against Exxon that such state statutes "are unenforceable against Exxon as a marine cargo owner."

The insurers also say they denied coverage because Exxon's cleanup efforts as a cargo owner were undertaken only to bolster its sagging public relations image.

"In particular, the underwriters allege that Exxon's expenditures were made solely as a prophylactic measure to protect its corporate public image, and despite the fact that Exxon knew it did not have coverage for such expenditures, it continued a course of conduct claiming other motivations," the suit says.

The insurers also say they denied coverage because the spill occurred as a result of "Exxon's willful, wanton, reckless and/or intentional misconduct."

An Exxon spokesman responded only to that charge in the insurers' lawsuit.

In Exxon's settlement with Alaska and the federal government, "none of the counts in the settlement refer to intentional or willful or wanton misconduct. In fact the federal judge who presided over the full settlement process, Judge Russell Holland, described the Valdez oil spill as an accident, saying, 'I so characterize it on purpose,' " the spokesman said. BI

For the Record

2 HMO competitors plan strategic merger

WOODLAND HILLS, Calif.—In another sign that the health care industry is consolidating in anticipation of national health reform, Woodland Hills-based Health Net Inc. plans to merge with competitor Qual-Med Inc. of Pueblo, Colo.

After the merger announcement last week, Qual-Med dismissed a lawsuit connected with its 1992 attempt to buy Health Net in a $400 million hostile takeover bid.

The merger, which is subject to approval by shareholders and the California Department of Corporations, will enable Health Net, with about 915,000 California members, to expand outside the state. It will give Qual-Med, with half of its 350,000 members in Northern California, access to the lucrative Southern California HMO market.

Qual-Med also provides access to preferred provider networks in 16 states, covering 2.4 million individuals, giving the new company total enrollment of nearly 3.7 million members in six states: California, Colorado, Idaho, New Mexico, Oregon and Washington.

After the merger, the new company will have approximately 50 million shares outstanding. Former Health Net shareholders will own approximately 65% of the new entity with approximately 35% held by former Qual-Med shareholders. Shares held by the non-profit California Wellness Foundation, an entity Health Net formed as part of its for-profit conversion and which holds a majority of Health Net shares, will represent about 52% ownership of the new company.

Health Net's 1992 revenues totaled $1.2 billion, while Qual-Med's 1992 revenues totaled $436.2 million.

Fewer Americans want federal health care: Poll

WASHINGTON—The portion of Americans who believe the federal government should be the primary payer for long-term care is shrinking, according to a survey conducted by the Washington-based Employee Benefit Research Institute and The Gallup Organization.

Of respondents who said they would pay higher income taxes to support a federal long-term care program, 29% said the federal government should play the primary role in providing financial assistance, compared with 50% in 1991.

Seventeen percent of respondents to the 1993 survey said the individual should play the primary role in providing financial assistance for long-term care, compared with 2% in 1991; only 2% said employers should take the primary responsibility, compared with 10% in 1991.

The percentage of respondents who believe the federal government should provide long-term care assistance for all elderly persons even if it means an increase in income taxes dropped to 69% in 1993, from 74% in 1991.

Oil tanker owners to pay out $4 million

NEW YORK—The owners of a tanker that spilled more than 250,000 gallons of oil in New York harbor in 1990 agreed last month to pay $4 million in damages and costs to the states of New York and New Jersey and to the U.S. government.

Nautilus Motor Tanker Co. Ltd. in London, which owns the tanker BT Nautilus, spent about $20 million cleaning up the spill (*BI*, June 18, 1990). The company has liability coverage for the spill through Gard (U.K.) Ltd., the London-based subsidiary of protection and indemnity club Assuranceforeningen Gard Gjensidig of Arendal, Norway.

Injury-in-fact trigger used in pollution loss

BOSTON—United Technologies Corp. will be able to tap pre-1970s liability policies to pay for pollution claims at 122 sites in 26 states, but later policies with pollution exclusions will not apply, a Massachusetts judge has ruled.

In a preliminary ruling in a suit involving Liberty Mutual Insurance Co. and more than 250 excess insurers, the Suffolk County Superior Court applied the injury-in-fact trigger to environmental damage, allowing UTC to tap earlier policies that do not contain the pollution exclusion.

The Aug. 3 ruling also rejected insurers' arguments that contamination of groundwater would be barred by the owned-property exclusion, saying there may be coverage for the cost of preventing contamination from spreading to the property of a third party.

Judge John L. Murphy denied UTC coverage under post-1970s policies that contained the pollution exclusion, saying none of the claims was "sudden and accidental."

Texas work comp fund lowering rates 11.5%

AUSTIN, Texas—Workers compensation rates have dropped again for employers that buy insurance from the Texas Workers Compensation Insurance Fund.

The fund lowered rates by about 11.5% for most of its 13,900 policyholders effective Sept. 1, while rates for the best risks were dropped by about 17.5%, said a spokesman for the state-run fund.

The fund provides coverage for about 15% of the state's workers comp market.

Superfund proposal allocates "fair share"

WASHINGTON—Federal administrative law judges would have binding authority to allocate cleanup responsibility among parties held liable for dumping at Superfund sites under a proposal by the Chemical Manufacturers Assn.

The CMA's proportional liability approach "would replace the current joint and several liability standard, which has driven up costs and slowed the pace of cleanup to a crawl," said Robert Burt, a CMA director who is also chairman, president and CEO of Chicago-based FMC Corp. He said CMA's proposed "fair share" system would shave "two to three years off the cost of cleaning up a typical Superfund site" because it would lessen litigation.

