

Business Insurance

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Property/casualty insurers post 22% gain in profits in first half

NEW YORK—First-half aftertax net income for U.S. property/casualty insurers rose 22% to \$7.71 billion from \$6.32 billion in the first six months last year, according to estimates from the Insurance Services Office and the National Assn. of Independent Insurers.

Most of that increase was due to higher realized capital gains, which rose 45% to \$3.29 billion from \$2.27 billion during the first half of 1991. Pretax operating income rose 11% to \$7 billion from \$6.3 billion.

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Storm's toll near \$8.6 billion

Insurers, businesses still sorting damages; Andrew loss not expected to turn market

The dizzying toll of insured property damages left in the wake of Hurricane Andrew—the costliest storm ever—could top \$8.6 billion.

But only small regional insurers with inadequate reinsurance are likely to be seriously damaged by catastrophe claims, industry officials and observers say.

As a result, the loss is not expected to force a turn in the soft property/casualty insurance market, though property rates will head up in the areas battered by the storm.

As 3,000 insurance adjusters

swarmed over the shattered communities of southern Florida and Louisiana, many policyholders and insurers last week were still trying to get a handle on their losses.

But, total estimated insured losses from the storm by far eclipse the previous record of \$5.2 billion in insured damages caused by Typhoon Mireille in Japan last September (BI, Aug 3; Nov. 18, 1991).

Total insured damages in the United States will hit \$7.8 billion, projects the Property Claims Services division of the American Insurance Services Group. The storm caused an estimated \$7.3 billion of insured

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AP/Wide World Photo

Troops were sent to Homestead, Fla., and other hard-hit areas to help hurricane victims. More storm coverage begins on page 53.



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Last push before 102nd Congress ends

Action on several benefit measures is likely in waning days of session

By JERRY GEISEL

WASHINGTON—With only about a month to go before the congressional session expires, legislators will be racing the clock as they try to complete action on a slew of proposals affecting employee benefit programs.

In the next few weeks, Congress will attempt to pass family leave and pension simplification proposals. Both proposals, though, face a possible presidential veto.

Two other bills stand better-than-even chances of passage, benefit consultants and lobbyists say. One would give employees the right to make retroactive contributions to 401(k) plans after returning from military service; the other would require major defense contractors to give enriched

early retirement benefits to older, laid-off workers.

Legislators also are likely to ease administrative problems associated with a recently enacted law that applies a 20% withholding tax to certain pension distributions. Efforts to repeal the tax, though, are likely to fall short.

Due to a complete lack of consensus in Congress, the raft of health care reform proposals that have been introduced this session have virtually no chance of enactment before the 102nd congressional session ends in mid-October.

While health care reform proposals are virtually dead, plenty of other benefit pro-

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Product liability reform possible, other P/C-related bills likely to hold

By MARK A. HOFMANN

WASHINGTON—With the exception of product liability reform legislation, the 102nd Congress is unlikely to deal with major property/casualty-related bills before it adjourns early next month.

The Senate is preparing to debate a uniform product liability bill this week, setting up the possibility of the first vote in the full Senate since sweeping reform legislation was first proposed in 1981.

Proponents of the bill, S. 640, say they are guardedly optimistic that it will pass the Senate this week. But they admit that the chances of House passage are slim.

Product liability is just about the only

game in town, though. Insurance lobbyists agree that chances for action are even more remote on other insurance-related bills.

Among them are an antitrust reform proposal, H.R. 9, that would remove several of insurers' key exemptions from federal antitrust law and H.R. 4900, which would create a dual system of state and federal solvency regulation.

Another proposal, H.R. 3371, a crime bill that would make certain types of insurance fraud federal crimes, has drifted into legislative limbo, insurance lobbyists say. No action is likely any time soon.

However, Congress is expected to act late this term on H.R. 776, an energy bill that includes a provision that would in-

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Reinsurers look beyond mediocre half

By DOUGLAS McLEOD

NEW YORK—With yet another semester of lackluster results behind them, U.S. reinsurers are turning their attention to the impending impact of Hurricane Andrew.

Little was new in the first half of 1992: Net written premiums for 56 professional reinsurers and six reinsurance departments of primary insurers rose by a modest 5.8% to \$6.22 billion from \$5.88 billion in the first half of 1991, a Reinsurance Assn. of America survey shows.

With a few exceptions like catastrophe reinsurance, the market for most reinsurance coverages remained competitive.

Meanwhile, combined ratios for the surveyed companies crept up to 106.7% from the 106.4% reported by a comparable group of companies for last year's first half (BI, Sept. 16, 1991).

James F. Dowd, chairman and chief executive of New York-based Skandia America Reinsurance Corp., attributed reinsurers' mediocre performance to the effects of a generally soft market balanced against reinsurers' efforts to re-

sist price-cutting and limit their own exposures.

As a result, "This rather boring reporting of results that are neither extraordinarily good nor extraordinarily bad continues quarter after quarter," he observed.

Of more immediate interest to reinsurers are the impending losses from Hurricane Andrew, though many reinsurers and industry observers are doubtful that the losses will turn the ongoing soft market.

The Property Claims Services division

of the American Insurance Services Group last week estimated that insured losses from Andrew will total \$7.8 billion in Florida and Louisiana. That would make Andrew the most expensive catastrophe on record.

Before Andrew, the most expensive catastrophe ever was Typhoon Mireille, which struck Japan in 1991 and caused \$5.2 billion in insured damage (BI, Aug. 3).

The hurricane has already triggered some activity in reinsurance markets,

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Update

Insurers' net income rises 22%

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First-half income taxes rose 14.3% to \$2.6 billion from \$2.3 billion.
Net written premiums for the first half rose 1.9% to \$114.6 billion from \$112.48 billion in 1991, and net underwriting losses dropped 4.4% to \$10.14 billion from \$10.61 billion.

Consolidated surplus for the industry increased 1.4% to \$160.9 billion as of June 30 from \$158.66 billion at year-end 1991.

Aftertax net income for the second quarter rose 7.6% to \$2.76 billion from \$2.6 billion in 1991. That figure included \$2.51 billion of pretax operating income—up 6.7% from \$2.35 billion—and \$1.26 billion in realized capital gains—up 5.5% from \$1.19 billion.

Net written premiums for the second quarter rose 2.9% to \$57.18 billion from \$55.55 billion. Net underwriting losses increased 1.6% to \$6.03 billion from \$5.93 billion.

Green named in RICO suit

ALEXANDRIA, La.—In a federal racketeering suit, the Louisiana Insurance Department is seeking \$368 million in damages from 27 people involved with three defunct insurance units of Southshore Holding Corp.

The defendants include former Louisiana Insurance Commissioner Douglas D. Green, who is serving a 25-year prison term following his conviction last year on criminal charges unrelated to Southshore (BI, July 1, 1991).

The suit, filed last month in U.S. District Court in Alexandria, charges that the defendants systematically replaced acceptable assets of the three insurers with assets of questionable value. The defendants siphoned money from the insurers through personal loans, commissions, fees, campaign contributions, bribes and dividends, the suit alleges.

Mr. Green is charged with accepting payments from New Orleans-based Southshore in exchange for favorable regulatory treatment. Other defendants include several former directors and officers of the three Southshore units, Fidelity Fire & Casualty Co., Midwest Life Insurance Co. and Public Investors Life Insurance Co.

The suit seeks \$23 million of damages for losses to Fidelity Fire, \$63 million for losses to Midwest and \$36.6 million for losses to Public Investors. Damages could be trebled under federal racketeering law.

The three insurers were ordered into liquidation in 1991.

State work comp bills face veto

SACRAMENTO, Calif.—Republican California Gov. Pete Wilson will likely veto a Democrat-sponsored package of four workers compensation reform bills that cleared the Legislature last week.

The reform legislation, most of which was sponsored by Assemblyman Burt Margolin, D-Los Angeles, would require that a worker claiming a stress-related injury prove that the injury was caused predominantly by workplace events. The package also would bar most stress claims filed after termination and would place limits on medical-legal evaluation fees.

The Legislature also passed S.B. 6, sponsored by Sen. Art Torres, D-Los Angeles, which would establish a commission to design and implement the universal health insurance proposal by Insurance Commissioner John Garamendi (BI, Feb. 24).

Other bills passed by the Legislature and sent to the governor would make health insurance more available to small businesses and repeal a law creating a state residential earthquake fund (BI, July 6). The governor is expected to sign both of these bills.

Gov. Wilson last week also used his line-item veto to delete \$12.1 million in special funds earmarked to fight insurance fraud.

TWA cleared in security case

NEW YORK—The family of a man killed when a bomb exploded on a Trans World Airline Inc. jetliner near Athens in 1986 plans to appeal a federal appeals court ruling that TWA is not guilty of willful misconduct for failing to prevent a terrorist from planting the bomb.

As a result of the ruling, TWA's liability for the explosion, which killed four people, will be limited to \$75,000 per person under terms of the Warsaw Convention.

The explosion was caused by a bomb that authorities suspect was placed on the flight by a known terrorist. The suspect boarded the flight at its origin in Cairo but left the plane before it took off

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Errors & omissions

• CIGNA Corp. units will continue to underwrite some property risks on a surplus lines basis, but only in certain areas of expertise. An Aug. 31 article incorrectly reported that CIGNA would no longer write any property business on a surplus lines basis. In addition, CIGNA wholesale subsidiary Montgomery & Collins Inc. will continue operating as a wholesale broker but will no longer underwrite any risks. The company's decision will affect subsidiary Cravens, Dargan & Co., Pacific Coast, which has no connection to Cravens, Dargan & Co. of Houston.

• Texas surplus lines premiums totaled \$890,819,831 in 1991. Because of the change, which corrects an earlier figure supplied by the state, surplus lines premium volume nationwide totaled \$6.93 billion, up 3.8% over 1990 levels (BI, Aug. 17).

• Two Lloyd's of London underwriting agencies have set up a non-profit company, Shared Syndicate Services Ltd., to perform joint administrative functions. The company will not operate on a for-profit basis as reported in the Aug. 31 issue.

Federal grand jury charges 3 with group health fraud

By DOUGLAS McLEOD

SEATTLE—A federal grand jury is charging three men with fraud in a group health insurance scheme that has left thousands of people in several states with about \$8 million in unpaid claims.

The grand jury last month indicted Edward B. Gallup of Stanwood, Wash.; Patrick W. Lyon of Renton, Wash.; and Thomas M. O'Brien of Glendale, Calif., on multiple charges of conspiracy, fraud, embezzlement, money laundering and in-

terstate transportation of money obtained by fraud.

The indictment alleges that Mr. Gallup—president of Labor Management Services Inc. and Arizona Life Reinsurance Co., both of Bellevue, Wash.—conspired with Messrs. Lyon and O'Brien in 1988 and 1989 to sell fraudulent group health plans. The buyers were small employers in several states, including California, Montana, Oregon, Texas and Washington.

The three men claimed the plans were insured by widely known insurers like CIGNA Life

Insurance Co. and United Olympic Life Insurance Co. when in fact they were not, the indictment charges.

Using Arizona Life Reinsurance—which is unrelated to Arizona Life Insurance Co. of Phoenix—the defendants diverted more than \$1 million in premiums for their personal use, according to the indictment.

In one case, the three men used \$30,000 in premiums to make down payments on three 1989 Jaguar automobiles, the indictment says.

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Maine comp reform plan

Bill targets changes in benefits, residual market operation

By MEG FLETCHER

AUGUSTA, Maine—Maine's deepening workers compensation crisis requires radical solutions, like putting the full burden of future residual market deficits squarely on the shoulders of employers, according to a state commission.

Since 1989, deficits in the residual market—which provides coverage for more than 90% of employers in the state—have been equally split between insur-

ers and employers.

To transfer those deficits fully to employers, the four-member commission recommends making them members of a new mutual insurer charged with funding all future deficits. Employers would have a significant role in running the mutual.

That is one of four major proposals in a 202-page bill released Aug. 31 for legislative and public consideration.

Any changes should aim to provide "substantial protection"

for injured workers at an "affordable cost" to employers, the commission says.

The bill, which adopts many key features of Michigan's workers comp system, also would:

• Refocus benefits to help the lowest paid and the most seriously injured workers.

• Increase opportunities for managed care and cost containment, including allowing employers to pick doctors during the first 10 days of a worker's

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Why didn't Elgin Clock cut 401(k) checks before it failed?

Assets frozen, fight heats up

By SARA MARLEY

CHICAGO—A legal battle is brewing over \$100,000 in 401(k) plan assets that was supposed to be disbursed to several laid-off employees but was instead put into a bank account where it remains frozen.

The saga begins on Feb. 1, 1991, when now-defunct Elgin Clock & Home Products of Chicago laid off several employees.

William B. Sliwa, the com-

pany's chief financial officer and the retirement fund trustee, says that the company's retirement plan manager, CIGNA Corp., told him to transfer \$113,000 to a company account at a Chicago bank to cover the 401(k) disbursements to the employees.

Two bank employees, Mr. Sliwa says, assured him that the money would in fact be designated for the 401(k) payouts.

But on March 13, the Elgin Corp. unit ceased operations and

the Harris Trust & Savings account was frozen by the bank, which says Elgin was in default on other loans.

Now Mr. Sliwa is suing CIGNA, Harris and executives of both firms, claiming their advice and handling of the savings were both improper. He filed suit Aug. 11 in Cook County Circuit Court.

Philadelphia-based CIGNA, he claims, breached its fiduciary responsibility by instructing him

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Agent associations break off merger talks

ALEXANDRIA, Va.—After two years of negotiation, consolidation talks between the Independent Insurance Agents of America and the National Assn. of Professional Insurance Agents ended last week when the PIA dropped out, citing a lack of common goals.

Notice of the rift was given Sept. 1 at a Consolidation Task Force meeting here, where both

groups are based.

"I've put two years of my life into this and I'm extremely disappointed," said IIAA President R.C. Riley. "I don't feel that the will of our membership has been addressed."

The two agent trade groups differed primarily in their view of what role direct writer agents would play in the consolidated organization, Mr. Riley said. The

PIA wanted such agents as members, he said; the IIAA did not.

Although national talks have collapsed, state-level mergers continue. This summer alone, both the Kansas and Illinois chapters agreed to merge, joining the Colorado, Michigan, Minnesota, Missouri, Oklahoma, and West Virginia chapters that have already merged.

—By Laura Mazzuca

Inside

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✓ A federal court will decide whether a diocese's liability insurance will cover claims stemming from sex-abuse charges against a former Catholic priest. PAGE 52

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Retirement plans

As recession drags on, employers take a shine to window plan options

By DEBORAH SHALOWITZ

When God closes a door, he opens a window, goes the line from "The Sound of Music." In an era of massive layoffs amid an economic recession, that window can be an early retirement window plan.

An early retirement window plan can be a win-win situation for both employers and employees: The company is able to humanely reduce its workforce and expenses, while early retirees receive enhanced pension benefits.

However, a window plan is not a panacea for a company's financial or personnel woes. Early retirement window plans are expensive. And if not designed properly, window plans may entice too many workers to retire or, alternatively, won't appeal to enough workers and will force the company to fire employees after all.

Many employers find they also have to offer some sort of enhanced medical benefits to these special early retirees to convince them to accept the window.

Furthermore, early retirement windows must be designed carefully to avoid legal hassles (see story, page 27).

In an early retirement window plan, a company typically promises enriched pension benefits or gives workers credit for additional years of age or service if they agree to retire by a certain time. Early retirement windows commonly are offered to employees for 60 to 90 days.

Many companies also offer workers a one-time supplemental payment, which often is based on years of service to the company. And some employers may offer workers different retiree health care coverage than is offered to regular retirees.

According to a recent survey by Lincolnshire, Ill.-based Hewitt Associates, 27% of 694 companies surveyed had offered an early retirement window plan in the last five years.

Of the companies that had offered a window plan, 24% as of March offered a window beginning in 1992; 43% had begun a window period in 1991; 30% had begun a window in 1990; 20% had begun a window in 1989 and 24% had begun a window in 1988. Some of the companies had offered more than one window plan during the five years.

Early retirement window plans have generated "more interest over the last three to four years," said Dennis Coleman, a partner at Fort Lee, N.J., consultant Kwasha Lipton. This is "indicative of a continuing weak economy."

The Wyatt Co. found in an August survey of 50 large employers that 38% of the companies had offered an early retirement window in 1990 or 1991.

"Companies used to keep older workers until retirement, even if they were unnecessary," commented Fred Schick, a managing vp in the Chicago office of Noble Lowndes. "Today, that's a luxury few employers can afford."

Employers like early retirement windows because companies save money by eliminating salaries, Social Security payroll taxes, unemployment taxes and long-term disability and group term-life insurance costs. They also save money by reducing the physical work space needed because they have a smaller workforce.

And, while companies often have to post a significant charge against earnings to recognize the expense of the window plan,

the savings they realize are annual.

Furthermore, many of the companies offering early retirement window plans over the last 10 years have overfunded defined benefit pension plans which can be tapped by amending the plan to pay for enhanced pension benefits, Mr. Schick pointed out.

However, because early retirement window plans are voluntary, an employer cannot control who may take advantage of the offer.

"Unfortunately, operating an early retirement window is often like shooting in the dark," commented Nancy Hoffman, a managing consultant in the Los Angeles office of A. Foster Higgins & Co. Inc.

"It's like a roll of the dice—it's a crap shoot," said Mr. Coleman.

"Often it's a company's best people, the ones they'd prefer not to leave, who in fact take" the early retirement offer, said Maryann Laketek, a consultant in Hewitt's Chicago office.

The key to offering a successful early retirement window is to design a plan that attracts the right people but is not more generous than necessary, experts suggest.

A company should figure out what it can afford to spend and how the money can best be spent, said Joel Rich, a principal at William M. Mercer Cos. Inc. in Morristown, N.J.

Over the past few years, early retirement windows have become "a little more targeted, a little more complex," said Ms. Laketek.

She suggested that before making an early retirement offer, employers decide who they are targeting and evaluate exactly who would be eligible under the parameters they set up. Evaluate eligibility "down to the names of the people who would be eligible," she advised.

Ms. Hoffman advised employers to talk to line managers and find out from them how their department would be affected if all eligible workers did indeed retire.

Next, employers should talk to the company's benefits and human resources personnel to find out what employees want, Ms. Laketek suggested.

An early retirement window plan can be structured in several ways.

Typically, employees who retire before normal retirement age—usually between age 62 and age 65—receive actuarially reduced pension benefits. Under an early retirement window plan, a company might lessen or eliminate the actuarial reduction.

For example, if a worker who is 55 years old and has 10 years of service is eligible for 50% of the normal pension benefit, under an early retirement window plan that worker might be offered 75% of the normal benefit.

An elimination or reduction of the actuarial reduction for age is more beneficial to those under age 60 than to older workers, said Mr. Coleman. If a younger group is being targeted, this incentive would be appropriate, he said.

Another popular early retirement window option is to give workers additional years of age and/or service toward the calculation of their defined benefit pension formula. As a result, both retirement eligibility and the benefit amount increase. This option is equally valuable to older and younger workers, Mr. Coleman noted.

For example, Southwestern Bell Corp. of St. Louis late last year offered an early retirement window plan that gave man-

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Illustration by Jim Flynn

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► Non-profits are scrutinizing their annuity providers. Page 16

New pension rollover rules will add to paperwork load

Employers have key role in helping avoid 20% tax

By LOUISE KERTESZ

New rules that broaden employees' rights to roll over pension distributions will increase the administrative burden on employers, benefits consultants say.

Informed employees who are either terminating employment or who choose to withdraw money from their pension plan to invest in an IRA will find the change gives them more flexibility. For instance, they will be able to transfer even small amounts from a defined contribution plan into an individual retirement account. However, employees making withdrawals for investment purposes generally will be subject to penalties.

But many less informed employees obtaining distributions could be hit with a hefty new tax penalty under the rules.

Starting Jan. 1, 1993, a mandatory 20% withholding tax will apply to retirement plan distributions like lump-sum cashouts and in-service withdrawals, including those in cases of hardship. That tax can be avoided if an employer transfers the payments directly to the employee's IRA or

into a new employer's defined contribution plan (BI, July 20; July 13).

Alternatively, an employee could take the lump sum distribution and, within 60 days, personally roll the money over into an IRA or a new employer's plan. The employee could then seek a refund of the 20% withheld. However, to be eligible for a full refund, the employee would have to roll over the full amount—making up the 20% withheld out of his own pocket.

Employers will be required by the rules to inform employees of their options. It will be up to employees, though, to specifically request a direct transfer of a pension distribution.

The withholding rules are part of the Unemployment Compensation Amendments of 1992, enacted July 3, which expand unemployment compensation benefits to the jobless. Congress intended the withholding tax to raise a portion of the revenue needed to pay for those expanded unemployment benefits. Congress expects the tax to generate about \$2 billion through 1997.

It is also "the first step in Washington's pension portability agenda," explained

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Spotlight report Window plans

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ers with 65 years of combined age and service an additional five years of age and five years of service toward their defined benefit pension calculation formula.

Normally, a Southwestern Bell employee must have at least 75 years of combined age and service to be eligible for full pension benefits. The telecommunications company also increased pension benefits by 15% over the next five years for those who retired by Dec. 31, 1991.

A spokesman said 3,800 managers out of 17,700 eligible for the plan accepted the offer, a 21% acceptance rate.

As a result, Southwestern Bell expects to save between \$150 million and \$200 million in 1992,

the spokesman said. The company, which took a one-time charge of \$30 million in the fourth quarter of 1991 to cover the cost of the window plan, has not estimated savings beyond 1992.

The main portion of this type of incentive, a so-called five-plus-five offer, is "a very rich benefit," noted Mr. Coleman.

In addition to enhancing pension benefits, employers sometimes offer workers a cash payment as an incentive to accept the window plan.

A significant lump-sum payment is especially attractive to people who are about 55 years old, as they can use the money to pay off a mortgage or pay for children's college tuition, noted Ms. Hoffman.

Often, a combination of enticements is offered in an early

retirement window plan.

For example, Hewitt's survey found that 67% of employers offering a window plan incorporated an improved pension benefit; 45% offered a cash pay-

Increasingly, retiree medical coverage is becoming an important incentive in any early retirement window plan, several experts noted.

"You'll very rarely see with

'Companies used to keep older workers until retirement, even if they were unnecessary,' says Fred Schick, a managing vp of Noble Lowndes. 'Today, that's a luxury few employers can afford.'

ment outside of the pension plan; 30% offered liberalized pension eligibility; and 23% offered other benefits, such as payments that help a worker bridge the time between retirement and eligibility for Social Security.

large companies these days a window without retiree medical coverage," noted Mr. Coleman. "Any effort to put in a window without some form of post-retirement medical coverage is unlikely to be successful."

However, he cautioned, under a 1991 federal court ruling, if an employer offers enhanced retiree medical coverage as part of an early retirement incentive package, that coverage becomes a contractual guarantee for those retirees. The case, *Robert D. Sprague, et al vs. General Motors Corp.*, was decided in July 1991 by the U.S. District Court for the Eastern District of Michigan in Detroit.

Still, one of the key problems with early retirement window plans is the employer's inability to totally control who leaves or how many people will accept the offer.

According to the Hewitt survey, the average acceptance rate for an early retirement window plan is 30%.

Ms. Hoffman noted, "You don't always get the acceptance (rate) you would like to have."

Fifty-seven percent of the employers responding to the Hewitt survey said the number of employees who accepted the early retirement offer had met corporate expectations, while 33% said acceptances had exceeded expectations, and 10% said the number of acceptances had fallen short of expectations.

For example, Eastman Kodak Co. hoped the early retirement incentive it offered last summer would generate at least 3,000 acceptances.

Instead, a spokesman said, 6,700 people accepted the offer out of 11,000 eligible workers, an acceptance rate of nearly 61%.

While Kodak was "pleased with the results of the program," as of December 1991 the company was forced to fill approximately 1,000 positions in its Rochester, N.Y., headquarters with temporary workers, the spokesman said. And, Kodak "made a massive redeployment effort to move people around" to fill vacancies left by the early retirees, the spokesman added.

Under the Kodak plan, workers with 75 years of combined age and service—as well as employees between the ages of 55 and 62 who had been with Kodak for at least 10 years—were eligible to retire with full defined benefit pension benefits.

Normally, an employee would need 85 years of combined age and service to retire with full pension benefits. Employees who retire before age 62 and who do not meet the 85-year requirement normally receive only 50% of their defined benefit pension benefits.

In addition to enhancing the pension formula, Kodak gave early retirees health, dental and life insurance benefits, and a monthly "bridge" payment of between \$700 and \$900 until the retiree reaches age 62 and becomes eligible for Social Security.

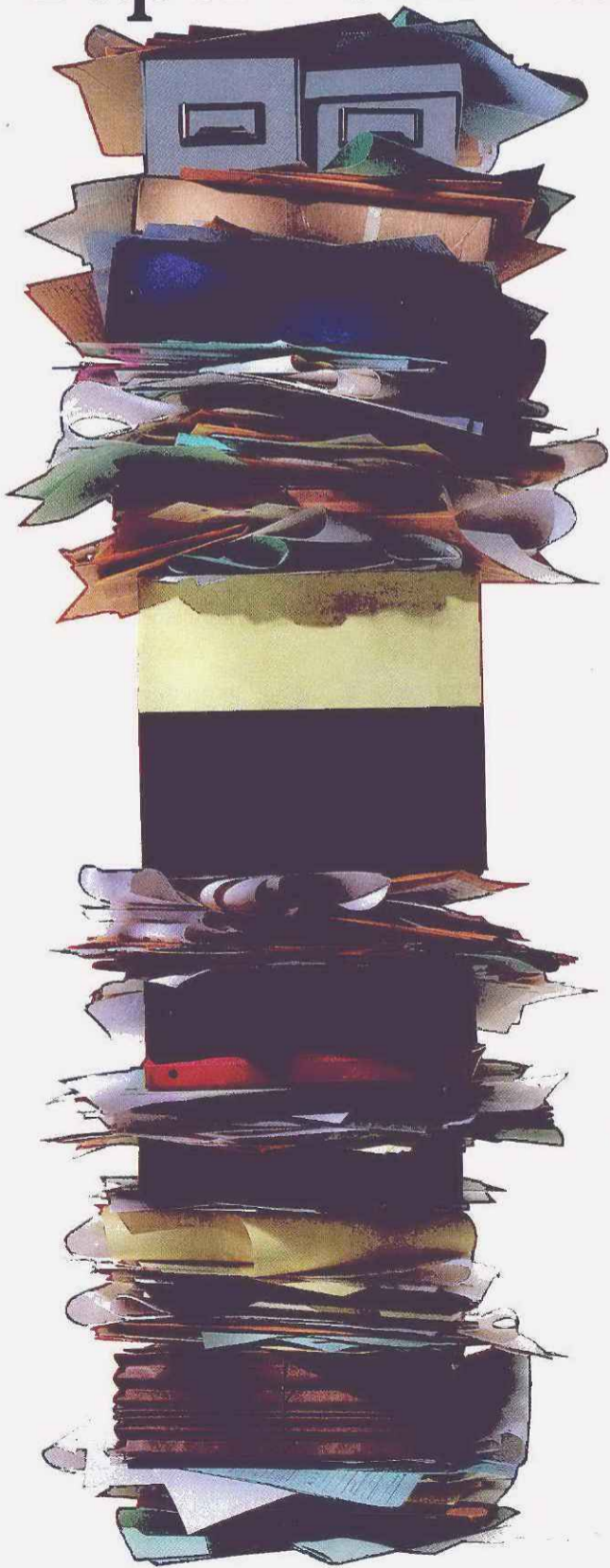
Eligible employees also were offered a service-based severance benefit equal to two weeks of their final salary for every year of service, capped at one year's salary.

While the spokesman declined to give exact costs of the offer, he did say that Kodak recorded a third-quarter after-tax charge of \$435 million and a fourth-quarter after-tax charge of \$597 million. While those charges included other factors, "the single largest contributor to the charges was the (window) plan," he noted.

Kodak estimated annual savings of \$100 million the first year

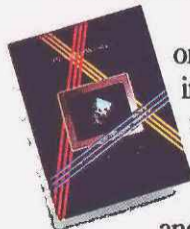
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Paperwork vs. PensionWorks



If you hate the time, fuss and bother it takes to do paperwork, you'll love the ease, order and convenience you get with PensionWorks/PC. PensionWorks lets you control virtually all your day-to-day retirement plan administration activities through your personal computer. Software is customized to your company's plan provisions and investment options. So all plan reports, forms and transactions are literally at your fingertips, on demand. Costly errors and omissions are a thing of the past. And additional features provide employees with plan-specific enrollment materials, illustrations and financial models. PensionWorks saves you time, money and headaches. No wonder pension managers are wondering how they ever managed without it.

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THIS COMPANY CAN OVERHAUL JET AIRCRAFT. BUT IT COULDN'T GET A RETIREMENT PLAN TO FLY.

The employees at Bizjet International, one of the Tulsa-based Hardesty Companies, had a profit-sharing retirement plan. But employee enthusiasm for the plan was low.



Wausau handles the administration and paperwork, helps with employee enrollment, and reports to employees on performance of The Hardesty Companies' 401(k).

"We were convinced our employees would be interested in the benefits of a 401(k), but we didn't have the time or the means to administer one. Wausau's 401(k) answered our concerns," says Roger Hardesty, Founder and President of The Hardesty Companies, including Bizjet, a jet aircraft remanufacturer.

The plan was so well received, in fact, that Mr. Hardesty switched all his companies to the 401(k) plan. It was up to Wausau to explain the benefits and help enroll the employees.



"Wausau had to understand the diverse audience they were speaking to and the individual needs of each employee. I didn't go out and try to sell our employees on the benefits; Wausau did that. As a result, employee acceptance of the 401(k) program company-wide is tremendous."

The Hardesty Companies wanted a retirement plan their employees would be enthused about. With a Wausau administered 401(k), it took off.



Window plans

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and \$200 million subsequently from the early retirement offer.

Sometimes, however, the offers do not attract enough volunteers. In these cases, companies might have to resort to involuntary terminations.

For example, Lexington, Mass.-based Raytheon Co. offered 4,200 employees who were at least 55 years old and had 10 or more years with the company a lump-sum continuance of salary, as if they had been laid off. That amount would then be factored into the worker's final salary, on which retirees' monthly pensions are based.

And workers taking advantage of the program who had been with the company for at least 15 years would have their contributions for retiree medical coverage frozen at current levels until age 65. Employees currently contribute 0.5% of their salary for individual coverage and 1% of salary for family coverage.

Despite 1,477 acceptances, an acceptance rate of 35%, Raytheon expected to lay off approximately 700 additional workers this summer, Dennis J. Picard, chairman and chief executive officer announced at the annual

The IRS seems to recognize that there are valid reasons for these incentives, says Mr. Saveth.

meeting in May.

A spokesman declined to give the costs or savings associated with Raytheon's early retirement offer.

Employers whose early retirement window is accepted by fewer people than expected may decide to offer another early retirement window plan.

In Wyatt's survey of 50 large companies, 14 offered an early retirement window in 1991, and seven of those 14 had done so in 1990 as well.

Hewitt found that 70% of its survey respondents had offered only one early retirement program in the last five years, but 20% had offered two, 7% had offered three and 3% had offered four or more.

With repeated early retirement window programs, however, employers risk having the Internal Revenue Service deem the enhanced benefits offered a permanent feature of the pension plan, several experts caution.

But William Miner, an actuary with Wyatt in Chicago, said the IRS is looking for a "repeated pattern of plan amendments," and two or even three early retirement window plan offers probably will not constitute a repeated pattern.

Furthermore, the IRS stated in a revenue ruling issued late last month that if an early retirement window had been repeated to meet a company's continued need to downsize, the incentive will not be deemed a permanent feature of the benefits plan.

"Happily, the IRS seems to recognize that employers offer these incentives for valid economic reasons rather than to create illusory or disappearing pension supplements," said Henry Saveth, a principal in the New York office of Foster Higgins. ■

Communicating early retirement windows

Employees need ample opportunity to grasp the details of these plans

By **DEBORAH SHALOWITZ**

Properly communicating an early retirement window plan is essential to its success.

A comprehensive communication effort and a well-timed announcement are key, experts said.

Sending notification of the early retirement window plan to all eligible employees is the first step, experts agree.

If possible, this announcement should be personalized, including information on what an employee's current benefits are and what his or her benefits would be if the early retirement incentive

is accepted, suggested Nancy Hoffman, a managing consultant in the Los Angeles office of A. Foster Higgins & Co. Inc.

The communicate should be a "full, fair and forthright" explanation of the early retirement incentive, said Dennis Coleman, a partner with Kwasha Lipton in Fort Lee, N.J.

"A company should be forthright on what the downside of these choices are," Mr. Coleman cautioned.

"You do hear horror stories of people accepting a window and then realizing they made a terrible mistake."

For example, while an early

retirement offer may appear attractive at first glance, a worker who retires too early may wind up with inadequate income later in life.

Employers also should set up group and individual meetings between benefits managers and eligible employees, the experts suggest.

Richard Silva, director of benefits for Yale University in New Haven, Conn., said that the university's early retirement window plan "couldn't have been done" without the meetings offered to employees.

Yale offered both large and small group meetings for em-

ployees, as well as individual meetings.

"People simply have to sit and go over the details over and over and over again," Mr. Silva commented. "It's a once-in-a-lifetime decision."

Yale offered an early retirement window plan to managerial and professional personnel last fall and a similar window plan to clerical, maintenance and technical personnel last winter. Both plans were offered to employees age 55 or older with at least 10 years of service. Both plans added five years of age and service to a retiree's defined benefit

Continued on next page

**Just
because the
cycle turns
upward,
why should
your premiums
follow?**

Continued from previous page
pension calculation formula.

Approximately 240 people out of 800 eligible employees accepted the offers, according to Charles Paul, manager of Yale's human resources information systems.

Mr. Paul said that the early retirement window plans cost Yale University between \$5 million and \$5.5 million, although the university expects to recoup that cost within two years through savings on salaries and other benefits the employees would have received.

In addition to holding meetings with benefits managers, some companies arrange for personal financial planners to come in and talk with eligible employees, noted Ms. Hoffman of Foster Higgins.

Most experts recommended

Announce a window plan either slightly ahead of or at the beginning of the window period.

announcing an early retirement window plan either slightly ahead of opening the window or at the beginning of the window period, so that workers have ample time to consider the offer, but employees who would have retired anyway don't just wait to take advantage of the window plan.

Ms. Hoffman recommended telling employees about a window plan about six weeks before the window opens. This gives

employees time to think about the opportunity before actually having to make a decision, she explained.

However, Fred Schick, a managing vp with Noble Lowndes in Chicago, said that notifying employees about an early retirement window plan in the first month of the window period should be adequate if the window is open for at least two months.

Maryann Laketek, a consultant in the Chicago office of Hewitt Associates, recommended explaining to all employees, whether they are eligible or not, why the company is offering the early retirement window plan.

And Ms. Laketek advised that if key people are leaving the company, customers should be alerted and told who will be serving them in the future. ■

Avoid legal snares in window plans

Plan enrollment must be voluntary

By DEBORAH SHALOWITZ

Properly designing an early retirement window plan is crucial for employers to avoid legal hassles.

Of primary importance is that the window plan must truly be voluntary. If there is even an implication that an employee will be fired if he or she does not accept the early retirement offer, the plan could be deemed involuntary and the employer could be sued under the Age Discrimi-

nation in Employment Act. The ADEA protects all workers age 40 and older.

Addressing age discrimination concerns, the Older Workers Benefit Protection Act of 1990 bars employers from placing an upper age limit on early retirement window plans. A lower age limit is allowed.

This issue was addressed in July 1991 when the 7th U.S. Circuit Court of Appeals in Chicago ruled in *Hamilton vs. Caterpillar* that preferential treatment for older employees is not a violation of the ADEA.