Congressional committees have already begun hearings on reauthorizing Superfund, which must be reauthorized by 1995 or it will lapse.

Banks lose round in insurance fight

WASHINGTON—National banks do not have the authority to sell insurance products in towns with populations exceeding 5,000 people, the 5th U.S. Circuit Court of Appeals has ruled.

The ruling last week in *Variable Annuity Life Insurance Co. vs. Clarke* runs counter a District of Columbia U.S. Circuit Court of Appeals decision in July that granted national banks that sell insurance in towns with fewer than 5,000 people the authority to also sell insurance nationwide.

Contrary to a 1986 U.S. Comptroller of the Currency interpretation, the latest ruling concludes that annuities are a form of insurance and that Section 92 of the National Bank Act, which grants national banks the small-town exclusion to sell insurance, bars national banks from selling annuities nationwide.

"Section 92 explicitly authorizes national banks in towns with a population smaller than 5,000 to act as insurance agents, and impliedly prohibits national banks in towns with a population larger than 5,000 from acting as insurance agents," the court wrote.

The July ruling had found the section did not clearly state that banks only could sell insurance to local townspeople (*BI*, July 26).

Asbestos claimants suing Keene Corp.

NEW YORK—A group of asbestos claimants claim are suing the former parent of Keene Corp., claiming it sold valuable assets at less than market value to insulate itself from paying future asbestos-related personal-injury awards and settlements.

The suit, filed last month in federal court in Manhattan, alleges that between 1981 and 1990, Keene spun off more than $200 million in assets to Bairnco Corp. of Maitland, Fla., and other Bairnco units.

Plaintiffs attorney Elihu Inselbuch of Caplin & Drysdale in New York said Keene's management systematically attempted to place valuable assets out of the reach of Keene creditors and claimants.

The suit asks that Bairnco, which separated from Keene in 1990, as well as five Bairnco units, be declared part of Keene for the purpose of paying asbestos-related claims. Keene does not have nearly enough assets to pay the approximately 98,000 claims it still faces and has requested that a settlement fund financed by its remaining $104 million in assets be created to pay all current and future claimants (*BI*, July 5).

Bairnco said in a statement that it will fight the allegations vigorously.

Stuart Rickerson, general counsel for New York-based Keene, said the spinoffs that occurred were "arms-length sales that generated money for Keene. Most of that money has since been used to pay asbestos-related payments and expenses. Lawyers for these claimants know that."

Information in brief

Insurance would cover most of a tentative $5.5 million settlement of a class-action lawsuit against diversified energy company **ONEOK Inc.** of Tulsa, Okla., that alleges it and other defendants concealed financial problems ONEOK faced because of the deregulation of natural gas prices in the 1970s. ONEOK was the key defendant in the litigation. . . .**Transnational Re Corp.**, a unit of Phoenix Re Corp., has filed for an initial public offering of 5.75 million shares of common stock and plans to specialize in brokered property catastrophe retrocessional reinsurance. BI

Hurricane Emily

Continued from page 1

expected light losses.

"We're gonna be fairly lucky," said Jack Carpenter, claims manager. A spokesman for the insurer late last week estimated it would receive about 1,000 auto and homeowners claims totaling about $1 million.

The Raleigh N.C.-based insurer is the third-largest writer in the state, with 6.2% of the state's property/casualty premiums in 1992.

"Although we have no numbers yet, we do expect modest losses, and mostly in personal lines," said a spokeswoman for St. Paul Insurance Cos.

Allstate Insurance Co. received only 25 personal-lines claims last week and estimated its losses at less than $1 million, a spokesman said.

Several insurers—including Aetna Casualty & Surety Co., American States Insurance Co., Atlantic Mutual Insurance Co., CIGNA Corp., Industrial Risk Insurers, Kemper National Insurance Cos., Prudential Property & Casualty Insurance Co., Royal Insurance Group, Scottsdale Insurance Co. and Zurich Insurance Group—expected minor claims or none at all.

What damage did occur from Emily was centered on the Hatteras Island towns of Buxton, Frisco and Hatteras.

The island's electric utility, Cape Hatteras Electric Membership Cooperative with headquarters in Buxton, suffered about $1 million in damage to its $12 million of equipment, said General Manager Myron Rummel. The utility does not purchase windstorm insurance because it is too costly, he said.

Carolina Telephone Co. expected to restore all service to Hatteras Island by the middle of the weekend, said a spokesman for the Wake Forest, N.C.-based company. More than 100 customers were without telephone service and more reports were coming in as residents returned to their homes. Carolina Telephone offices in Buxton, Hatteras and Ocracoke were damaged slightly in the storm, including roof damage to the central offices in Hatteras.

In Virginia Beach, Va., which would have been in the hurricane's path if Emily hadn't taken her sharp eastward turn, Risk Manager Robert W. Esenberg's relief was indicative of many policyholders, insurers and officials. "We were very lucky. I finally got a good night's sleep," he said late last week.

The Outer Banks to the south provide Virginia Beach with natural protection and the city suffered only minor beach erosion when Emily passed 90 miles to the east.

Although Emily lacked the fury of recent hurricanes, insurance companies were out in full force.

Many hurricanes have threatened Virginia Beach in the past, but this was the first time Mr. Esenberg could recall hearing insurance company ads on the radio telling policyholders where and how to file claims before the storm hit.