The Older Workers Benefit Protection Act's legislative history, which is a document written by members of Congress who worked on the legislation, outlines certain types of window plans that legislators felt would be acceptable, said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

These include plans that offer:

- A flat dollar amount.
- Service-based benefits, such as \$1,000 times the number of an employee's years of service to the company.
- A percentage of salary to all employees above a certain age.
- A flat dollar increase or percentage increase in pension benefits.

In addition to exercising caution when dealing with age-related issues, employers should ensure a plan does not discriminate against non-highly paid workers when designing early retirement window plans.

Because most windows are offered in conjunction with qualified pension plans, they are subject to regulations under Internal Revenue Code Section 401(a)(4). The code addresses non-discrimination in the availability of optional forms of benefit plans other than qualified retirement plans.

Employers can demonstrate that their window plans are not discriminatory by satisfying certain tests.

To satisfy one such test an employer would have to prove that the number of non-highly compensated employees eligible for the window is at least 70% of the number of highly compensated employees eligible for the window. Other non-discrimination tests may be used as well.

In essence, "an employer ought to be looking to make sure that the highly compensated employees don't benefit disproportionately more than the non-highly compensated employees," advised William Miner, an actuary in the Chicago office of The Wyatt Co.

Workers who have been excluded from window plans and have tried to sue their employers for breach of fiduciary responsibility under the Employee Retirement Income Security Act of 1974 have not met with success in the three federal appellate courts where the issue has been addressed.

In the 2nd, 7th and 8th U.S. Circuit Courts, judges have found that employers do not have a fiduciary responsibility to include all employees in an early retirement window program. ■

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Opinions

Congress may ruin the party

THE 18TH ANNIVERSARY this month of the enactment of the Employee Retirement Income Security Act should be a time of celebration and concern.

Unquestionably, ERISA enormously strengthened the nation's private pension plan system. At a single stroke, ERISA—through its new vesting, participation and break-in-service rules—ended abuses in which companies could and did deny pensions to employees who had worked for decades.

At the same time, ERISA created a federal agency—the Pension Benefit Guaranty Corp.—to protect workers' and retirees' basic vested pension benefits if their pension plans collapse without enough assets to pay promised benefits.

That safety net has protected hundreds of thousands of people from a financial disaster. The PBGC currently sends out 142,000 checks each month to retirees and survivors.

No longer can a promised pension benefit be an empty one, as was the case before ERISA.

Without question, ERISA's new rules, as well as the creation of the PBGC, restored public confidence in the private pension system.

Such support had eroded badly because of prior pension scandals, like the collapse of Studebaker Corp. in the early 1960s in which active plan participants received only 15 cents for every dollar in benefits they were promised.

But ERISA's successes in both protecting pension benefits and restoring confidence are threatened on several fronts.

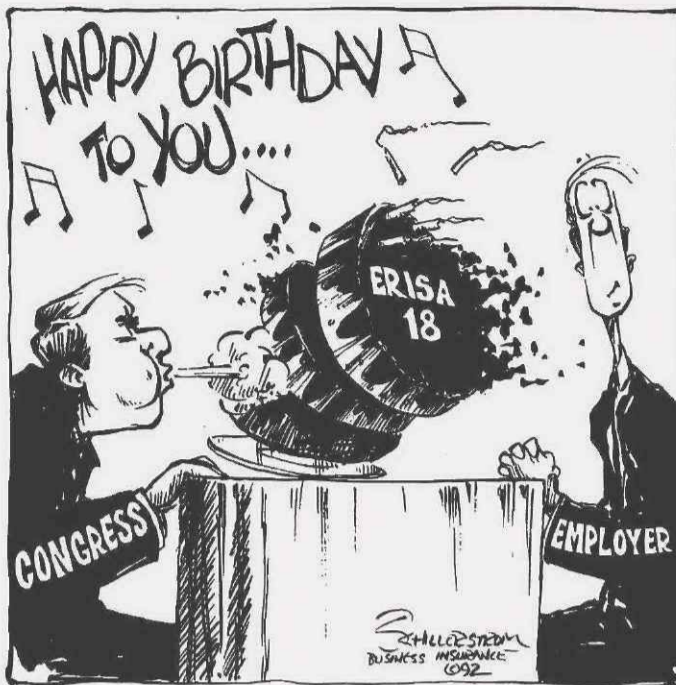
Ironically, one of the biggest threats is coming from Congress, which created ERISA.

In what has become an almost annual ritual, legislators since the early 1980s have forced employers to constantly amend their plans to comply with one new pension rule after another.

For example, with no warning at all, Congress earlier this year added a new 20% withholding tax on many pension distributions, while giving participants certain ways to avoid the tax.

But the ink was hardly dry on the law when legislators realized they made several mistakes in crafting the 20% tax and began rewriting the measure.

With a constant flow of new rules, it is no wonder that administering pension plans has become so expensive, especially for smaller firms. A PBGC study found, for example, that the cost of administering a defined benefit plan with 500 participants



was \$133 per participant in 1991, up from an inflation-adjusted \$56 in 1981.

Another threat to the pension plan system comes from escalating PBGC insurance premiums. As the PBGC has taken over more underfunded pension plans, the premiums it charges employers to pay for the benefit guarantees keep rising. In 1974, the annual premium was set at \$1 per plan participant. The premium now ranges from \$19 to \$72 and more increases seem likely as the agency's deficit continues to grow.

Eventually, employers will tire of constant legislative changes as well as escalating PBGC premiums and will terminate their plans. Indeed, new defined benefit plan formation has ground to a virtual halt.

We hope Congress, which worked so hard in putting ERISA together in the early 1970s, does not allow the private pension plan system, already frayed, to completely unravel.

Legislators need to protect the PBGC by strengthening pension funding rules and thereby reducing its exposure to big losses and keeping a lid on PBGC premiums.

And, legislators—after simplifying federal pension rules—should impose a moratorium on new pension legislation to provide employers with more certainty that they can administer their programs without having to worry about being hit with yet more changes.

Letters

Finding effective managed mental care system

To the editor: I feel an Aug. 17 letter to the editor by Norman Penner, responding to my comments in the July 27 article "Hospital Chain Sues Insurers over Mental Health Claims," merits a response.

Mr. Penner points out two failed efforts by the American Psychiatric Assn. at provider-sponsored utilization review of mental health treatment. I

believe these failures developed as a result of a number of factors.

Providers were simply not ready for the realities and requirements of managed care at the time the first program was developed in the early 1980s. Practitioners typically viewed these UR measures as externally imposed, even though they were APA-sponsored programs.

A later effort, a nationwide telephone review arrangement, also experienced many problems, especially provider resistance.

The system that I advocate is quite different. Utilization review conducted within community-based, group private practices relies on close-knit personal relationships among all providers in the system. The peer review—and peer pressure—that develops in such systems is extremely effective.

The direct contract approach that I propose involves risk-bearing arrangements between employers and local networks. These are proving to be extremely successful.

I see three generations of managed mental health care. The first, internally generated by insurers, faced the types of difficulties highlighted in the July 27 article. The second generation, the proliferation of independent managed care companies, experienced the types of difficulties found in both APA efforts. The third generation, direct contracts between employers and local providers, in my opinion shows the most promise for providing cost-effective, ethical and high quality care.

Dr. Leo Bradman

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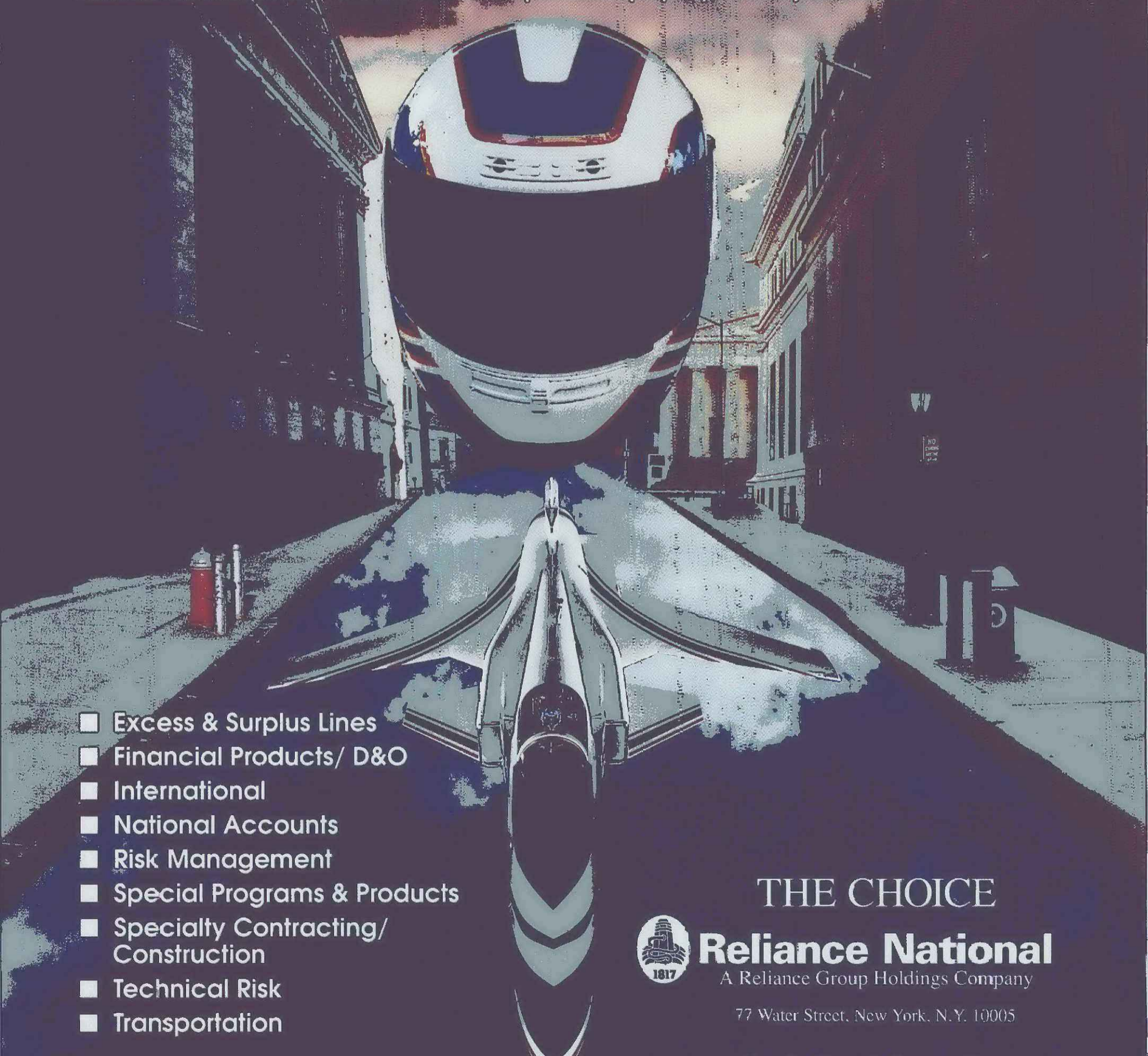
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Withholding rules

Continued from page 3

benefits consultant Noble Lowndes in a bulletin to clients.

"It is hoped that relaxed roll-over rules coupled with mandatory withholding will induce employees to roll their money into another retirement arrangement, rather than spending the money on short-term needs," Noble Lowndes said.

If an employee chooses instead to receive a lump sum distribution, the employer would be responsible for withholding and depositing the 20% tax along with the appropriate form.

Currently, lump-sum distributions are subject to a 10% withholding tax. Participants have been able to delay that bite by filling out an Internal Revenue Service form and paying the tax

in the following year.

Under the new rules, a worker's new employer also faces new administrative burdens.

A terminated worker's new employer will not be required to accept a distribution to its defined contribution plan.

But an employer that does accept rollovers will need to verify that the distribution is coming from a qualified plan, or risk disqualification of its own plan, consultants warn.

The changes mean "a considerable amount of work" for employers, said Doug Edwards, a consultant with A. Foster Higgins & Co. Inc. in New York.

Both preparing for the change and the added procedures will increase employers' costs. Those added procedures could increase a company's ongoing administrative costs by 5% to 15%, benefit

The changes mean 'a considerable amount of work' for employers, says Mr. Edwards.

experts estimate.

Just to have a plan administrator do the set up work for a medium-sized plan might cost \$2,000, estimates John J. Huss Jr., managing vp at Noble Lowndes in Atlanta.

But many plan administrators feel that in the "pinch of the recession," in which advisers are competing to retain business, they will not be able to pass on the full cost of this work, noted Mr. Huss. "So how much it will

cost depends on how aggressive the employer is toward its advisers."

Terminated employees have typically taken all their money when leaving a company, observed Mr. Edwards. But now, with the higher tax consequences, many will defer distribution until they decide what to do with those funds, he said.

Terminated employees who leave that money in their old plans could increase costs and administrative work for their former employers.

The "one positive part" of the new withholding rules is that they lift virtually all restrictions on the size of benefit distributions that an employee can roll over from a qualified plan, said Steve Vernon, a consulting actuary with The Wyatt Co. in Sherman Oaks, Calif.

Terminated employees currently are required to immediately roll over at least half of the distribution to avoid the 10% withholding tax.

"You've got to look for the silver lining," Mr. Vernon quipped.

For sophisticated companies, the new administrative burdens will merely be "some inconvenience," he said. "It's the less sophisticated employers that have a lot of other things to do in running their business—that's where we'll see the problem."

Some employers will not adequately explain the change to workers, he said. As a result, their employees may be hit with the 20% tax.

In addition, an employer's explanation of the new rule may fall on deaf ears in the case of employees who are fired or laid off and "are really not rational at that point," Mr. Vernon said.

Ironically, it may be the lower-paid or less sophisticated employees—whom the law aims to protect—that end up being hurt the most.

"Many employees don't follow up, don't read things," said Howard Golden, a Kwasha Lipton partner in Fort Lee, N.J. "Unfortunately the law will have the effect of hurting the person who is not a planner, the one the law wants to protect."

Employees who choose to receive a lump sum distribution still have 60 days to roll over the full distribution into a qualified plan, but few will be able to make up the amount withheld with out-of-pocket funds in order to qualify for tax refund.

"Who has that kind of money lying around?" Mr. Vernon asked.

"What's ironic is this really hurts the lower and middle-income people the most. And these are precisely the kind of people whose retirement the government is worried about," he said.

Uncertainty may be the greatest problem with the law for employers.

"The whole thing is in flux," Mr. Golden said.

Since President Bush signed the bill into law in July, employers and benefit consulting firms have called for clarifications and exemptions to the withholding provisions.

Congress and the U.S. Treasury Department have already drafted technical corrections to the measure.

"That's remarkably fast to have technical corrections to a statute that was enacted two months ago. It shows the degree this was pushed through the Congress without any input from the pension community," Mr. Golden observed.

The technical corrections would exempt certain temporary periodic payments, in-service hardship withdrawals and distributions of \$500 or less from the 20% withholding tax.

They would also permit rollovers into a defined benefit plan that accepts rollovers.

Those technical corrections are included in H.R. 11, a tax bill before the Senate. An earlier version passed by the House did not contain the changes.

By October, only three months before the rules are to take effect, a conference committee is expected to have reconciled the House and Senate tax bills. Still, President Bush might veto the tax bill. That possibility means employees and employers cannot necessarily rely on even the

Continued on page 12

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Spotlight report

Withholding rules

Continued from page 10
October versions of the rules, said Mr. Golden.

In addition, two bills in Congress would repeal the new withholding requirement. But congressional observers say Congress is more likely to amend, not repeal, the law (see related story, page 1).

Mr. Golden is among several consultants who argue that the current technical corrections do not go far enough. They favor further changes like:

- Delaying the effective date to Jan. 1, 1994, to give Congress more time to consider the changes and companies more time to comply with them.
- Excluding all in-service

withdrawals from the rollover rules.

• Permitting an employer to allow only one rollover election per distribution.

Currently, "it is unclear how many IRAs an employee can designate" to receive funds, Mr. Golden said.

• Increasing the minimum amount that is exempt from the 20% withholding to at least \$3,500 from \$500.

For now, Mr. Golden advises employers to delay specific decisions as to how they will handle the changes, but recommends making some general plans.

They should, for instance, decide what "reasonable deadlines" would be for the company to submit rollover instructions to employees, he said.

One thing that remains unclear, though, is what type of notice employers will be required to give to pension plan participants to inform them of their distribution options. The IRS has promised to release model language on these notices.

"What plan sponsors will want to do is put (that notice) in common English," said Foster Higgins' Mr. Edwards.

Employees can be notified of their pension rollover options during terminating interviews.

"That seems to be the appropriate time to do that, and before the distributions are actually processed," Mr. Edwards said.

"It's far better to let all the employees know in advance rather than letting terminated employees learn about the

change when they get their paperwork," Noble Lowndes' Mr. Huss agreed.

"Some type of clear, simple announcement letter should be issued sometime in the fourth quarter of this year, accompanied by or followed up by a summary plan description modification," he advised.

In addition to determining how to communicate distribution options, employers should contact their plan trustees to see how transfers will be handled and to set up a withholding mechanism, Mr. Golden said.

Other initial administrative tasks will include deciding exactly when pension plan documents should be modified and who—the pension attorney who drafted them or a benefit consul-

tant—should modify them. The documents must be modified by the 1994 plan year.

"A lot of companies could start the whole process (of planning and implementing changes) by October and still get it done by year-end, and some companies are still waiting for that," Mr. Vernon said.

Some consultants believe that the law will also place a significant administrative burden on employers that allow transfers into their retirement plans.

"The employer will be faced with many more requests for roll-overs than in the past," Mr. Huss said.

If employers don't verify that the plans from which transfers are being made are qualified plans, "this could easily lead to disqualification of the employer's entire plan," he warned.

Employers might decide to eliminate the right to roll over distributions into their plans unless the IRS provides some "administrative relief" for the requirement to verify plan validity, Mr. Huss said.

A surge in the volume of rollovers "could be the straw that breaks the camel's back" and makes an employer decide to prohibit incoming rollovers, Mr. Vernon warned.

And if employers don't already have a rollover provision, "this will be another excuse not to put it in," he added.

On the other hand, "a significant portion" of employers already allow rollovers, said Mr. Edwards. "I don't see rollover transactions so difficult that they would be prohibitive."