"I have seen very positive steps taken by some insurance companies to become more customer-oriented," Mr. Esenberg said. "They are starting to believe in customer service rather than the customary adversarial relationship."

"A lot of (insurance) companies had notified us and made plans for disaster reporting and contingency plans," said Tom Leitch, president of Robinson-Connor of North Carolina in Greensboro, a brokerage unit of Acordia Inc. "They had things in place to respond. They were ready to act."

That heightened responsiveness was due largely to Hurricanes Hugo and Andrew, Mr. Leitch said.

Allstate sent nine claims adjusters to Richmond, Va., to respond to the hurricane. Dozens of other adjusters around the country were put on notice.

"You have to treat everything as if it is going to hit and be a catastrophe," a spokesman said. "You have to be ready to move right away."

Nationwide said it had 70 claims adjusters and managers on standby.

State Farm sent 10 semitrailers full of supplies like ladders, computers and forms, as well as 80 employees to Raleigh, N.C., the weekend before the storm hit. When Emily changed course, the entourage moved to Richmond, Va. By the end of last week, they were heading home.

Nine hundred adjusters around the country were put on standby, a State Farm spokesman said.

"It gave us an opportunity to put in what we have learned in the past four years" since Hurricane Hugo hit, he said.

After Hurricane Andrew, State Farm decided to centralize its telephone response rather than relying on local phone systems that may be damaged in a catastrophe.

Chubb Corp., which ultimately suffered very light losses from Emily, ran ads in newspapers from South Carolina through Delaware providing policyholders with a toll-free number.

Chubb also was prepared to use its new catastrophe response center in its Warren, N.J., headquarters.

Instead of creating makeshift headquarters when disasters strike, Chubb designed the center to provide planners with everything they need: computers, telephones, fax machines, televisions. Adjusters will be dispatched from there.

"It was an interesting dry run instead of a trial by fire," a spokeswoman said.

•

Louise Kertesz contributed to this story.

Retiree care liability

Continued from page 2

have on annual reported earnings, Mr. Falk said.

The rule, issued in 1990 by the Financial Accounting Standards Board, requires employers to account for future retiree medical expenses on an accrual rather than a pay-as-you-go basis. Most companies were required to adopt the standard by 1993, but many companies with non-calendar fiscal years can delay adopting it until fiscal 1994.

Most Fortune 100 companies chose to "put the bad news behind them quickly or to package the FAS 106 expense with other non-recurring financial events" by adopting FAS 106 early, the survey found. In fact, 68 of the employers surveyed—or 72%—adopted FAS 106 before the 1993 fiscal year. Another 14 companies said they will adopt the standard this year, and six said they would adopt it in 1994. The remainder were undecided.

In addition, all 68 Fortune 100 employers that adopted FAS 106 before 1993 chose to recognize their transition obligation immediately by taking a one-time charge against their income statements.

Of the 14 companies that will adopt the standard this year, only two said they will amortize the transition obligation over 20 years.

When companies began considering how to comply with FAS 106, many of them looked closely at ways to reduce their future retiree medical benefit promises. That approach is not surprising given the impact FAS 106 has had on some companies' financial statements.

The impact of FAS 106 varies widely from company to company depending on benefit plan design and employee demographics, as well as how a company chose to recognize the transition obligation, Mr. Falk pointed out.

For 65 of the Fortune 100 companies that adopted FAS 106 prior to 1993, all of which took the one-time transition charge, the initial transition obligation ranged from virtually zero to $33.5 billion, according to the survey. The median reduction in net worth for those firms was $575 million.

Taken together, these 65 companies reported a total transition obligation of $103.5 billion, the survey found. However, the impact on each company's net worth varied from a low of 0% to a high of 84.2% of net worth. The median reduction in net worth as a result of the transition obligation was about 11%.

The annual charge to earnings as a result of FAS 106 also varied widely among the 65 companies, ranging from $9 million to $3.7 billion in 1992, with a median of $75 million.

Even with the first big wave of FAS 106 disclosures behind them, many companies still face large ongoing reductions in earnings to pay for future retiree medical expenses. Those companies will have to continue to make plan design changes or implement other techniques to help control those costs, Mr. Falk said.

Among the strategies employers are considering are tighter eligibility requirements and service-based contributions.

Other employers may want to set specific dollar limits on the amounts they contribute to retiree medical expenses. For example, an employer could pay up to $4,000 each year toward a retiree's premium until age 65 and $1,000 annually after age 65, with equal amounts provided for spousal coverage.

Mr. Falk said more employers also are looking to enroll retirees in managed care plans. "More companies have adopted nationwide point-of-service plans so they have a better opportunity to bring local retirees into the managed care plan used by active employees," he said.

And, some employers are thinking seriously about prefunding retiree medical benefits.

Utilities and government contractors, for example, may be more likely to prefund retiree benefits than other employers, Mr. Falk said. Regulators are more likely to approve rate increases for such companies if they know they will set aside the money to pay for future retiree medical care, he explained.

Collectively bargained employers are more likely to use Voluntary Employee Beneficiary Assns., or VEBAs, because of their tax advantages. The money employers put into VEBAs is tax-deductible—up to certain limits. And, the investment income earned on these trusts is shielded from the unrelated business income tax.