Besides, if companies began terminating the right to make rollovers into their plans, Congress could well counter with pension portability legislation that would mandate that all employers allow them, he warns.

"We don't want to get into a situation where people spend their retirement income. If that were to happen, I wouldn't be surprised at all if there were some type of mandated requirement" on employers to allow incoming rollovers, he said.

Whether terminating employees elect to take direct transfers or lump sum distributions could largely depend on the circumstances surrounding their departures, according to benefit consultants.

"If someone is laid off, maybe they'll take the money to survive," observed Mr. Edwards.

"In the case of hardships, presumably the person wants the money and will not elect to transfer," agrees Mr. Golden. "Similarly, executives and other big earners—who are prepared to take the hit because they have the cash—will not necessarily do a direct IRA transfer," since they can pay tax on the basis of five- or 10-year averaging, an option that is lost if funds are rolled into an IRA.

"But I think that in many situations one can expect that the employee will feel relieved that he or she does not have to do the IRA transfer himself or herself," Mr. Golden said.

"Once employees understand (the change), we're going to see the same kind of behavior as in the past. Small lump sums get taken, and big lump sums get saved for investment or retirement," Mr. Vernon said.

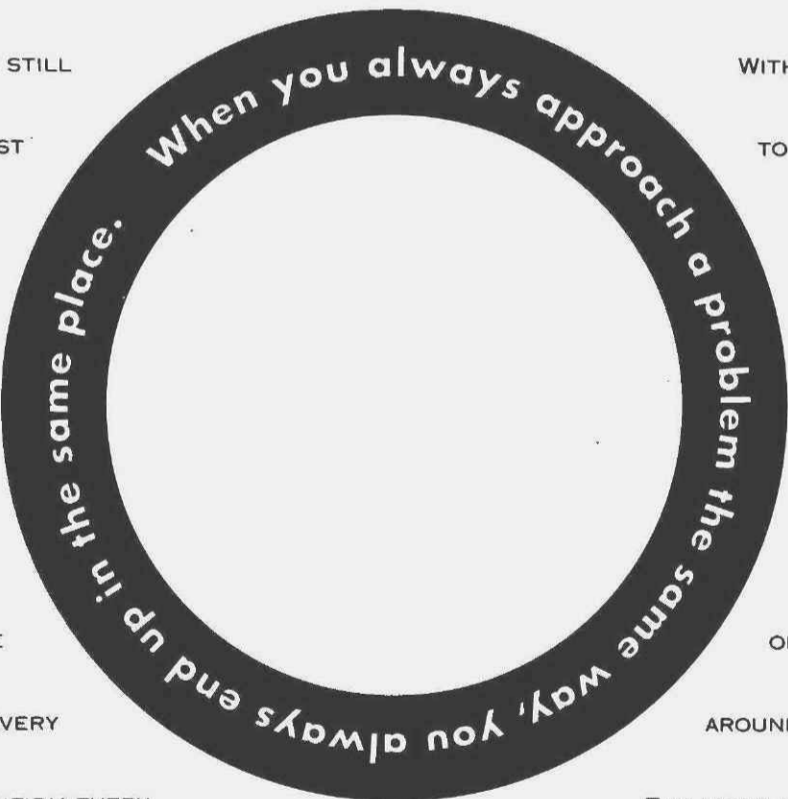
"If anything, the way it's going to go is toward more rollovers," the consultant said. "But I don't see a major shift."

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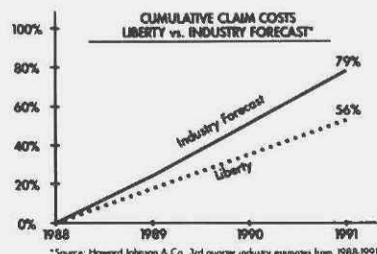
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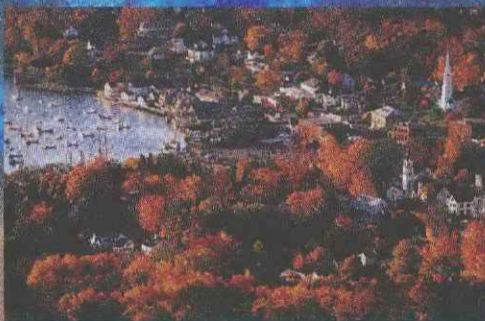
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No guarantees that PBGC will survive

Some say agency's growing deficit foreshadows an S&L-type collapse

By JERRY GEISEL

WASHINGTON—The federal agency that Congress established 18 years ago to bail out workers' and retirees' pension benefits when companies go belly up may now need a congressional rescue itself to avert a collapse.

Some federal officials say that if Congress does not take action, the nation's pension insurance system could face a financial disaster mirroring that in the savings and loan industry.

By one measure, the PBGC, the cornerstone of the Employee Retirement Income Security Act of 1974, has been one of ERISA's most visible successes.

The agency has achieved its social objective of guaranteeing workers' and retirees' pension benefits. Since 1974, the PBGC has taken over nearly 1,700 pension plans.

Each month, the agency mails out more than 142,000 checks—each averaging \$350—to retirees and survivors who were vested when the agency was forced to take over their employers' pension plans.

And, the PBGC expects to pay benefits to 230,000 more participants in those plans when those people reach retirement age.

The 1990 termination of seven underfunded pension plans sponsored by Eastern Airlines Inc., which later went out of business, added 50,000 participants to the PBGC's current and future benefit rolls. That increase is equal to the total number of people the agency paid benefits to a decade ago.

The PBGC in 1991 paid out \$514 million to former plan participants, up from \$94 million in 1982.

For many retirees, the monthly checks from the PBGC mean financial survival. For example, monthly checks for the 14,000 Eastern Airline retirees now average \$710 each. And, 10,300 retirees covered by the three Pan American World Airways Inc. pension plans that the PBGC took over last year shortly before Pan Am collapsed receive monthly checks averaging \$780 each.

Without the PBGC, "people would have been wiped out," said Washington attorney Michael L. Gordon, who helped draft ERISA as a Senate committee staffer in the early 1970s.

"The agency is an important part in assuring protection for the private pension plan system," said Edward J. Davey, a principal with A. Foster Higgins & Co. Inc. in New York.

But now, the PBGC's future is at stake.

The agency lost \$1 billion each year in 1990 and 1991, largely due to the Eastern and Pan Am plan terminations. At the end of fiscal 1991 last Sept. 30, the PBGC's deficit—the difference between its assets and the benefits it is obligated to pay—stood at \$2.5 billion, up from \$333 million a decade ago.

Even larger losses loom. The agency estimates that it faces \$13 billion of "probable losses" from companies that currently have severely underfunded pension plans and are in financial difficulty.

In addition, companies with big pension liabilities keep boosting benefits, increasing the PBGC's exposure to big losses.

"Companies in financial difficulty look at pension increases as cheap compensation, and their workers

agree to these empty promises because they are at least partially insured," PBGC Executive Director James B. Lockhart III recently told the House Ways and Means Oversight Subcommittee.

The worst-case scenario is that its deficit will balloon to \$19.9 billion by 2001.

Without a massive infusion of new revenue, the PBGC ultimately would have to sell off assets to pay benefits until the agency collapsed.

But, the agency's revenue base has been shrinking steadily in recent years. In 1991, 83,000 employers paid premiums to the PBGC, down

from 93,000 in 1990, 100,000 in 1989 and 105,000 in 1988.

And, employers are not setting up new defined benefit plans. Less than 500 defined benefit plans were established last year, while about 12,000 defined contribution plans were established.

The agency's financial woes are so severe that both administration officials and members of Congress compare the pension insurance program to the crisis-plagued S&L industry.

"One would have to be an ostrich with its head buried in the sand to ignore the S&L analogy and not to learn from it," said Secretary of Labor Lynn Martin.

"As sure as the sun rises, we are headed toward" an S&L-like situa-

tion, said Rep. J.J. Pickle, D-Texas.

Compounding the problems is that a key element in previous congressional efforts to shore up the agency—raising the premiums employers with defined benefit plans pay to support the insurance program—may no longer be a viable option. Companies with well-funded plans say there is a limit to the amount of PBGC premiums that companies will pay.

Annual premiums, set by Congress in 1974 at \$1 per plan participant, now range from \$19 per participant for fully funded plans to \$72 per participant in severely underfunded plans.

When premiums keep spiraling up, "major employers have to rethink their defined benefit plans and

consider moving in another direction," said Richard Spitznass, vp-compensation and benefits at Georgia-Pacific Corp. in Atlanta.

If premiums continue to escalate, prudent employers must "consider other alternatives" to a defined benefit pension plan, said Michael Pikelny, director of employee benefits at Hartmarx Corp. in Chicago.

A 1991 survey by consultant Noble Lowndes found that 16% of benefit executives would consider terminating their pension plans if the \$19 or flat-rate portion of the PBGC premium were doubled.

If Congress does not intervene and the premium ever reaches truly catastrophic, or four-digit, levels, "I couldn't see employers accepting it," said Bill Cleary, a consulting actuary with Noble Lowndes in Garden City, N.Y.

"If premiums keep rising, even-

Continued on next page



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Pension burden grows

Five of the PBGC's 10 largest claims—including the two largest—have hit the beleaguered agency since 1990.

Company	PBGC liability ¹	Year of termination
Pan American World Airways Inc.	\$700 million	1991
Eastern Airlines Inc	\$600 million	1990
Wheeling-Pittsburgh Steel Corp.	\$498 million	1985
LTV Corp.	\$230 million	1986
CF&I Steel Corp.	\$220 million	1992
Kaiser Steel Corp.	\$220 million	1986/87
Allis Chalmers Corp.	\$175 million	1985
Uniroyal Plastics Co. Inc. ²	\$157 million	1992
Blaw-Knox Corp.	\$81 million	1992
White Motor Corp.	\$66 million	1981

¹At time of termination ²Part of Jesup Group Inc.

GRAPHIC BY JOHN J. BOHORQUEZ

Continued from previous page
tually you kill the system," warned Theresa Stuchiner, a partner with Kwasha Lipton in Fort Lee, N.J.

Current PBGC officials and other pension experts say the last round of reform laws helped the agency somewhat but did not do enough to improve pension plan funding and thus reduce the PBGC's exposure to big losses.

In 1986 and 1987, Congress passed two bills to boost PBGC premiums and give the agency greater protection from big losses.

The laws, the Single Employer Pension Plan Amendments Act and the Pension Protection Act, also closed certain loopholes that made it relatively easy and cheap for certain ongoing companies to terminate their underfunded pension plans and transfer the liabilities to the PBGC.

For example, the 1987 Pension

Protection Act made it more difficult for companies to win approval from the Internal Revenue Service to temporarily stop making contributions to their pension plans. And, it made an entire corporate group, or "control group," liable if one unit stops making contributions to its pension plan.

Without those two laws, the PBGC would be in even worse shape, pension experts say.

"The PBGC got certain powers that it never had before," said Kathleen P. Utgoff, who was executive director of the agency when the laws were passed and is now an economist with the law firm Groom & Nordberg in Washington.

"The 1987 law was an improvement, but it didn't go far enough," the PBGC's Mr. Lockhart said.

For example, under current law, it is possible for a company to have an essentially bankrupt pension

plan and still not violate any funding rules. That could happen if laid off workers take early retirement benefits in lump sums, which would quickly strip the plan of assets.

In other cases, companies in severe financial difficulty continue to improve pension benefits. "It is a moral hazard. No one is worrying about funding levels because there is a government insurance program," Mr. Lockhart said.

One obvious approach—abolish the PBGC—is not the answer, experts say.

"There is a need for a federal safety net," said James Klein, executive director of the Assn. of Private Pension and Welfare Plans, an employer benefits lobbying group in Washington.

"People are locked into their pension plans," Mr. Lockhart said. "They can't, as in a bank, take their money out," so their benefits should be protected.

Mr. Lockhart, echoing the thoughts of employers with well-funded plans and consultants, says the key to preventing a PBGC collapse is to toughen pension funding rules.

For example, to prevent a pension plan from being bankrupted by workers taking lump-sum benefits, he favors requiring companies to fund their plans annually by an amount that is at least equal to the amount the plan pays out in benefits.

Employers also should fund their pension obligations much faster, in a range of 10 to 15 years, he recommends. Employers now have up to 30 years to fund pension liabilities.

"There should be a closer match between funding and PBGC guarantees," said Rick Davids, a consultant with Hewitt Associates in Lincolnshire, Ill.

In addition, "By not guaranteeing future benefit increases, workers and unions will put much more pressure on companies to better fund their plans," Mr. Lockhart said.

The agency now guarantees pension benefit improvements after a five-year phase-in period.

A bill proposed by the Bush administration aims to encourage that type of pressure. It would prohibit future PBGC benefit guarantees of benefit improvements that result in pension underfunding.

Other proposals to prop up the agency include giving it priority status over other creditors when companies have filed for bankruptcy and requiring companies in Chapter 11 to continue funding their pension programs.

Mr. Lockhart acknowledges that companies with well-funded plans probably will terminate their plans if reforms are not enacted to reduce the agency's deficit and curb premium hikes.

"Companies are going to start looking at the premiums and say, 'Is it worth it? We have this sort of open-ended commitment to the PBGC, and it could grow forever if we don't terminate the plan.' If we don't reform the program, we will lose major employers," Mr. Lockhart said.

Mr. Lockhart said he is optimistic that Congress will not allow the PBGC and its insurance program to collapse.

"This is an issue people can understand. It is an extremely important issue. All politicians understand that the program is something that should be protected," he said.

Others say it will take more pension failures and big PBGC losses to prod Congress into action. "If there are more failures, enough political pressure may develop to change the system," said Mr. Davey of Foster Higgins.

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Insurer trouble a wakeup call for non-profits

403(b) sponsors just now starting to scrutinize issuers of annuities

By JUDY GREENWALD

Non-profit entities that sponsor pension plans for their employees are beginning to pay closer attention to who is providing their 403(b) annuities.

The state takeover of Mutual Benefit Life Insurance Co. and the failure of Executive Life Insurance Co. have prompted many of them—on behalf of their 403(b) annuity holders—to investigate issues like solvency. Mutual Benefit had been a factor in this market (*BI*, July 22, 1991).

"We've seen a lot more attention paid to financial stability issues and concerns," said Joe Osborne, senior vp-marketing for The Variable Annuity Life Insurance Co. in Houston, an American General Corp. unit.

The 403(b) annuities, which are often held by non-profit institutions like universities, hospitals, churches and charities, tend to operate like 401(k) plans. Insurers generally issue these annuities, though a growing number of mutual funds are entering the market as well, observers say.

Annuities can be fixed or variable, with benefits dependent on investment performance. Most plans do not feature matching employer contributions.

Variable Annuity Life estimates that 403(b) annuities are held by 2.4 million to 3.5 million—or 17% to 25%—of the 14 million eligible employees.

No official data is available on the amount of assets in the approximately 7,400 403(b) annuity plans. The largest insurer in this market—New York-based Teachers Insurance & Annuity Assn. of America-College Retirement Equities Fund, or TIAA-CREF—has \$107 billion in assets.

Observers describe the market

as mature, with steady but unspectacular growth.

One major difference from 401(k) plans is that assuming certain conditions—such as the availability of a "reasonable choice" of investment options and no employer matching contributions—403(b) plans sponsored by public entities do not fall under the Employee Retirement Income Security Act, and employers are not considered to have fiduciary responsibility.

In fact, in many cases, obtaining employer approval for an insurer to offer its products to employees has been a mere technicality, observers say. As a result, there are often more options available to employees than

there are under 401(k) plans. It's possible that employees could be offered as many as 100 different choices under a 403(b) plan.

Once signed on, the insurers deal directly with the employee, and there can be little if any further employer involvement except for administration. Even today, observers say, some employers are unaware how much of their employees' assets are invested in 403(b) annuities.

But that is beginning to change, with employers paying closer attention to the insurers with which they do business.

Until Mutual Benefit, plan sponsors generally "didn't seem to have an ownership feeling about the fund" and did not view 403(b) annuities as being sponsored by them, so they paid little attention to factors like ratings, said Kim McCarrel, a Wyatt Co. consultant in Portland, Ore.

Furthermore, Ms. McCarrel said, "There's a real sales element there," with the annuities sold directly to employees, much like life insurance. This means the product sold to the employee can reflect the salesmanship involved and is "not necessarily the best product."

Mutual Benefit, however, has "really hit home with a lot of plan sponsors," she said.

Now more plan sponsors are reviewing the credit of the insurers offering annuities and communicating more with employees about investment performance and credit ratings.

There has been a change going on in this area for a couple of years, but the Mutual Benefit insolvency "really accelerated it," agreed Brian Ternoey, a principal at A. Foster Higgins & Co. Inc. in Princeton, N.J. Many a public employer had decided that because it did not have an ERISA plan, it had absolutely no responsibility and "could just sort of sit there and do what it wanted to," said Mr. Ternoey.

Mutual Benefit has made clear, though, that "there is responsibility whether you're an ERISA plan or not," said Mr. Ternoey. "These people have been brought into the '90s real fast," he said.

A lot of the employers "are taking the time and effort to go through a selection process that's far more detailed than they ever did before," agreed Michael Footer, a principal with William M. Mercer Inc. in Richmond, Va.

All of a sudden, non-profit employers are beginning to look much more carefully at financial ratings, examining data from A.M. Best Co., Standard & Poor's Corp. and Moody's Investors Service, said Ralph Gretzinger, a consultant with Hewitt Associates in Dallas.

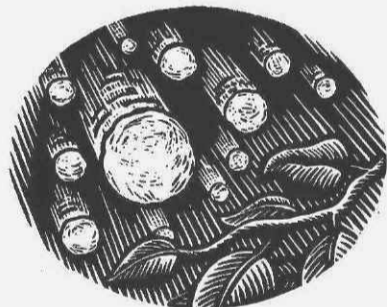
"I think there's no doubt that's a concern of all of us," said Rex Athan, president of California Fringe Benefits, based in San Ramon, Calif., a consulting firm that works with California hospitals on 403(b) plans. "It's a growing concern of employees, as well as consultants to the hospitals," he said.