Other employers are using 401(h) accounts to prefund retiree health care. The accounts have most of the tax advantages VEBAs have, but employers can only contribute into the account one-third of what they currently contribute to their pension plans. As a result, 401(h) accounts are a useful prefunding mechanism only for employers that haven't fully funded their pension plans.

•

Free copies of "Living with FAS 106: Now That the Dust Has Settled" are available by calling 800-525-6741.

Update

Capacity withheld from Merrett

LONDON—Leading Lloyd's members agents have carried out their threat to starve syndicates managed by Merrett Underwriting Agency Management Ltd. of 1994 capacity, despite Chairman Stephen Merrett's offer to step down from the managing agency.

Members agents have committed only about 50 million pounds ($75.1 million) to syndicate 418, about a third of its 1993 underwriting capacity of 150.9 million pounds ($228.5 million), confirmed Stephen Cane, a director of MUAM. Similarly, members agents have promised syndicate 1067 only about 22 million pounds ($33.1 million)—less than half its 1993 capacity of 55 million pounds ($82.7 million).

Mr. Cane said he is confident the lost capacity can be replaced with corporate capital. Lloyd's initial corporate capital guidelines indicate that a syndicate could accept no more than 50% of its capacity from corporations. But Mr. Cane said he hopes Lloyd's will be flexible.

Mr. Cane said that Mr. Merrett's offer to resign (*BI*, Aug. 23) was dependent on the members agents giving "substantial" support to the MUAM syndicates and that the level of support indicated last week means that Mr. Merrett may not step down now.

New Missouri work comp rules

JEFFERSON CITY, Mo.—More Missouri companies with good workers compensation safety records would be able to buy coverage in the voluntary market under a proposal by state regulators to depopulate the residual market.

The plan, which Insurance Commissioner Jay Angoff submitted to state lawmakers last week, was ordered by a new workers comp law (*BI*, June 7). That law, S.B. 251, requires nearly every major workers comp insurer operating in Missouri to offer coverage to firms meeting specific safety and loss-control standards.

Unless lawmakers disapprove the commissioner's plan by Sept. 24, it will take effect Jan. 1, 1994.

The residual market covers 41% of all insured employers in the state, and accounts for 32.2% of all premiums.

Briefly noted

Attorneys for holders of muni-GICs underwritten by **Executive Life Insurance Co.** have asked the California Supreme Court to delay the sale of the insurer to French investors because the 3rd District Court of Appeals last week rejected their request for an expedited appeals process. The sale was expected to close Sept. 3. Meanwhile, the appellate court has not yet ruled on a motion seeking a determination as to whether GICs issued after 1989 will be treated as insurance products in the rehabilitation. . . .Former Louisiana Insurance Commissioner **Sherman A. Bernard** has been sentenced to 41 months in prison on charges that he shook down insurance company officials seeking licenses in the state (*BI*, May 3). . . .Craig B. Sokolow faces up to 795 years in prison and $35.5 million in fines if convicted on 143 counts of mail fraud and other charges related to allegedly **fraudulent multiple employer welfare arrangements** in 16 states. A federal grand jury indicted the Pennsylvania lawyer last week. . . .USAir Inc. of Arlington, Va., is suing Blue Cross of Western Pennsylvania, seeking **$15 million for alleged overcharges** to the airline's medical plan. . . .Attorneys for the Mason Tenders District Council Welfare Fund filed a motion to dismiss an EEOC lawsuit that claims the fund violated the Americans With Disabilities Act by **refusing to cover AIDS claims** (*BI*, June 14). . . .Duff & Phelps Credit Rating Co. placed **CIGNA Corp.**'s A+ senior debt rating on Rating Watch with negative implications because of "continued poor operating results" at CIGNA's property/casualty division. Separately, CIGNA has changed the name of its CIGNA Employee Benefits Division to CIGNA HealthCare. . . .The Pennsylvania Compensation Rating Bureau has filed for a loss cost-based 4.66% **workers comp rate increase**, effective Dec. 1. Insurance Commissioner Cynthia Maleski has until Oct. 31 to approve or reject the filing. . . .The National Council of Compensation Insurance last week filed a request in **Maryland** for an average 11.3% increase in pure premium rates for workers comp policies effective Jan. 1. Pure premiums do not include insurers' expenses and profits. . . .CFS Group Inc. of Toronto said insurance will cover virtually all losses associated with an Aug. 29 **explosion of an adhesives factory** in Etobicoke, Ont., that is owned by CSF subsidiary, Multibond Inc. . . .A Travis County, Texas, jury handed down prison sentences to Gary Newsom and Jerome Wolf for their involvement in **Alliance Temporary Services**, which operated a fraudulent workers comp scheme. . . .A task force headed by Vice President Albert Gore Jr. is expected to release a report this week recommending that employers that meet certain federal standards be exempt from health and safety inspections conducted by the **Occupational Safety and Health Administration**. . . .**National Medical Enterprises** is negotiating settlements of dozens of malpractice suits filed by former patients of its psychiatric hospitals in Texas. The hospital chain is under investigation by federal authorities on fraud charges. . . .The **California Legislature** has passed and sent to the governor a bill dealing with advisory manuals that insurers and agents use to set rates. Sponsors say the bill allows agents and brokers access to information they need in negotiating rates. Opponents say the measure will allow price fixing (*BI*, Aug. 16). . . .A Cook County jury delivered an **$11 million verdict** against Goodyear Tire & Rubber Co. in a suit filed by a man who was severely injured in a 1986 traffic accident allegedly caused by a tire blowout. . . .**Shiley Inc.** has reached a confidential agreement to settle 260 cases involving "stress and anxiety" claims over allegedly defective heart valves (*BI*, Dec. 7, 1992). . . .**Georgia Commissioner Tim Ryles** has been hit with an ethics complaint charging he improperly spent more than $4,000 from his campaign account on a trip to Russia. But Mr. Ryles has already reimbursed the campaign fund, said an Insurance Department spokeswoman, who said the trip was to discuss insurance regulation.