"There's no question" that problems with insurers, savings and loans and banks have alerted people to potential problems with annuities, said Larry Hershberger, senior vp of pension and annuity services for TIAA-CREF. The New York-based association specializes in higher education and research institutions.

Employers are responding by paying more attention to their

Continued on page 18

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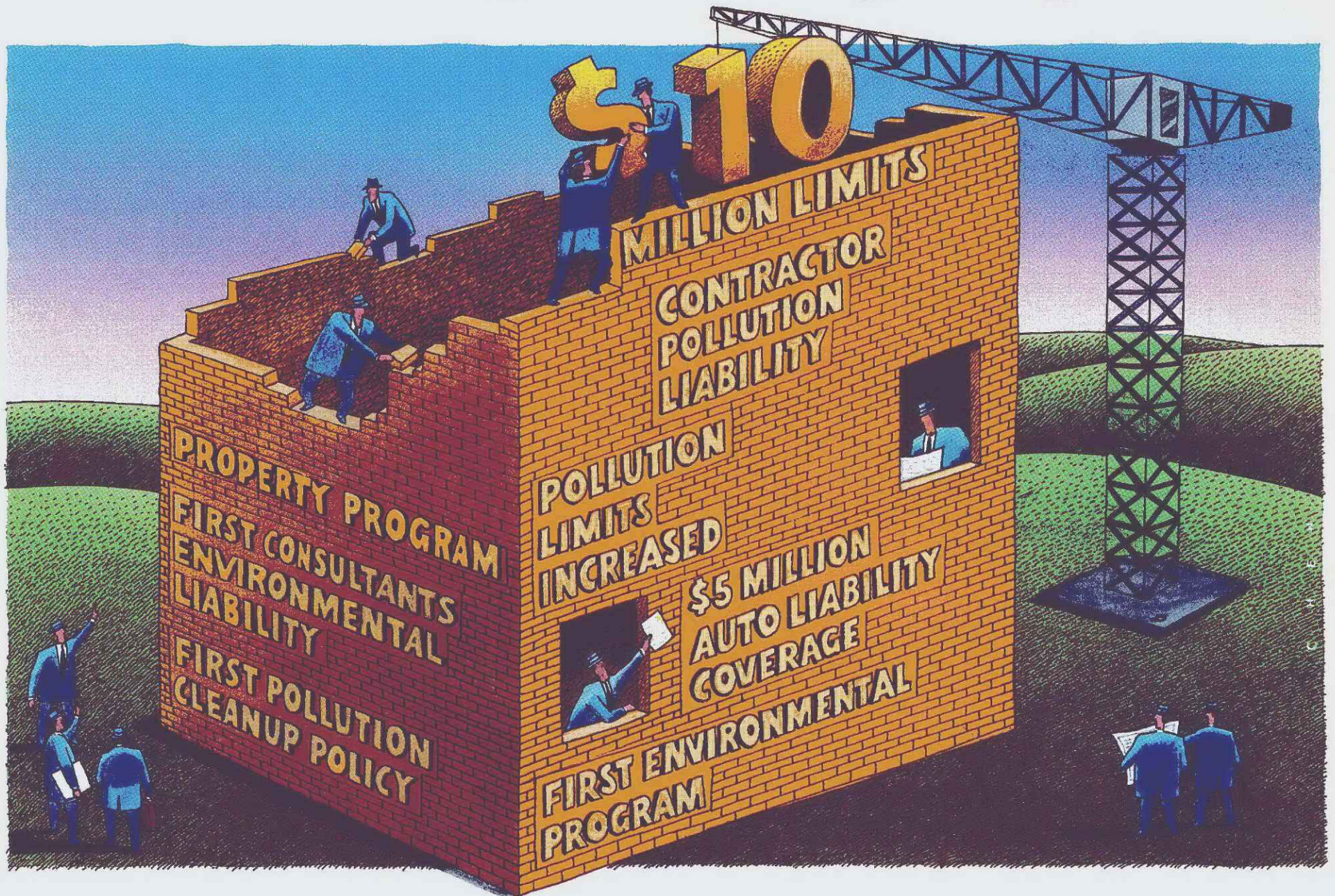
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Spotlight report

403(b) plans

Continued from page 16
insurers, examining ratings and asking questions, he said. And employees are taking greater interest in these issues as well, he added.

"We are paying close attention to it," said Dan Bogart, employee benefits manager for the Texas A&M University System in College Station, Texas, which includes eight educational institutions, among them Texas A&M University, and seven state agencies.

This is not being done in response to Mutual Benefit, he said, but because the university system is "concerned about the quality of retirement programs for our employees."

Texas A&M is asking annuity issuers to improve their reporting to participants. And the university system is providing more retirement and financial planning.

Pointing to the fact that the system does not bear fiduciary responsibility for the plan, Mr. Bogart said, "We are trying to make the employee know he's responsible." About 2,000 employees participate in its 403(b) program.

Under Texas law, Texas A&M is required to offer the products of any insurer licensed in Texas who requests it. Its employees have funds in about 60 insurers, with an indeterminate number of options available to them.

But Mr. Bogart said the threat of insolvency is not a factor in the university system's increased involvement. The system has no cause for concern that any of the companies it is doing business with may be on the verge of bankruptcy, he said. Increased involvement stems from a "much more positive attitude" of giving employees better tools to plan their retirement, he said. ■

BI's third annual directory of 401(k) plan administrators

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sions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, clients' on-line access. Consults on plan design issues, compliance issues, employee communications. Other services include conversion, benefits consulting.

Service area: Nationwide.

Locations: Administrative and consulting offices in Gaithersburg, Md.

Staff: 60 total; 40 involved in 401(k) plan services. Professionals: nine CEBSs, four CPAs, three ASAs/FSAs.

Clients: No minimum size plan.

Principal officers: Leo J. Mott, chairman/chief executive officer; Gerald L. Forrester, supervisor; Gene G. Sandefur, vp; Twila Bastian, Walter E. Frasier, director.

Contact: Kent H. Novell.

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Founded: 1970; 401(k) plan administration services since 1982.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include investment advisory work, cash management and check writing.

Service area: Northeast.

Staff: 85 total; 55 involved in 401(k) plan services. Professionals: two CEBSs, seven MBAs, one CPA, four ASAs/FSAs, two attorneys.

Clients: 275 total; 10% with 1 to 100 employees, 70% with 101 to 1,000, 15% with 1,001 to 5,000, 5% with more than 5,000. Average plan, 450 participants; largest plan, 7,500; minimum size plan, 100; no maximum size plan.

Principal officers: Joel Disend, president; John Quesnel, David Vangel, managing consultants; Chris Blair, director-marketing; Andrew Martel, senior consultant.

Contact: Chris Blair.

ARS Benefits Inc.

4501 Circle 75 Parkway, Suite
B-2200, Atlanta, Ga. 30339;
404-980-1908; fax: 404-859-0837

Founded: 1982; 401(k) plan administration services since 1989.

Software: Purchased from an outside vendor; accommodates nine investment funds and five kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include cafeteria plans, self-funded group health administration, all other types of qualified plans.

Service area: Mainly Southeast and Midwest.

Staff: 12 total; three involved in 401(k) plan services. Professionals: one CEBS.

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Principal officers: Gloria Aaberg, president.

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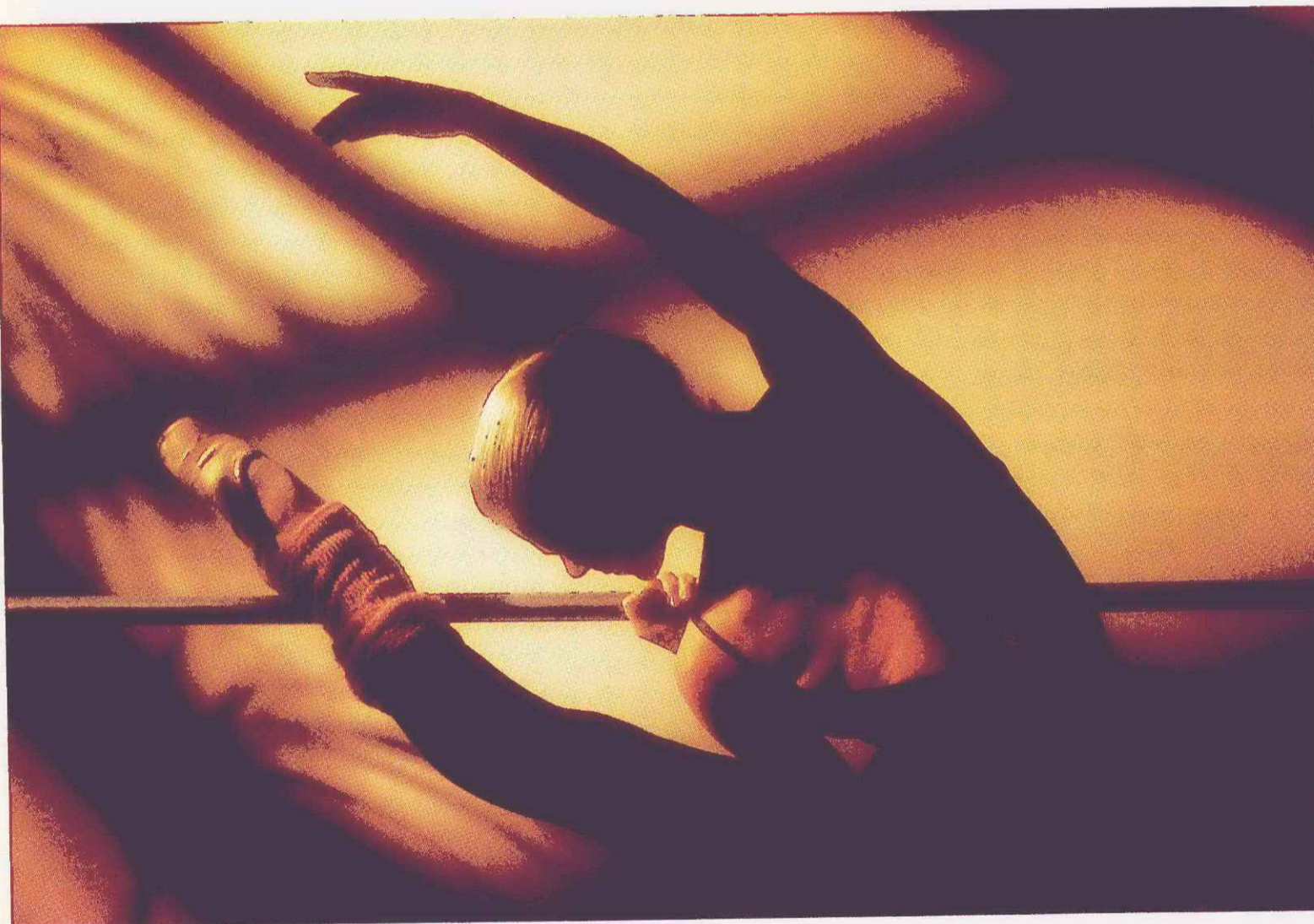
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Client support: Daily valuations, toll-free service for account balance inquiries and account activity inquiries, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan

Continued on page 20

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For complete information write to Chuck Clinton, Vice President, Asset Management Services, ITT Hartford Life Insurance Companies, P.O. Box 2999, Hartford, CT 06104-2999.

Or call him at (203) 843-8032.



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Continued from page 18
design issues, compliance issues, employee communications.
Service area: Nationwide.
Locations: Consulting offices in 28 locations nationwide.
Staff: 2,000 total; 250 involved in 401(k) plan services. Professionals: CEBs, MBAs, CPAs, ASAs/FSAs, attorneys.
Clients: 100% with more than 5,000 employees. Average plan, 25,000 participants; largest plan, 300,000; minimum size plan, 10,000; no maximum size plan.
Principal officers: Chris Joyce, vp/ chief financial officer; Nancy Dreicer, vp-inbound direct marketing services; Frank Cobbin, vp-outbound direct marketing services; Charlie Stambaugh, vp-marketing/sales; Brad Benton, executive director-employee benefits administration services.
Contact: Tom Wothington, 904-636-2815.

Administrative Management Group Inc.

3800 N. Wilke Road, Suite 250,
Arlington Heights, Ill. 60004;
708-577-6000; fax: 708-577-6038

Founded: 1982; 401(k) plan administration services since 1982.

Software: Written and maintained by the company; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries account activity requests, clients' on-line access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include projection letters, personal computer software.

Service area: Nationwide.
Staff: 81 total; 32 involved in 401(k) plan services. Professionals: two CEBs, four MBAs, two CPAs, three ASAs/FSAs, one attorney.

Clients: 273 total; 4% with 1 to 100 employees, 71% with 101 to 1,000, 22% with 1,001 to 5,000, 3% with more than 5,000. Average plan, 770 participants; largest plan, 9,000; minimum size plan, 250.

Aetna Life Insurance Co.

151 Farmington Ave., Hartford,
Conn. 06156; 203-652-2098;
fax: 203-652-2280

Founded: 1853; 401(k) plan adminis-

tration services since 1981.
Parent: Aetna Life and Casualty Co.
Software: Written and maintained by the company and purchased from an outside vendor; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries and account activity requests, clients' on-line access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include employee enrollment and education support, data formatting services, electronic data submission, 800 number for benefits managers, personalized enrollment forms, customized communication programs, implementation team.

Service area: Nationwide.
Locations: Administrative and consulting offices in Glastonbury, Conn.

Staff: 235 total; 200 involved in 401(k) plan services. Professionals: three CEBs, five MBAs, one CPA, two ASAs/FSAs, one attorney.

Clients: 450 total; 37% with 1 to 100 employees, 55% with 101 to 1,000, 6% with 1,001 to 5,000, 2% with more than 5,000. Average plan, 420 participants; largest plan, 40,870; minimum size plan, 300.

1991 gross revenues: \$392.7 million total for pension & financial services area; \$9.2 million from 401(k) plan administration.

Contact: Pat Macken.

Alexander & Alexander Consulting Group Inc.

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

Founded: 1934; 401(k) plan administration services since 1976.

Parent: Alexander & Alexander Services Inc.

Software: Written and maintained by the company; accommodates 25 investment funds and 15 kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries and account activity requests, clients' on-line with voice response access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee

communications. Other services include investment services consulting; plan audits; vendor selection; systems consulting; plan, design and communication consulting.

Service area: Nationwide.
Locations: Administrative and consulting offices in Atlanta; Baltimore; Chicago; Dallas; Los Angeles; Philadelphia; St. Louis. Additional consulting offices in Boston; Detroit; Greenwich, Conn.; Minneapolis; New York; Pittsburgh; Richmond, Va.; San Francisco; Tampa, Fla.

Staff: 1,240 total; 60 involved in 401(k) plan services.

Clients: 215 total; 3% with 1 to 100 employees, 30% with 101 to 1,000, 60% with 1,001 to 5,000, 7% with more than 5,000. Average plan, 1,000 participants; largest plan, 50,000 to 60,000; minimum size plan, 100; no maximum size plan.

1991 gross revenues: \$252 million total; \$7.5 million from 401(k) plan administration.

Principal officers: The Alexander Consulting Group-A.M. D'Alessandro, chairman/chief executive officer; Donald Cleveland, president/chief operating officer. Alexander & Alexander Consulting Group Inc.-Richard J. Anthony, chairman/chief executive officer. Alexander & Alexander Benefits Services Inc.-John L. Goodyear, president/chief operating officer.

Contact: Claire Crawford.

Alliance Capital Management Corp.

1345 Ave. of the Americas, New
York, N.Y. 10105; 212-969-1000

Founded: 1971.

Software: Written and maintained by the company, record keeping is provided by an outside third-party; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries and account activity requests, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include full service turnkey program including plan administration, investments and trusteeship.

Service area: Nationwide.
Staff: 1,200 total; 400 involved in 401(k) plan services. Professionals: CEBs, MBAs, CPAs, ASAs/FSAs, attorneys.

Clients: Minimum size plan, 100 par-

ticipants; no maximum size plan.
Contact: John F. Silver, 212-969-2152.

American Capital Marketing Inc.

2800 Post Oak Blvd., Houston,
Texas 77056; 800-231-3638 ext.
507; fax: 713-966-7406

Founded: 1927; 401(k) plan administration services since 1985.

Parent: Primerica Corp.
Software: Purchased from an outside vendor; accommodates 60 investment funds and 30 kinds of contributions.

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include submission of the summary plan description to the Department of Labor, preparation of IRS 5500 series forms, providing manuals containing forms and procedures to simplify the operation of the plan for the client, one pension analyst who handles all administrative services provided by American Capital.

Service area: Nationwide.
Locations: Administrative office in Houston. Consulting offices in Atlanta; Fort Collins, Colo.; Houston.

Staff: 43 total; 16 involved in 401(k) plan services. Professionals: two CEBs, one MBA, one attorney.

Clients: 230 total; 93% with 1 to 100 employees, 5% with 101 to 1,000, 1% with 1,001 to 5,000, 1% with 5,001 or more. Average plan, 140 participants; largest plan, 5,300; minimum size plan, five; maximum size plan, 10,000.

1991 gross revenues: \$103.5 million total; \$260,000 from 401(k) plan administration.

Principal officers: Don Powell, chief executive officer/president; Don McMullen, Robert Peck and Alan Sachtleben, executive vps; Paul Hilstad, general counsel.

Ameritas Life Insurance Corp.

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

Founded: 1887; 401(k) plan administration services since 1985.

Parent: Mutual Insurance Co.

Software: Purchased from an outside vendor; accommodates 64 investment funds and nine kinds of contributions.

Administration: Uses cash account-

Continued on page 22

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Guide to 401(k) plan directory

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

The directory is published as an editorial service. There is no charge to be included; however, companies wishing to be listed were required to fill out and return a *Business Insurance* questionnaire.

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

Next, details on software used, administration services provided, and client support services offered by the administrator are described.

Following, the service area and locations of branch offices are given. Details on staff and 401(k) clients follow. How the company charges for its services and 1991 gross revenues (when provided by the company) are given.

Names and titles of principal officers and a contact person for readers seeking further information from the company 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.

Following are the complete professional designations for those abbreviated under the staff heading:

ASA is Associate, Society of Actuaries; CEBs is Certified Employee Benefit Specialist; CPA is Certified Public Accountant; FSA is Fellow, Society of Actuaries; MBA is Master of Business Administration.