Court calls reinsurer a 'sham'

Car dealer held liable for taxes and penalties

By DOUGLAS McLEOD

WASHINGTON—A car dealer who formed a "sham" offshore reinsurer for tax purposes is personally liable for taxes on the reinsurer's income and penalties for negligence and fraud, a U.S. Tax Court judge has ruled.

William T. Wright, the owner of several California and Washington car dealerships, must pay several hundred thousand dollars in taxes and penalties on the income of a Turks & Caicos Islands reinsurer he formed to write credit life and credit accident and health coverages sold through the dealerships.

Judge Mary Ann Cohen concluded that the reinsurer, First Interstate Re Ltd., had no business or economic purpose of its own and was a "sham formed for the purpose of avoiding tax on income earned by the Wright dealerships."

Stephen H. Boyle, a Bakersfield, Calif., lawyer representing Mr. Wright, said he has filed motions for reconsideration and for a hearing by the full U.S. Tax Court. If these are denied, the ruling could be appealed to the 9th U.S. Circuit Court of Appeals, he said.

Mr. Wright formed First Interstate in 1983 with help from John S. Mailho, president of Mailho Co., an insurance marketing consultant that specialized in forming offshore reinsurers for auto dealers, according to court papers.

Mr. Wright's dealerships sold their customers credit insurance policies written by Commercial Bankers Life Insurance Co. of Irvine, Calif., a Fremont General Corp. unit. Commercial Bankers ceded 100% of the business to Lucien Cie. D'Assurance Ltd., an offshore reinsurer of which Mr. Mailho was a director, and Lucien in turn ceded 100% to First Interstate.

The tax court cited several reasons for concluding that Mr. Wright had formed First Interstate as part of a scheme to avoid taxes on the dealerships' income from 1983 to 1987.

For example, Judge Cohen noted a June 1983 letter from Mr. Mailho to Mr. Wright's lawyer, which stated that "minimizing or deferring the tax event is the cornerstone of our operational plan."

In addition:

- First Interstate was formed with a capital contribution of only $1,000, and the reinsurer appears to have loaned this back to a First Interstate officer, Judge Cohen wrote.

The reinsurer had no office, furniture or equipment of its own in the Turks & Caicos or Nevada, where it was registered as a corporation.

- Mr. Mailho set First Interstate's reserves, and the reserves were overstated in comparison to state regulatory requirements and industry standards for credit life risks.

Mr. Mailho said that he relied on recommendations in an undated letter prepared for another company by a consulting actuary, but First Interstate's reserves also exceeded these recommended levels.

The overstatement led to inflated reserve deductions by First Interstate and understatement of its earnings.

First Interstate reported negative surplus in 1984, 1985 and 1986.

- Mr. Wright's dealerships did not take the commissions they were entitled to on the insurance business they produced, increasing the premium ultimately ceded to First Interstate.

"Thus, the income to the Wright dealerships was decreased and the income to (the reinsurer) was increased," the judge noted.

- The dealerships diverted funds to First Interstate by overpaying companies administering the dealers' service contracts. The service contract administrators forwarded the overpayments to First Interstate, which performed no services related to the contracts, the tax court found.

- The reinsurer's recordkeeping was sloppy. No documents were executed for numerous financial transfers among Mr. Wright, one of his dealerships and First Interstate until 1986, when Mr. Wright's lawyer "cleaned up" the records, the court found.

- Mr. Wright failed to separate First Interstate's funds from his own and those of his dealerships.

He "freely used" money in the reinsurer's custodial and bank accounts, the judge found, noting that First Interstate records showed numerous loans and distributions to Mr. Wright ranging from $55,000 to $959,252.

"Such practices established Wright's purpose to divert the money from his dealerships for his own use, while avoiding the payment of taxes," Judge Cohen found.

- Mr. Wright's lawyer suggested in 1983 that there might be tax problems with the First Interstate operation, recommending that Mr. Wright obtain an opinion from a major accounting firm.

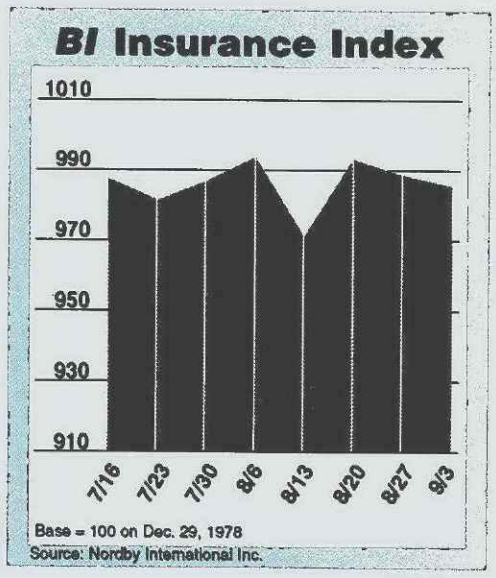
Mr. Wright's accountant contacted Arthur Andersen & Co., which said it would charge $5,000 to $10,000 for a review. Mr. Wright decided against getting a tax opinion, however.