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International Markets

Issue Date: August 31

Distributed at the Rendez-Vous de Septembre in Monte Carlo, this issue drew global attention with *BI's* ranking of the world's 20 largest reinsurers. Top executives of these companies commented on the current and future conditions in the market. *BI's* annual report on Lloyd's of London was all the more compelling due to the unprecedented turbulence at Lloyd's. Included was *BI's* Directory of Leading Reinsurers Worldwide.

Closed

Rendez-Vous Report

Issue Date: September 21

Mark your calendar for *BI's* spotlight issue reporting on the Rendez-Vous de Septembre in Monte Carlo. Reinsurance executives gathering for this important meeting will discuss the state of the reinsurance industry and its future. Reinsurance executives also will predict the prospects for year-end renewals. And *BI* will cover it all ... the speeches, special events and individual company developments ... with clarity and insight second to none.

Ad Closing: September 8

Trends & Issues

Issue Date: October 26

BI will devote this spotlight report to the most important trends and issues taking shape in the global reinsurance market. *BI* will focus on the amount of capital in the reinsurance marketplace and how it is deployed. What's more, *BI* will report on the state of the U.S. and European markets and developments in financial reinsurance worldwide. Included will be *BI's* Directory of Reinsurance Brokers. Plus special distribution at NAI's annual meeting.

Ad Closing: October 13

With this powerful series of spotlight issues, *BI* makes an unequalled commitment to the reinsurance marketplace. To maximize your exposure to influential readers the world over, make your commitment today to advertise in the remaining issues of this dynamic series. Because advertising in *Business Insurance* will expand your circle of opportunity.

Continued from page 22
ing; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.
Locations: Administrative and consulting offices in Lincoln, Neb.

Staff: 818 total; 20 involved in 401(k) plan services. Professionals: five CEBSs, one MBA, two CPAs, four ASAs/FSAs, one attorney.

Clients: 39 total; 87% with 1 to 100 employees, 13% with 101 to 1,000. Average plan, 37 participants; largest plan, 171; no minimum or maximum size plan.

1991 gross revenues: \$419.8 million

total; \$72,710 from 401(k) plan administration.

Principal officers: Neal F. Tyner, chairman/chief executive officer; Lawrence J. Arth, president/chief operating officer; Richard P. Day, executive vp-business development.

Contact: Joseph Roy, 402-467-6977 or Jessie Waller, 800-745-9995.

AmSouth Bank N.A.

P.O. Box 11426, Birmingham, Ala. 35202; 205-326-5408; fax: 205-581-7390

Founded: early 1900's; 401(k) plan administration services since 1982.

Software: Written and maintained by the company, some purchased from an outside vendor; accommodates a combined total of 60 investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees.

daily valuations*, toll-free service for account balance inquiries from participants*, toll-free service for participants to request account activity* (* available within six months). Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include money management, trustee, custodian, prototype documents.

Service area: Nationwide.

Locations: Administrative and consulting offices in Birmingham, Huntsville, Mobile, Montgomery and Tuscaloosa, Ala.; Pensacola, Fla.

Staff: 375 total in Trust Division; 60 involved in 401(k) plan services. Professionals: five CEBSs, five MBAs, two CPAs, four attorneys.

Clients: 130 total; 77% with 1 to 100 employees, 16% with 101 to 1,000, 6% with 1,001 to 5,000, 1% with more than 5,000. Average plan, 150 participants; largest plan, 13,000; minimum size plan, two; no maximum size plan.

1991 gross revenues: \$6 million total

Principal officers: Lynn Cushing, manager-employee benefits/vp/trust of-

ficer; Phil Anderson, manager-employee benefit sales; Jim Garrison, vp/trust officer/manager-participant recordkeeping; Katy Davidson, vp/trust officer/manager-trust administration.

Contact: Kathy Davidson.

Arnold & Co.

1301 W. Long Lake Road, Suite 225, Troy, Mich. 48098-6348; 313-641-8686; fax: 313-641-7885

Founded: 1972; 401(k) plan administration services since 1984.

Software: Purchased from an outside vendor; accommodates 48 investment funds and eight kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services

include enrollment services, preparation of custom enrollment workbooks and tax-impact illustrations.

Service area: Nationwide.

Locations: Administrative and consulting offices in Troy, Mich.

Staff: 17 total; 12 involved in 401(k) plan services. Professionals: two CEBSs, one ASA/FSA.

Clients: Over 200 total; 75% with 1 to 100 employees, 20% with 101 to 1,000, 5% with 1,001 to 5,000. Average plan, 45 participants; largest plan, 2,250.

Principal officers: Craig C. Arnold, president.

B

Bank of America

1 S. Van Ness, San Francisco, Calif. 94103; 415-241-7567; fax: 415-241-4206

Founded: 1904; 401(k) plan administration services since 1983.

Parent: Bank of America Corp.

Software: Purchased from an outside vendor; accommodates 15 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Locations: Administrative and consulting offices in Los Angeles, Seattle and San Francisco.

Staff: 225 total; 25 involved in 401(k) plan services. Professionals: three MBAs.

Clients: 15% with 1 to 100 employees, 75% with 101 to 1,000, 10% with 1,001 to 5,000. Average plan, 350 participants; largest plan, 3,000; minimum size plan, 50; no maximum size plan.

Principal officers: Warren Metzger, John Marino, Deborah Boone, Shirley Schenk, Greg Munson.

Bankers Trust Co.

280 Park Ave., New York, N.Y. 10017; 212-454-2051; fax: 212-454-2647

Founded: 1903; 401(k) plan administration services since 1960.

Software: Written and maintained by the company; accommodates 99 investment funds and 20 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include trusteeship, investment management, flex enrollment, pensions administration, benefit payments.

Service area: Nationwide.

Locations: Administrative offices and consulting offices in New York; Nashville, Tenn.; Los Angeles; Houston.

Staff: 10,000 total; 500 involved in 401(k) plan services. Professionals: 10 CEBSs, 150 MBAs, three CPAs, three attorneys.

Clients: 240 total; 18% with 101 to 1,000 employees, 37% with 1,001 to 5,000, 45% with more than 5,000. Average plan, 10,000 participants; largest plan, 280,000; minimum size plan, 500; no maximum size plan.

1991 gross revenues: \$2.5 billion total (does not include interest revenue).

Principal officers: Richard Marin, marketing director-retirement services; Allan Martin, Rajan Govindan, Andrew Hunter, Deborah Dilley, marketing directors.

Benefit Administration Services Ltd.

401 E. Capitol St., Suite 413, Jackson, Miss. 39201; 601-969-1286; fax: 601-354-4085

Continued on next page

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Continued from previous page

Founded: 1984; 401(k) plan administration services since 1988.

Software: Written and maintained by the company.

Administration: Uses unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include installation of new plans including plan documentation, enrollment and meetings.

Service area: Sun Belt states.

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

Clients: 25% with 1 to 100 employees, 75% with 101 to 1,000. Average plan, 150 participants; largest plan, 300; minimum size plan, 50; no maximum size plan.

Principal officers: John Nicholson, chairman; Tom M. Brown, president; Leslie D. Ashford, vp.

Contact: Marcus Glenn.

Benefit Concepts Inc. of Rhode Island

396 Wampanoag Trail, East Providence, R.I. 02915; 401-438-7100; fax: 401-438-5420

Founded: 1980; 401(k) plan administration services since 1984.

Software: Purchased from an outside vendor; accommodates 25 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include census verification, eligibility determination, valuation preparation, government forms, discrimination testing, participant statements, SAR, loan administration.

Service area: New England.

Staff: 18 total; 12 involved in 401(k) plan services. Professionals: one MBA.

Clients: 120 total; 70% with 1 to 100 employees, 30% with 101 to 1,000. Average plan, 85 participants; largest plan, 850; minimum size plan, 10; maximum size plan, 5,000.

Principal officers: F. Jay Hoder, John W. Hoder.

Contact: F. Jay Hoder.

Boatmen's Trust Co.

100 N. Broadway, St. Louis, Mo. 63102; 314-466-3800; fax: 314-466-3964

Founded: 1889; 401(k) plan administration services since 1981.

Parent: Boatmen's Bancshares Inc.

Software: Purchased from an outside vendor; accommodates 30 investment funds and 10 kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include benefit payments, performance measurement, prototype plans, 5500 IRS filing, comprehensive investment management, customized enrollment material, customized statements.

Service area: Nationwide.

Locations: Administrative and consulting offices in St. Louis and Kansas City, Mo.; Oklahoma City.

Staff: 825 total; 225 involved in 401(k) plan services. Professionals: 17 CEBSSs, 41 MBAs, four CPAs, four ASAs/FSAs, 10 attorneys.

Clients: 154 total; 34% with 1 to 100 employees, 50% with 101 to 1,000, 15% with 1,001 to 5,000, 1% with more than 5,000. Average plan, 800 participants; largest plan, 5,100; minimum size plan, 50; no maximum size plan.

Principal officers: John Peters MacCarthy, chairman/chief executive officer; Rollin C. Woltjen, executive vp/director-pension and institutional services.

Contact: Richard W. Hibbs, 314-466-3802.

Booke & Co.

310 W. Fourth St., Winston-Salem, N.C. 27101; 919-748-1120; fax: 919-725-7285

Founded: 1941; 401(k) plan administration services since 1977.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

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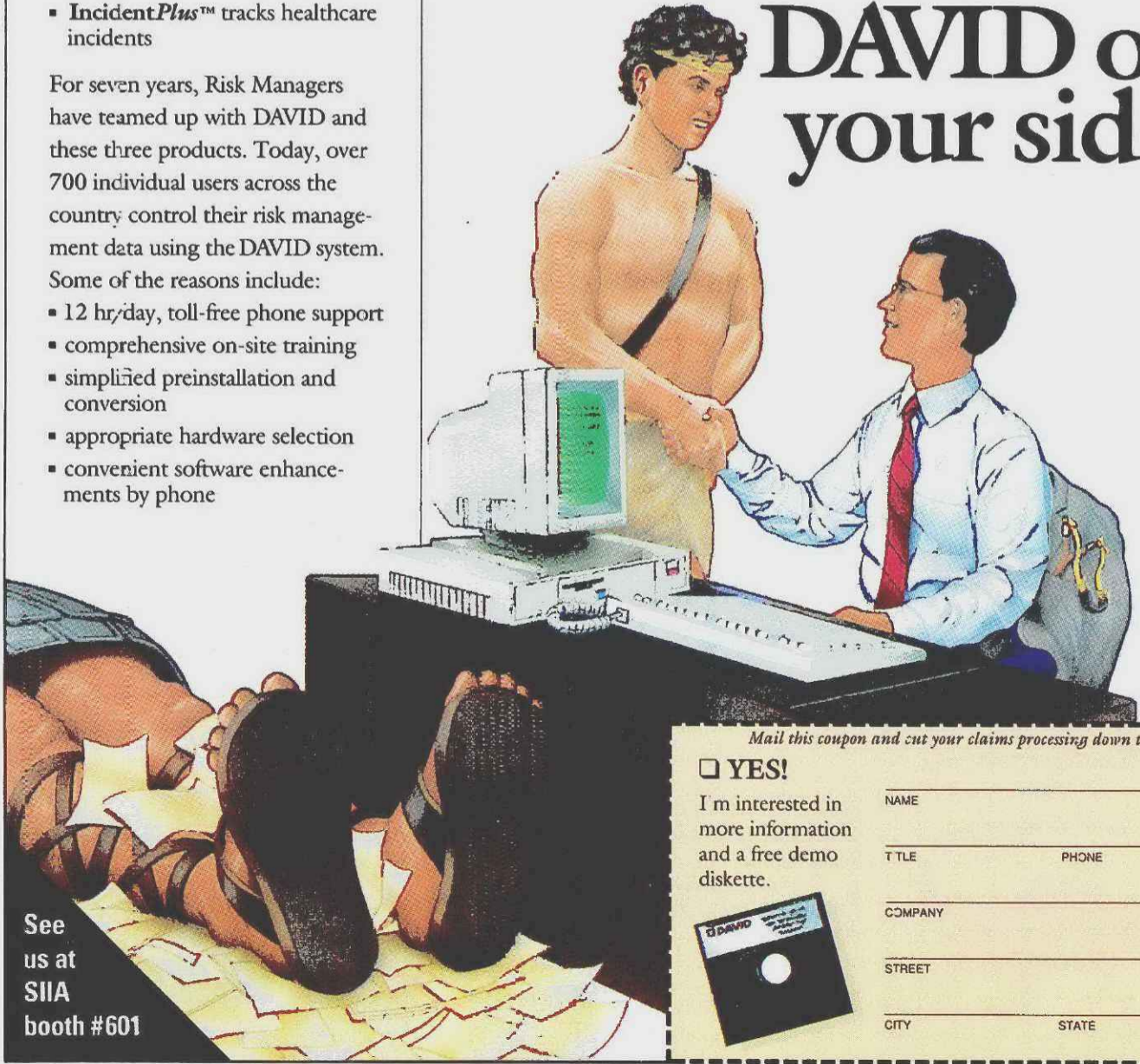
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Continued from previous page
design issues, compliance issues, employee communications.

Service area: Nationwide.

Locations: Administrative and consulting offices in Birmingham, Ala.; Chicago; Columbus, Ohio.

Staff: 357 total; 86 involved in 401(k) plan services. Professionals: 24 CEBSS, 15 MBAs, 13 CPAs, 27 ASAs/FSAs, six attorneys.

Principal officers: Donald C. Ingram, president; Roger L. Vaughn, executive vp/chief actuary; Joseph H. Ely, Linda P. Holleman, senior vps.

Contact: Joseph H. Ely.

Buck Consultants Inc.

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

Founded: 1916; 401(k) plan administration services since 1973.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include voice response systems/services, PC-based inquiry and transaction system, integrated data system, administrative forms and manuals, investment supervisory services, plan document preparation, loan administration consulting, benefit statements, preretirement and financial planning seminars.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Fort Wayne, Ind.; Honolulu; Dallas and Houston; Los Angeles; Pittsburgh; San Francisco; Secaucus, N.J.; Stamford, Conn.; New York; Denver; Detroit; Washington.

Staff: 1,400 total; 200 involved in 401(k) plan services. Professionals: 17 CEBSS, 57 MBAs, six CPAs, 122 ASAs/FSAs, 34 attorneys.

Clients: 375 total. Average plan, 1,400 participants; largest plan, 45,000; no minimum or maximum size plan.

1991 gross revenues: \$158.5 million total.

Principal officers: William E. Giegerich, president/chief executive officer; 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.

111 W. Washington, Chicago, Ill. 60602; 312-630-2791; fax: 312-630-3091

Founded: 401(k) plan administration services since 1983.

Parent: Alleghany Corp.

Software: Leased from an outside vendor; accommodates 10 investment funds and 15 kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include compliance testing.

Service area: Midwest.

Locations: Administrative offices and consulting offices in Chicago.

Staff: 65 total; 60 involved in 401(k) plan services. Professionals: one CEBSS, four MBAs, two CPAs, two attorneys.

Clients: 300 total; 30% with 1 to 100 employees, 65% with 101 to 1,000, 5% with 1,001 to 5,000. Average plan, 225 participants; largest plan, 8,000; minimum size plan, 25; maximum size plan, 10,000.

Principal officers: Dan Joyce, vp-employee benefits group, 312-630-2786.

CIGNA Group Pension Division

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

Founded: 1924; 401(k) plan administration services since 1982.

Parent: CIGNA Corp.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Continued on next page

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Chicago, Illinois 60606-6393
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CELTIC

Continued from previous page
 cations. Manages investment of the plan funds. Other services include discrimination testing services, enrollment/re-enrollment, trustee, loan administration software.

Service area: Nationwide.

Locations: Administrative offices in Hartford, Conn.; Philadelphia; Dubuque, Iowa. Consulting offices in 29 locations.

Staff: 1,300 total.

Clients: 2600 total; 65% with 1 to 100 employees, 33% with 101 to 1,000, 2% with 1,001 to 5,000. Average plan, 150 participants; largest plan, 22,500; minimum size plan, five; no maximum size plan.

1991 gross revenues: \$2.18 million total.

Principal officers: Byron D. Oliver, president-GPD; David B. Gerges, vp-financial; Frederick C. Castellani, vp-marketing; Roy H. Bubbs, vp-sales; Thomas J. Quinlan, vp-customer service.

Contact: Mary Ann Langevin, assistant vp-marketing.

Concord Financial Group

156 W. 56th St., New York, N.Y. 10019; 212-492-1600; fax: 212-581-6091

Founded: 1987; 401(k) plan administration services since 1991.

Software: Recordkeeping is provided by an outside third-party; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include distribution/administration of mutual funds, proprietary mutual funds, cash management, marketing literature.

Service area: Nationwide.

Locations: Administrative and consulting offices in New York and Tampa, Fla.

Staff: 500 total; 100 involved in 401(k) plan services.

Clients: 2,500 total; 15% with 1 to 100 employees, 30% with 101 to 1,000, 40% with 1,001 to 5,000, 15% with more than 5,000. Average plan, 3,000 participants; largest plan, 177,000; minimum size plan, one; no maximum size plan.

Principal officers: Tim Spices, chairman; Rick Stierwalt, chief executive officer; Bill Blundin, president; Susan West, Joe Kissel, executive vps.

Coopers & Lybrand Actuarial Benefits & Compensation

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

Founded: 1961; 401(k) plan administration services since 1982.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include sections 410, 401(a)4 & related section testing design and administration for qualified and non-qualified plans. 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 and San Francisco; Louisville, Ky.; New York and Syracuse, N.Y.; Parsippany, N.J.; Philadelphia; Stamford, Conn.; Tampa, Fla. Consulting offices also in Houston and Washington.

Staff: 1,000 total; 140 involved in 401(k) plan services. Professionals: seven CEBSs, seven MBAs, 13 CPAs, 33 ASAs/FSAs, 24 attorneys.

Clients: 35% with 1 to 100 employees, 48% with 101 to 1,000, 13% with 1,001 to 5,000, 4% with more than 5,000. Average plan, 990 participants; largest plan, 56,600; no minimum or maximum size plan.

1991 gross revenues: \$131 million total; \$24 million from 401(k) plan administration.

Principal officers: Reed Keller, vice chairman; Anthony F. Martin, Andre L. Iha, Edward Kimura, Linda B. Xanthos, defined contribution partners.

Contact: Derek Romanau.

CoreStates Trust & Investment Group

P.O. Box 7558, FC 1-3-86-9, Philadelphia, Pa. 19101-7558; 215-786-7960; fax: 215-973-8603

Founded: 1782; 401(k) plan administration services since 1975.

Software: Purchased from an outside vendor; accommodates unlimited investment funds and 30 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity (as of March 1993), clients' on-line access, written communication of plan features to employees. Consults on compliance issues, employee communications. Manages investment of the plan

funds. Other services include prototype plan documents, trustee, custodian, form 5500 and 1099 tax reporting, mutual funds.

Service area: Nationwide.

Locations: Administrative offices in Pennington, N.J.; Philadelphia and Lancaster, Pa.

Staff: 862 total; 74 involved in 401(k) plan services. Professionals: three CEBSs, three MBAs, one CPA.

Clients: 237 total; 60% with 1 to 100 employees, 30% with 101 to 1,000, 7% with 1,001 to 5,000, 3% with more than 5,000. Average plan, 350 participants; largest plan, 12,000; no minimum or maximum size plan.

Principal officers: Edward E. Keidat, senior vp; Francis P. Mitchell, Kenneth E. Buchmann, Thomas J. Holt,

Marietta Castellano, vps.

Contact: Marietta Castellano.

W.F. Corroon

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

Founded: 1905; 401(k) plan administration services since 1983.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions.
Continued on next page

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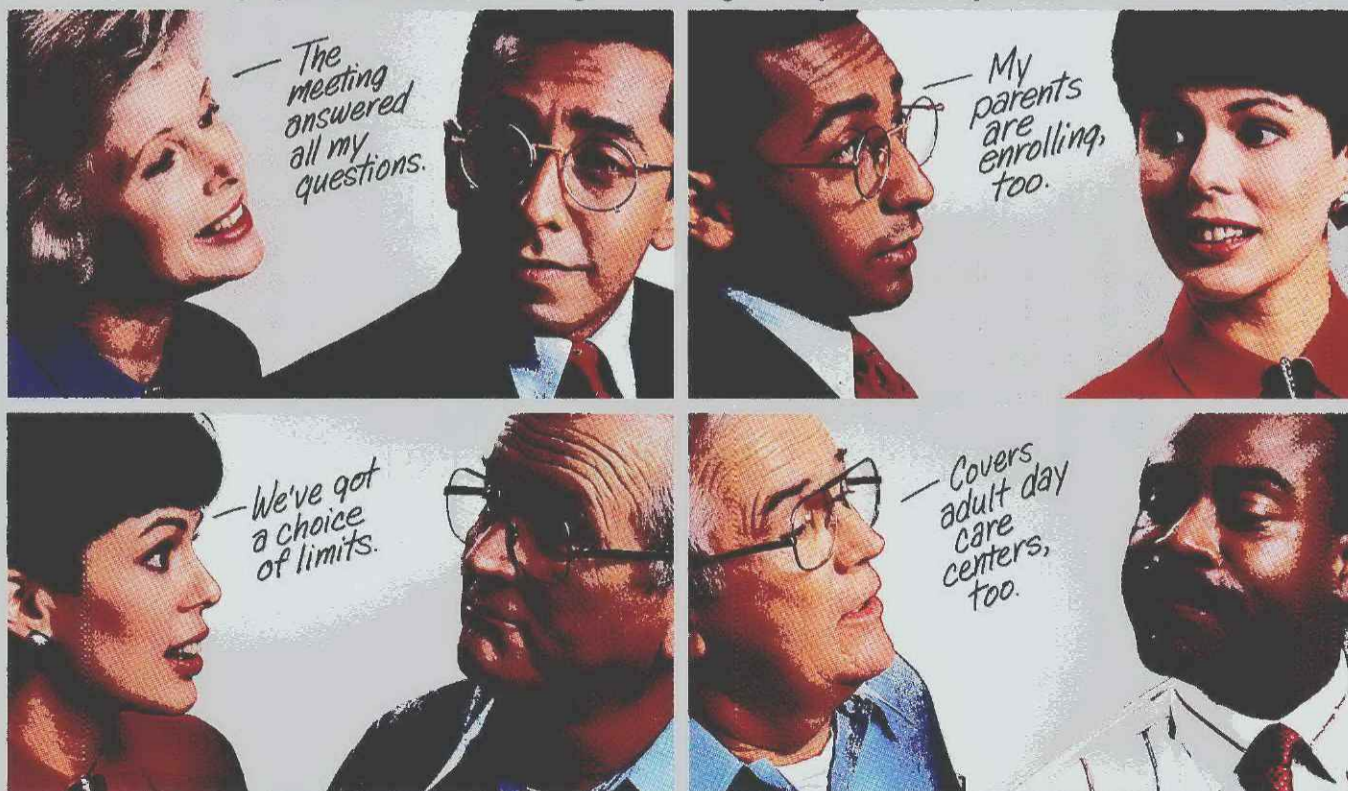
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 sions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include investment placement consulting, design of in-house client systems.

Service area: Nationwide.

Locations: Administrative and consulting offices in Baltimore; Cleveland; Dallas; Nashville and Knoxville, Tenn.; Pittsburgh; San Diego and San Francisco; Seattle; Stamford, Conn.; Wichita, Kan.

Staff: 500 total; 65 involved in 401(k) plan services. Professionals: CEBSSs, MBAs, CPAs, ASAs/FSAs, attorneys.

Clients: Over 500 total; 40% with 1 to 100 employees, 45% with 101 to 1,000, 14% with 1,001 to 5,000, 1% with more than 5,000. Average plan, 500 participants; largest plan, 12,000.

1991 gross revenues: \$72.7 million total; \$7.2 million from 401(k) plan ad-

ministration.

Principal officers: Warren J. Winer, president.

D

Delaware Investment Advisers

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

Founded: 1928; 401(k) plan administration services since 1964.

Parent: Delaware Management Co.

Software: Written and maintained by the company; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include employee meetings/presentations, trustee services, prototype plans.

Service area: Nationwide.

Locations: Administrative and consulting office in Philadelphia.

Staff: 500 total; 75 involved in 401(k) plan services.

Clients: 200 total. Average plan, 500 participants; largest plan, 10,000; minimum size plan, 1,000; no maximum size plan.

Principal officers: Wayne A. Stork, chairman/president-DMC; Brian Wrubel, president/chief operating officer-DMC; Winthrop S. Jessup, executive vp-DMC/chairman-DDI and DSC; David Scheuring, president-DSC; Keith Mitchell, president-DDI.

Contact: Minnette van Noppen.

Deloitte & Touche

1 World Trade Center, 97th Floor, New York, N.Y. 10048-0601; 212-978-2127; fax: 212-488-7174

Founded: 1978; 401(k) plan administration services since 1982.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include comprehensive human resource consulting, audit, accounting and tax functions, health and welfare, actuarial and insurance.

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston; Chicago; Dallas and Houston; Los Angeles; Minneapolis; New York; Parsippany, N.J.; Detroit; New Orleans; Tulsa, Okla. Consulting offices also in Grand Rapids, Mich.; Washington; Hartford and Stamford, Conn.; Philadelphia and Pittsburgh; St. Paul, Minn.; San Francisco.

Staff: 250 total; 100 involved in 401(k) plan services. Professionals: 20 CEBSSs, two CPAs, 15 ASAs/FSAs, 10 attorneys.

Clients: 15% with 1 to 100 employees, 45% with 101 to 1,000, 25% with 1,001 to 5,000, 10% with more than 5,000. Average plan, 500 to 1,000 participants; largest plan, 12,000; minimum size plan, 10; maximum size plan, 20,000.

Principal officers: Ainar D. Ayala Jr., Donald F. Behan, Robert Starkey, W. Leon Smith, Richard Berens, Mark Sobel, Susan Achenbach, Maurice Smith, Mark Schneider, James Karter, Tim Phoenix, principals.

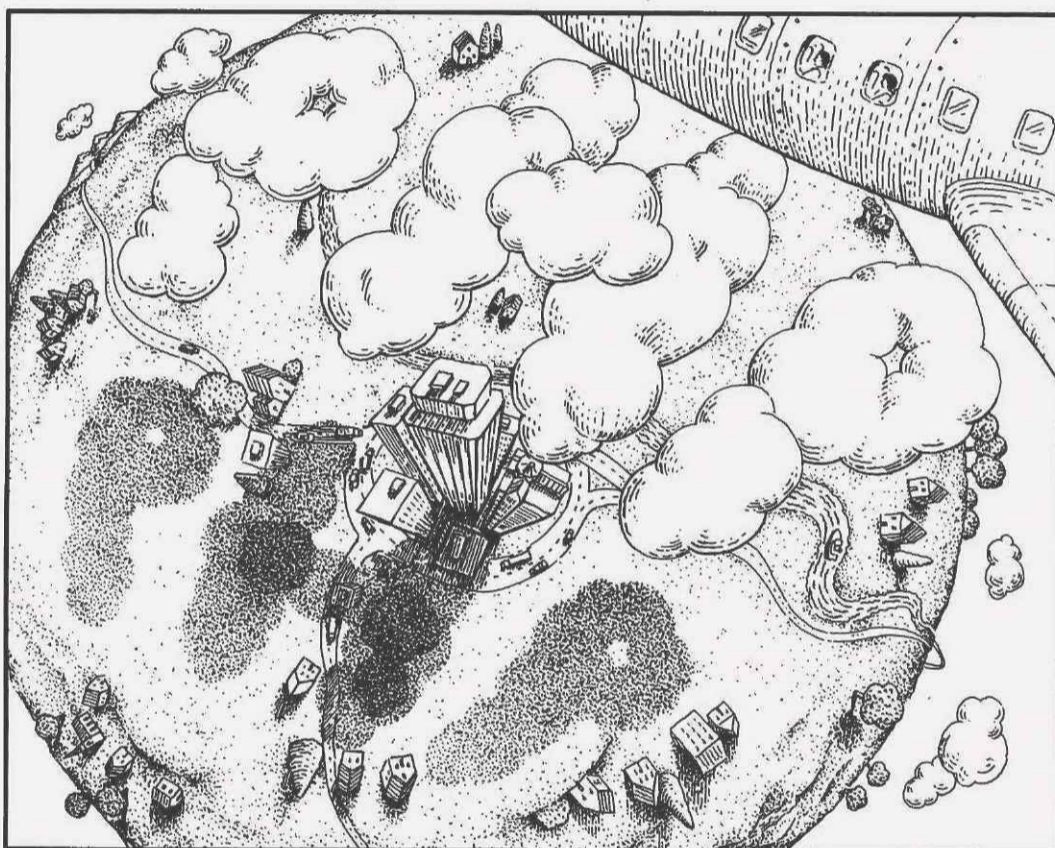
Contact: Margaret-Ann Cole.

Dreyfus Service Corp.

200 Park Ave., New York, N.Y. 10166; 800-762-9523

Founded: 1951; 401(k) plan administration services since 1981.

Continued on next page



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 Overland Park, KS 66211

*Some carriers are not assigned ratings by A.M. Best.

Continued from previous page

Software: Leased from an outside vendor; accommodates 99 investment funds and 99 kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include customized literature, enrollment support, retirement distribution analysis, voice response system.

Service area: Nationwide.

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

Staff: Approximately 1,500 total; 100 involved in 401(k) plan services.

Clients: 450 total; 34% with 1 to 100 employees, 51% with 101 to 1,000, 11% with 1,001 to 5,000, 4% with more than 5,000. Average plan, 700 participants; largest plan, 14,000; minimum size plan, 50; no maximum size plan.

Principal officers: Howard Stein, chairman/chief executive officer; Joseph S. DiMartino, president/chief operating officer; Elie Genadry, Robert W. Stone, executive vps-Dreyfus Group retirement plans; Paul Allen, executive vp-Dreyfus Group retirement plans/national sales director.

Contact: Ted Brakatselos.

E

EBG & Associates Inc.

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

Founded: 1978; 401(k) plan administration services since 1984.

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

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Staff: 35 total; five involved in 401(k) plan services. Professionals: one ASA/FSA, one attorney.

Clients: 150 total. Maximum size plan, 10,000 participants.

Principal officers: Emmanuel B. Garcia Jr., president; Dee Holt, executive vp; Mary Jo Arthur, vp-actuary; M. Teresa LoGarcia, vp-human resources.

Contact: Deb Saeger.

Employee Benefit Specialists Inc.

450 Sansome St., Suite 555,
San Francisco, Calif. 94111-3313;
415-788-7683; fax: 415-788-7646

Founded: 1987; 401(k) plan administration services since 1983.

Software: Purchased from an outside vendor; accommodates 100 investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include enrollment, employee meetings.

Service area: Nationwide.

Locations: Administrative and consulting offices in Los Angeles and San Francisco.

Staff: 45 total; 22 involved in 401(k) plan services. Professionals: CEBSs, MBAs, ASAs/FSAs, attorneys.

Clients: 40% with 1 to 100 employees, 40% with 101 to 1,000, 20% with

1,001 to 5,000. Average plan, 175 participants; largest plan, 7,813; minimum size plan, 35; maximum size plan, 100,000.

1991 gross revenues: \$2 million total.

Principal officers: Joan Rhodes, Beth Juen, Chimane Rhodes, Kristen Emery, Thomas Nimmo.

Contact: Joan Rhodes or Thomas Nimmo.

Employers Life Insurance Co. of Wausau

2000 Westwood Drive, Wausau,
Wis. 54401-7881; 800-826-9781
ext. 6068; fax: 715-847-8740

Founded: 1966; 401(k) plan adminis-

tration services since 1985.

Software: Written and maintained by the company; accommodates eight investment options and 12 kinds of contributions.

Administration: Uses cash accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Locations: Administrative office in Wausau, Wis. Consulting offices in Atlanta; Baltimore; Boston; Chicago; Dallas; Detroit and Kalamazoo, Mich.; In-

dianapolis; Kansas City, Mo.; Los Angeles; Milwaukee; Minneapolis; Newark, N.J.; Philadelphia; Portland, Ore.

Staff: 731 total; 92 involved in 401(k) plan services. Professionals: eight CEBSs, one MBA, two ASAs/FSAs.

Clients: 332 total; 54% with 1 to 100 employees, 46% with 101 to 1,000. Average plan, 70 participants; largest plan, 1,300; minimum size plan, 25; maximum size plan varies.

1991 gross revenues: \$667,000 total; \$502,000 from 401(k) plan administration.

Principal officers: James M. Magalska, executive vp/chief operating officer; Thomas Erickson, vp-group retirement; Jeff Zriny, vp-employee benefits marketing; Ross Solverud,

director-plan/contract services; Philip Lamers, manager-defined contribution plan administration.

The Epler Co.

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

Founded: 1971; 401(k) plan administration services since 1976.

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

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees.
Continued on next page

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The Prudential 

Spotlight report

Continued from previous page
 Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: California.

Locations: Administrative and consulting office in San Diego.

Staff: 15 total; six involved in 401(k) plan services. Professionals: one MBA, one ASA/FSA, one attorney.

Clients: Average plan, 250 participants; largest plan, 4,000; minimum size plan, 25; maximum size plan, 10,000.

1990 gross revenues: \$1.5 million total.

Principal officers: Jane Barry, president/chief executive officer; Lee Hindenach, executive vp; Lin Ball, Elaine Kalin, vps.

ERISCO

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

Founded: 1968; 401(k) plan administration services since 1983.

Parent: The Dun & Bradstreet Corp.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access. Other services include statement mailing, check generation, proxy generation, participant service center.

Service area: Nationwide.

Locations: Administrative offices in New York.

Staff: 241 total; 41 involved in 401(k) plan services. Professionals: one CEBS, two MBAs, one attorney.

Clients: 22% with 101 to 1,000 employees, 55% with 1,001 to 5,000, 23% with more than 5,000. Average plan, 6,154 participants; largest plan, 220,000.

1991 gross revenues: \$35 million total.

Principal officers: Jeremy Davis, president; Tony Bellome, senior vp-products; Joe Poslusny, senior vp/chief financial officer; Harry Chororos, senior director marketing; John Jordon, senior director-sales.

Contact: Stephanie Dick.

F**Fidelity Institutional Retirement Services Co.**

82 Devonshire St., Boston, Mass.
 02109; 617-330-2811

Founded: 1946; 401(k) plan administration services since 1978.

Software: Written and maintained by the company; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Locations: Administrative and consulting offices in Boston, Cincinnati and Dallas.

Staff: 810 total; 500 involved in 401(k) plan services.

Clients: 700 total; 30% with 101 to 1,000 employees, 55% with 1,001 to 5,000, 15% with more than 5,000. Average plan, 1,900 participants; largest plan, more than 75,000; no minimum or maximum size plan.

Principal officers: Robert L. Reynolds, president; Michael Mlinac, senior

vp-claims services; Edward J. Lavelle, senior vp-sales; Peter J. Small, senior vp-marketing; Stephen Elterich, senior vp-systems.

First Fidelity Bank

765 Broad St., C76507, Newark,
 N.J. 07102; 201-565-1840;
 fax: 201-565-1877

Founded: 1812; 401(k) plan administration services since 1982.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Continued on next page

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Continued from previous page
tions. Manages investment of the plan funds. Other services include trustee/custodian of assets, recurring payments, design/conduct employee communications, prototype plans available with SPD.

Service area: Nationwide.

Locations: Administrative and consulting offices in Newark, N.J., and Philadelphia.

Staff: 55 total; 35 involved in 401(k) plan services. Professionals: five CEBSs, three MBAs, two attorneys.

Clients: 100 total; 86% with 1 to 100 employees, 14% with 101 to 1,000. Average plan, 71 participants; largest plan, 283; maximum size plan, 2,000.

1991 gross revenues: \$12 million total; \$3 million from 401(k) plan administration.