He later made the "misleading" claim to an Internal Revenue Service criminal investigator that he had obtained a tax opinion on the transactions, Judge Cohen said.

Along with these findings, the court also concluded that First Interstate coverages did not involve risk transfer or risk distribution and were not valid insurance arrangements that would support deductibility of premiums.

"The instant cases involve an insurance company which was a Wright entity that only reinsured policies originated by other Wright entities. It was organized abroad and was not regulated by any government. It was inadequately capitalized and did not serve the commonly accepted purposes for reinsurance. The sources of (its) income included voluntarily reduced commissions and diverted (funds). Wright, who owned the reinsurance company, the insurance agents and the beneficiaries of the insurance, had free access to the reinsurer's funds.

"If the corporate form of (First Interstate) is disregarded, it follows that the income of (the reinsurer) may be deemed received by Wright," the court concluded. BI



Insurance industry stocks dropped last week, as the *Business Insurance* Index lost 3.1 points, falling to 986.0 on Sep. 3 from 989.1 on Aug. 27. Advancing issues for the week were led by HCC Insurance Holdings, up 14.3%; TakeCare Inc., up 11.9%; and NWNL Cos., up 11.2%. Declining issues for the week followed Baldwin & Lyons Inc., down 5.6%; Hartford Steam Boiler Inspection & Insurance Co., down 5.1%; and EXEL Ltd., down 3.3%. The most active issue was U.S. Healthcare, 7.5 million shares traded. The *BI* Index fell 0.3%; the Down Jones 30 Industrials lost 0.2%; and the NYSE Composite was up 0.3%; while the Standard & Poor's 500 was up 0.2%.

British Issues

Sept. 2 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	593	N/M	32.5	5.5	612—593
Genl Accident	657	N/M	35.7	5.4	690—657
Gdn Royal Exch	210	N/M	9.3	4.4	220—210
Royal	309	N/M	6.7	2.2	319—309
Sun Alliance	367	N/M	19.0	5.2	387—367
Brokers					
Bradstock	142	16.7	6.8	4.8	142—141
CE Heath	405	19.5	20.5	5.1	406—405
Hogg Group	225	19.9	10.9	4.8	225—223
JIB Group	192	19.0	10.0	5.2	200—192
Lloyd Thompson	305	24.6	7.5	2.4	335—305
Lowndes Lmbrt	434	15.5	18.8	4.3	443—434
PWS Holdings	71	10.7	5.3	7.5	71—71
Sedgwick Grp	187	22.5	8.0	4.3	194—187
Steel Brrl Jones	248	14.5	17.7	7.1	252—248
Willis Corroon	230	21.5	8.8	3.8	236—229

Source: Philip Olsen, London

BI Industry Stock Report

AUGUST 30, 1993 THROUGH SEPTEMBER 3, 1993

BROKERS		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Acordia Inc.	NYS	27.50	10.00	27.91	27.50	15.13	35	0.44	1.60	16	9.57	2.87
Alexander & Alexander	NYS	24.38	-2.50	-8.02	28.88	23.38	274	1.00	4.10	24	5.02	4.86
E.W. Blanch Holdings Inc.	NYS	22.75	7.06	N.A.	22.75	16.50	42	0.00	0.00	29	1.09	20.87
Gallagher Arthur J. & Co.	NYS	31.00	-1.59	9.73	37.38	24.25	54	0.72	2.32	17	6.26	4.95
Hilb, Rogal & Hamilton	NYS	13.38	-1.83	-14.40	16.88	11.63	174	0.44	3.29	19	2.73	4.90
Marsh & McLennan	NYS	90.50	0.84	-0.96	97.63	82.50	361	2.68	2.96	21	15.03	6.02
Poe & Brown	OTC	18.50	0.00	10.45	21.25	11.75	9	0.40	2.16	33	2.60	7.12
BROKERS	AVERAGE		1.7	4.1					2.3	23		
INSURERS/REINSURERS												
ACE Ltd.	NYS	34.63	1.47	N.A.	36.00	25.50	269	0.40	1.16	9	25.37	1.36
Acceptance Insurance Cos.	NYS	14.25	-1.72	48.05	15.25	6.00	59	0.00	0.00	15	4.62	3.08
AEGON N.V.	NYS	48.75	0.00	17.12	49.75	39.13	78	1.22	2.50	9	32.78	1.49
Aetna Life & Casualty	NYS	59.63	0.85	28.23	60.50	38.00	785	2.76	4.63	26	65.43	0.91
Allied Group Inc.	OTC	30.25	0.83	42.91	31.00	16.50	175	0.52	1.72	9	10.45	2.89
Allmerica Prop. & Casu alty	NYS	59.75	3.46	18.32	62.50	39.50	87	0.44	0.74	5	46.94	1.27
Allstate Corp.	NYS	32.00	0.00	N.A.	32.13	27.13	1561	0.72	2.25	-56	12.26	2.61
American General	NYS	35.38	1.80	24.12	35.75	23.63	1434	1.08	3.05	14	21.31	1.66
American Heritage Life Ins.	NYS	24.00	-2.04	19.01	25.34	18.91	4	0.60	2.50	16	12.44	1.93
Ameri can Indemnity/Fin'l	OTC	13.38	-0.93	122.92	16.25	4.75	22	0.12	0.90	4	16.18	0.83
American International (s)	NYS	96.38	0.52	24.62	99.00	61.91	1720	0.40	0.42	17	40.25	2.39
American RE Corp.	NYS	35.63	-0.35	-3.72	41.75	31.38	143	0.00	0.00	36	6.67	5.34
Aon Corp.	NYS	56.75	4.37	5.09	56.75	43.75	388	1.80	3.17	18	31.79	1.79
Argonaut Group	OTC	33.50	0.00	9.84	35.25	27.00	51	1.00	2.99	11	25.52	1.31
AVEMCO Corp.	NYS	17.63	-2.76	-24.60	27.00	16.75	12	0.44	2.50	20	7.75	2.27
Baldwin & Lyons Inc.	OTC	42.00	-5.62	15.07	44.50	29.50	1	0.60	1.43	10	34.75	1.21
Berkley W.R. Corp.	OTC	47.25	5.59	9.88	50.50	34.75	131	0.40	0.85	19	26.31	1.80
Berkshire Hathaway Inc.	NYS	17350.0	0.29	47.66	17800.0	9075.0	0	0.00	0.00	-	7742.67	2.24
Chandler Insurance	OTC	4.63	0.00	-2.63	5.25	3.50	3	0.00	0.00	18	8.87	0.52
Chubb Corp.	NYS	87.63	-2.50	-1.41	96.38	74.25	2135	1.72	1.96	12	45.65	1.92
CIGNA Corp.	NYS	62.88	-2.33	7.25	68.00	47.13	1133	3.04	4.83	11	79.82	0.79
CNA Financial Corp.	NYS	88.13	1.00	-10.08	102.88	83.75	99	0.00	0.00	-10	75.07	1.17
Continental Corp.	NYS	31.13	-1.58	15.81	34.63	20.00	576	1.00	3.21	17	34.73	0.90
EXEL Ltd.	NYS	47.75	-3.29	1.06	52.25	36.75	898	1.00	2.09	8	29.54	1.62
Fremont General Corp.	NYS	27.88	-0.45	-19.20	28.75	16.00	203	0.72	2.58	9	19.81	1.41
Frontier Insurance Group	NYS	46.75	0.00	7.47	47.63	29.31	22	0.60	1.28	16	14.78	3.16
Gainsco Inc.	ASE	11.00	-1.12	-22.12	18.56	9.41	159	0.04	0.36	14	3.27	3.36
General RE Corp.	NYS	129.63	-0.86	11.99	132.25	90.00	535	1.88	1.45	18	49.90	2.60
Guaranty National Corp.	NYS	22.38	-0.56	13.29	24.00	16.25	41	0.48	2.15	16	10.44	2.14
Har leysville Group	OTC	29.00	1.31	2.65	32.75	20.00	176	0.64	2.21	17	18.35	1.58
Hartford Steam Boiler	NYS	46.88	-5.06	-18.83	59.88	46.88	175	2.12	4.52	23	18.03	2.60
HCC Insurance Holdings	OTC	32.00	14.29	58.02	32.00	12.25	771	0.00	0.00	28	10.12	3.16
ITT (Hartford Group)	NYS	92.00	-2.00	27.78	94.75	62.75	1082	1.96	2.13	-167	55.03	1.67
Kemper Corp.	NYS	41.63	5.38	40.51	43.00	21.50	944	0.92	2.21	-9	33.69	1.24
Lawrence Insurance Group	ASE	6.25	-1.96	-27.54	9.00	5.50	1	0.32	5.12	-	4.17	1.50
Liberty Corp.	NYS	33.88	-1.45	19.91	34.75	25.00	150	0.56	1.65	13	20.00	1.69
Lincoln National	NYS	47.38	3.27	-35.21	47.38	30.63	931	1.52	3.21	11	28.13	1.68
Markel Corp.	OTC	38.25	2.00	22.40	38.50	27.00	35	0.00	0.00	11	20.21	1.89
Mid Ocean Ltd.	OTC	33.38	2.69	N.A.	34.50	25.00	1128	0.00	0.00	27	20.24	1.65
Mutual Risk Mgmt. Ltd.	NYS	41.75	0.91	3.09	46.00	30.50	43	0.28	0.67	22	11.39	3.67
NAC Re Corp.	OTC	36.50	3.55	-9.88	44.75	27.50	315	0.16	0.44	46	17.23	2.12
National Re Corp.	NYS	36.88	0.00	24.47	39.63	20.00	57	0.12	0.33	11	14.18	2.60
Navigators Group	OTC	30.50	1.67	-6.15	35.25	28.50	107	0.00	0.00	22	16.99	1.80
Nobel Insurance LTD.	OTC	7.13	0.00	21.28	8.25	4.25	37	0.00	0.00	3	6.84	1.04
NWNL Companies	NYS	36.13	11.15	42.01	36.13	18.13	627	0.80	2.21	15	21.65	1.67
Ohio Casualty Corp.	OTC	68.38	5.19	8.32	68.75	59.00	248	2.84	4.15	12	45.85	1.49
Old Republic Int'l	NYS	27.13	4.33	9.05	27.38	21.50	457	0.44	1.62	9	21.06	1.29
Orion Capital Corp.	NYS	45.75	-1.35	29.33	46.88	29.59	39	0.80	1.75	9	24.32	1.88
Phoenix RE Corp.	OTC	36.75	5.38	133.33	37.25	9.00	870	0.20	0.54	-204	11.88	3.09
Provident Life	NYS	30.13	-2.43	5.70	31.50	24.75	78	1.04	3.45	12	30.72	0.98
Re Capital Corp.	OTC	14.25	5.56	-13.64	16.63	12.63	13	0.28	1.96	21	14.76	0.97
Reliance Group Hold ings	NYS	8.13	8.33	32.65	8.50	4.75	854	0.32	3.94	3	2.99	2.72
RLI Corp.	NYS	24.88	-1.00	0.51	28.63	18.75	46	0.56	2.25	11	18.62	1.34
St. Paul Companies	NYS	91.75	1.66	19.16	94.00	67.88	401	2.80	3.05	-13	52.24	1.76
SAFECO Corp.	OTC	64.50	-0.39	13.66	66.75	48.75	703	1.80	2.79	12	38.95	1.66
SCOR U.S. Corp.	NYS	15.63	-1.57	-10.71	20.75	13.13	40	0.32	2.05	391	14.69	1.06
Seibels Bruce Group	OTC	0.63	0.00	-66.67	2.88	0.38	196	0.00	0.00	-0	1.90	0.33
Selective Ins. Group	OTC	26.50	-1.85	20.45	29.00	19.00	54	1.12	4.23	20	22.92	1.16
Statesman Group Inc.	OTC	13.50	1.89	12.50	16.50	6.63	746	0.20	1.48	6	8.65	1.56
TIG Holdings	NYS	26.88	4.88	N.A.	26.88	22.88	401	0.00	0.00	-9	17.14	1.57
Tokio Marine & Fire	OTC	64.25	0.78	33.85	67.00	43.25	6	0.00	0.00	-	57.72	1.11
Torchmark Corp.	NYS	58.13	0.87	2.42	64.75	48.00	325	1.12	1.93	15	15.15	3.84
Transatlantic Hold ings	NYS	61.25	4.48	9.13	61.25	36.25	27	0.28	0.46	19	24.57	2.49
Trav elers Corp.	NYS	34.25	0.74	25.69	34.75	17.13	1066	1.60	4.67	-5	31.77	1.08
Trenwick Group Inc.	OTC	43.38	-0.29	6.44	49.75	29.00	122	0.88	2.03	16	26.00	1.67
United Fire & Casualty	OTC	37.50	-0.66	-9.64	43.00	34.75	1	1.00	2.67	*****	28.96	1.29
Unitrin	OTC	43.50	-1.14	1.75	46.75	35.50	1340	1.40	3.22	13	37.69	1.15
UNUM Corp.	NYS	57.25	-1.29	8.02	60.13	38.50	334	0.80	1.40	15	21.25	2.69
US Facilities Corp.	OTC	12.13	7.78	21.25	12.13	6.50	223	0.00	0.00	14	9.80	1.24
USF&G Corp.	NYS	18.38	-0.68	48.48	19.63	9.88	1365	0.20	1.09	-	9.63	1.91
USLICO Corp.	NYS	18.63	0.68	3.47	20.00	15.00	47	0.24	1.29	-5	23.61	0.79
USLIFE Corp.	NYS	43.00	4.56	18.62	43.00	29.34	194	1.20	2.79	13	39.48	1.09
Washington National	NYS	23.50	-1.57	2.17	28.00	20.25	109	1.08	4.60	11	28.84	0.81
Zenith National Ins.	NYS	26.38	3.65	43.67	29.25	16.38	57	1.00	3.52	18	15.82	1.79
Zurich Reinsurance Centr.	NYS	31.75	-2.68	N.A.	36.38	30.00	293	0.00	0.00	318	23.99	1.32
INSUR ERS/REINSURERS	AVERAGE		1.0	14.0					1.9	****		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	25.38	-0.49	26.88	30.00	16.75	2177	0.00	0.00	24	9.50	2.67
Pacificare Health Sys.	OTC	37.50	2.04	-26.47	57.50	25.50	98	0.00	0.00	18	3.90	9.62
Safeguard Health Enter.	OTC	9.75	1.30	0.00	12.25	7.25	33	0.00	0.00	12	5.04	1.93
Sierra Health Services	ASE	18.13	9.85	-16.18	22.00	11.50	182	0.00	0.00	14	1.73	10.48
TakeCare Inc.	OTC	43.50	11.90	-2.25	50.25	25.75	480	0.00	0.00	16	13.84	3.14
United Healthcare Corp.	NYS	61.38	4.91	7.91	68.00	40.00	1975	0.03	0.05	31	9.46	6.49
U.S. Healthcare	OTC	47.25	8.00	5.88	59.75	36.75	7466	0.64	1.35	22	5.21	9.07
Wellpoint Health Networks	NYS	28.75	1.77	N.A.	39.75	23.00	430	0.00	0.00	17		
HMOs	AVERAGE		4.9	-1.7					0.2	17		
ALL COMPANIES	AVERAGE		2.5	5.5					2.0	-6		

System design: Nordby International Inc.



PROTECTION FROM A DIFFERENT PERSPECTIVE.

A perspective on business insurance that comes from a combination of international roots with national presence. Strength and stability with experience and innovation.

For protection from a different perspective, get behind the shield.

Royal Insurance

YOUR SHIELD AGAINST THE UNEXPECTED.

© Royal Insurance, 9300 Arrowpoint Boulevard, Charlotte NC 28201-1000