Principal officers: Jay A. Anglada, executive vp; Corliss Boggs, Robert Sartarelli, senior vps; Donald Carey, group vp; Roy Williams, vp.

Contact: Clifford P. Bakley.

First Trust National Assn.

180 E. Fifth St., St. Paul, Minn.
55101; 612-223-7000;
fax: 612-223-7624

Founded: 1888; 401(k) plan administration services since 1978.

Parent: First Bank System Inc.

Software: Purchased from an outside vendor, recordkeeping is provided by an outside third party; software accommodates 30 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include trustee/custodian, prototype plans, benefit payments, performance measurement, master trust, global custody and securities lending.

Service area: Nationwide.

Locations: Administrative offices in Billings, Mont.; Denver; Fargo, N.D.; Milwaukee; Minneapolis; Sioux Falls, S.D.

Staff: 1,168 total; 140 involved in

401(k) plan services. Professionals: seven CEBSs, two MBAs, two CPAs, four attorneys.

Clients: 200 total; 70% with 1 to 100 employees, 10% with 101 to 1,000, 16% with 1,001 to 5,000, 1% with more than 5,000. Average plan, 250 participants; largest plan, 15,000; minimum size plan, 100.

1991 gross revenues: (from fees) \$79.6 million total; \$7.8 million from 401(k) plan administration.

Principal officers: John M. Murphy Jr., chairman; Matthew P. Wagner, executive vp; Deborah Maschoff, Marvin R. Braun and Stephanie Chester, vps.

Contact: Michael Eidem, vp or Tucker Dahl, assistant vp, 612-244-5001.

Fleet Investment Services

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

Founded: 1791; 401(k) plan administration services since 1979.

Software: Purchased from an outside vendor; accommodates 400 com-

binations of investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees; available in 1993: daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan 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 Providence, R.I.; Albany, N.Y.; Portland, Maine; Hartford, Conn. Consulting offices also in Melville, Newburgh, Buffalo, Rochester and

Utica, N.Y.; Bangor, Maine; Nashua, N.H.; Stamford and East Hartford, Conn.; Boston, Worcester and Springfield, Mass.

Staff: 165 total; 128 involved in 401(k) plan services. Professionals: one CEBS, six MBAs, one CPA.

Clients: 762 total; 83% with 1 to 100 employees, 15% with 101 to 1,000, 2% with 1,001 to 5,000. Average plan, 300 participants; largest plan, 19,000.

1991 gross revenues: \$29.8 million total; \$2.6 million from 401(k) plan administration.

Principal officers: John H. Parker, division head; Thomas F. Fenton, Patricia MacMillan, David D. White, Jeffery Wirth, vps.

Contact: Marshall Raucci.

G

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fax: 303-689-3414

Continued on page 34

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Simplifying pension rules

By James A. Klein

THERE IS AN OLD TURKISH legend about the man sentenced to 10 years in prison for committing a particular crime. Facing this bleak prospect, he appeals to the sultan and offers the ruler the following arrangement: If the sultan will spare him, the man will dedicate those 10 years of his life to teaching the sultan's horse to talk. If he succeeds in teaching the horse to talk, he will be relieved of any further punishment. If he fails, the sultan may have him put to death.

The sultan, intrigued by the offer, agrees to it. Immediately, the man's friends tell him that he was foolish to make such an offer, for he will never succeed and will surely be sentenced to death when the 10 years have elapsed. The man responds to his friends by saying: "I am not so foolish. Ten years is a long time. Within 10 years, I may die anyway. Or the sultan may die. Or the horse may die. Or... the horse may talk."

Four years ago, a group of corporate employee benefits leaders decided that the bleak prospect of continued pension complexity was intolerable. These professionals decided that it was time to take a bold step and to try, despite the odds, to simplify the pension system—to make the horse talk, if you will. Some well-meaning benefits colleagues said that it was a useless, even dangerous effort, because policymakers would never make the system simpler.

With the Congressional approval this summer of the 1992 Urban Aid bill containing several pension simplification provisions, it appears that the horse may be beginning to utter its first tentative words.

Contained in the Urban Aid tax bill are several simplifications including: a safe harbor for 401(k) plans; simpler testing for those not using the safe harbor; a streamlined definition of "highly compensated employee"; permissive aggregation of union and non-union workers for non-discrimination testing; improvements in the leased-employee rules, the beginning date of distribution rules and the minimum-participation rules; a rule allowing Social Security retirement ages to be deemed a uniform retirement age; and many other provisions.

As always there are some negative, non-simplification pension provisions thrown into the tax bill by those who do not share the benefits community's vision or agenda. But significantly, for the first time in more than a decade, Congress is enacting a tax bill that spends more federal dollars to stimulate pension growth and simplicity than it raises by taxing pensions or restricting their growth.

Given that private pensions represent the largest tax-loss expenditure in the federal budget—\$52 billion in fiscal year 1993—the fact that simplifications could be enacted at all is a testimony to countless employee benefits professionals who became politically active within the past few years. These activists insisted that they would determine the benefits agenda, rather than have it set for them by others who are indifferent or even hostile to the private benefits system.

In late 1988, the board of directors of the Assn. of Private Pension & Welfare Plans directed its Retirement Savings Committee to outline the causes of complexity in the pension system and, more importantly, to recommend concrete proposals for making that system simpler. The result was a 1989 APPWP publication titled "Gridlock: Pension Law In Crisis And The Road To Simplification."

Gridlock identified the frequency of legislative change and the lack of a coordinated retirement-income policy as the dual causes of most pension complexity. It is not necessary to recount for the readers of *Business Insurance* the plethora of budget and tax laws enacted over the past several years that have contributed to the complexity of the system. It is enough to say that virtually every year of the deficit-laden 1980s saw another tax bill that made changes to the pension system. The result was not only some very bad policies, but even some good policies that were encumbered by duplicative or inconsistent

Tax bill's passage signals progress in what was seen as hopeless mission

provisions of law. Gridlock described 29 specific provisions of the Internal Revenue Code and ERISA that could be simplified through legislation.

Armed with a compelling case for simplification, the APPWP and other benefits groups went to Capitol Hill in 1990 and found two willing champions for our cause: Sen. David Pryor, D-Ark., and Rep. Rod Chandler, R-Wash.

A critical decision was made by both Congressional sponsors that in order to keep jurisdiction of the simplification effort within the tax-writing committees, changes to ERISA would not be included. Only change to the Internal Revenue Code would be pursued.

The congressional hearings held to investigate the need for pension simplification were among the most intriguing aspects of the entire initiative. Traditionally, at congressional hearings benefits community witnesses are relegated to testifying last, and usually in opposition to someone else's proposal. But now, for the first time in anyone's recollection, plan sponsors were the lead-off witnesses, arguing that the regulation of the pension system was in need of repair. Corporate benefits managers were setting the agenda.

Thanks to the efforts of numerous corporate benefits managers who came to Washington to lobby and who wrote their senators and representatives urging them to support the Pryor/Chandler bills, bipartisan support for simplification began to grow.

As the new Congress convened in 1991, interest in pension simplification was renewed. But this time, the legislation was being considered in an even more compelling environment. The U.S. Treasury Department and the Internal Revenue Service had released proposed pension non-discrimination and separate-lines-of-business rules that, if finalized, would surely add much greater complexity to the pension system.

Based on our reading of the proposed rules, and the unpromising reaction we were receiving from the Treasury and IRS officials to our suggestions for meaningful improvements, the APPWP developed another white paper titled "Gridlock Revisited." This document proposed 10 additional legislative simplifications directly related to the pension non-discrimination and separate-lines-of-business rules. For us, it was immaterial whether the non-discrimination standards were made simpler through legislation or regulation—we had to do whatever was necessary to make known that the proposed rules were not administrable as written.

Again bills were introduced and bipartisan support grew. In the House of Representatives, Rep. Benjamin Cardin, D-Md., became the chief advocate for simplification on the House Ways & Means Committee.

The fact that there were, as usual, those who wanted to use the pension system as a source of revenue through repeal or limitations on pension-distribution rules only made more challenging the lobbying efforts of concerned benefits professionals who were coming to Washington to argue for simplification.

In September 1991, an event occurred that made many wonder at first whether the simplification message was being heard at all: the Treasury Department and IRS issued the final pension non-discrimination rules—all 600 pages of them. More amazingly, the Treasury Department and IRS were insisting that the rules be effective as of Jan. 1, 1992.

Would the same Congress that was beginning to acknowledge the need for legislative simplification

ignore an obvious step backwards toward complexity?

Ironically, it was during the fight over the non-discrimination rules—when it became quite obvious that the simplification message was not being heard by regulators—that we began to see the most tangible evidence that the simplification message was taking hold in Congress. When the same corporate benefits people who had been lobbying Congress for simplification pointed out what was happening with the pension regulations, Capitol Hill lawmakers expressed wonder over the length and complexity of the rules and outrage over the Treasury/IRS refusal to delay them. Those of us who had argued for years that the system was stacked against plan sponsors instantly had our credibility improved by the administration's insistence on an unreasonable effective date.

The ultimate payoff of the simplification effort may be that in response to these rules, every member of the Senate Finance Committee, Republican and Democrat alike, signed a letter to the Treasury secretary insisting that the rules be delayed to allow time to simplify them. Ultimately, the administration relented and, to their credit, Treasury Department and IRS officials have been extremely receptive since the beginning of the year to working with the benefits community to make changes in the rules themselves. The announcement at the beginning of August 1992 that the rules—which still have not yet been fully revised—will be delayed for yet another year to 1994, proves that when the benefits community flexes its muscle, policymakers will pay heed.

No one could reasonably argue that the pension simplification effort has yet made the system simple. At the same time that we are waging—and sometimes winning—the war for simplification, we are fighting—and sometimes losing—specific battles, like the fight over the 20% withholding tax on pension distributions.

But pension simplification is not just a goal, it is a process. It is about sensitizing lawmakers and regulators to the burdens faced by plan sponsors and getting policymakers to advocate proposals that will help reverse the decline in retirement plan coverage.

Specific pension-simplification proposals may succeed or fail in the legislative arena. But the successes of the simplification initiative have already been evidenced in many other ways:

- Simplification set the stage for the delay and reform of the massive non-discrimination rules.
- Simplification arguments helped defeat two specific proposed amendments to the Urban Aid bill that would have increased excise taxes on prohibited transactions and funding deficiencies to pay for non-pension tax breaks.
- Simplification legislative proposals convinced regulators to adopt more reasonable approaches to a number of rulemaking projects, including rules governing leased employees, minimum participation standards and the definition of compensation.

But the lasting legacy and ongoing value of the simplification initiative is that for the first time policymakers are being forced to respond to the proposals of benefits professionals. As long as we are talking about the need to make the system simpler, others who do not share our agenda will have a much tougher time making the system more complex.

As with the legend of the sultan's horse, we should acknowledge that the pension system may get more complex despite our best efforts. But, then again, with persistence, the pension system might get simpler... the horse may talk. ■



James A. Klein is executive director of the Assn. of Private Pension and Welfare Plans in Washington.

LTD industry faces threats

Recession, ADA and AIDS to squeeze long-term disability plans

By Peter B. O'Brien

LONG-TERM DISABILITY is under fire like never before.

LTD has been a popular benefit since the '50s, but this is the first time it's been exposed to a triple whammy.

First, the recession has severely reduced investment income on reserves and swamped the disability claims rolls with thousands of new claims. Many of these fresh claims are hard to evaluate because they stem from depression, chronic fatigue syndrome, stress, carpal tunnel disorders and other modern day maladies.

Second, LTD policyholders are now complying with the Americans with Disabilities Act, a federal mandate aimed at eliminating discrimination against people with disabilities. Employers must make "reasonable accommodations" so that newly hired disabled workers can perform (*BI*, Jan. 27). But, how many of these newly hired disabled workers will end up dropping out as new LTD claims in the '90s?

Third, we now have thousands of workers insured under the umbrella of LTD who would test positive for the human immunodeficiency virus. With a positive test of the virus that leads to AIDS, are these employees entitled to receive benefits? With miracle drugs to nurture AIDS patients along, will these LTD claims be of long duration?

Let's first examine the biggest negative wave crashing on LTD—our prolonged ailing economy.

The poor economy we've endured over last few years has increased the number of LTD claims. Many workers insured under LTD programs are actually working with a "borderline disability." When companies downsize, these "working disabled" elect to take advantage of available benefits. They find it difficult or impossible to obtain other employment or simply can't face continuing to work with their worsening disability.

What's more, the recession has dealt LTD underwriters another blow. Along with more claims, insurers are faced with lower rates of return on invested reserves. Our paltry current interest rates force insurers to operate at lower loss ratios. Lower interest rates coupled with more claims means premiums must be hiked in the future.

But there is another recessionary force that's hurting LTD. Most LTD plans are "fully integrated" with federal Social Security disability benefits. While the government has a restrictive definition of disability, the fact is that 70% of those collecting under commercial LTD plans are also getting benefits from the federal government.

The government, too, has been barraged with new claims. In fact, claims increased 40% last year resulting in more than 200,000 new claimants. In the face of this new paper load, Social Security has had

to cut its work force due to budgetary pressures. Currently we have almost a million applicants waiting for a decision on their request for benefits. The government expects this number to swell another 300,000 a year from now.

But that's not all. With a smaller staff to handle the new wave of recessionary claims, more people are being denied benefits and appealing. Claims pending at the appeal level were up almost 100% last year. The courts are now swamped with cases.

To make matters worse, this is a "white collar" recession. This means a higher-paid worker is involved, and benefit payments at both the commercial and government levels are greater. For LTD underwriters, this recession makes past business slowdowns of the '70s and '80s seem like a picnic. Previous recessions primarily hurt blue and gray collar workers. Because the new breed of white collar claimants can't find alternative or even partial employment elsewhere—even with the assistance of the ADA—the longevity of claims is peaking.

Finally, competitive pressures and the soft market have flattened out some insurers' premiums while claim frequency is growing at an alarming rate. In fact, there is a turmoil under way in the commercial marketplace reclassifying what constitutes a preferential "Class A" risk. Banks and professional service industries were desirable cases. Not any more. As I write this, the personnel departments of two of our top insurance companies are plotting massive layoffs for the fall of 1992 and early 1993.

I think we can expect more white collar claims to be filed and more demand for new Social Security payments. I also don't see interest rates going up in the next six months. With the new claims piling in, rates should go up.

Next in the list of new pressures on LTD is the Americans with Disabilities Act, which took effect in July for many employers. The law stipulates that employers must make "reasonable accommodations" to enable qualified disabled workers to obtain gainful employment. This act, with much of its language yet to be tested by our courts, could help or hurt LTD.

The law will hurt LTD experience because many disabled workers will be hired, satisfy the pre-existing condition clause under their new employer's LTD policy, and then possibly file for benefits. It seems to me that these deserving workers will be subject to more long-term disability risk than their non-disabled associates.

All is not bad. Let's look at the favorable aspects of the ADA. It is estimated we have millions of disabled workers out there who are motivated to work if given "reasonable accommodations." Some of these people are presently collecting benefits from commercial insurers and the government. Here's a chance to substantially lighten up the claim

rolls by giving these capable disabled workers a chance to work again. But, with our lousy economy, will the jobs be available?

On balance, I think the ADA will be a neutral to negative force on LTD claims experience. Time will tell. In the meantime, the ADA is certainly a positive social step forward for the total workforce.

A few years ago, LTD insurers noticed an increase in claims for pneumonia, blood disorders and cancers. AIDS was starting to show itself, but classification was difficult. Things have now changed. About 2% of most LTD underwriters' claim load is now attributable to AIDS. Many are trying to duck the exposure by avoiding specific industries and certain areas of the country. While most workers testing HIV positive can still carry out the duties of their jobs, there comes a time when they apply for LTD payments. Most AIDS claims seem to have a duration of two years or less. Drugs like AZT and DDC have not significantly extended the duration of LTD payments to claimants with AIDS, as previously predicted. AIDS will continue to plague the LTD industry, but not seriously. While we have a society with numerous infected individuals, the majority are not covered under LTD plans.

The recession will continue to hurt LTD. Many of the layoffs we have read about have put workers on waiting periods to qualify for benefits. These "borderline disabled" will cause commercial underwriters to pay out millions of new claim dollars during the '90s.

The ADA will complicate the situation. Many workers currently receiving benefits can now return to work. This new legion of disabled workers, however, may be more "claim prone" in the future than their fellow non-disabled employees. I think the two forces will somewhat offset each other but, in the long run, more LTD claims will emerge.

AIDS claims will plateau at 2.5% of total LTD claims and then slowly decline as more research improves treatment. This will happen slowly because second-generation drugs will undoubtedly prolong life and add longevity to claim payments.

The bottom line is that LTD is being squeezed but will not bust. It's alive but staggering and trying to get well. When the recession ends and full employment returns, together with higher interest rates on standing reserves, LTD experts will celebrate. ■



Peter B. O'Brien is the national director of the health and welfare benefits practice at Ernst & Young in New York.

Break in service must be proven voluntary: Court

The 9th U.S. Circuit Court of Appeals ruled that a pension plan had acted arbitrarily in applying its "break in service" rule to cancel a participant's prior credits without considering whether the break in service was voluntary.

Levi Bolton worked as a laborer from 1959 through 1973, and was covered by the Construction Laborers' Pension Trust of Southern California. He acquired 14½ years of credited service during this period.

In both 1974 and 1975, Mr. Bolton failed to accumulate 300 hours of

Legal Briefs

credited service. The plan required a total of 15 years of credited service in order for pension rights to vest, while the plan's break in service rule provided that if a non-vested participant failed to accumulate at least 300 hours of service in each of two consecutive years, all of that participant's prior credits would be canceled.

The sum of two terms of Mr. Bolton's covered employment was clearly more than the minimum of 15 years required

for vesting under the plan.

In 1987, following her husband's death, Annie Bolton applied to the plan for survivor benefits.

However, the plan determined that Mr. Bolton was not vested because his pre-1975 credits were canceled as of the last day of 1975 due to a break in service. Mrs. Bolton sued but lost in the trial court.

The appellate court said that the plan must first determine that Mr. Bolton's 1974-1975 break in service was voluntary before denying benefits. The case was returned to the lower court

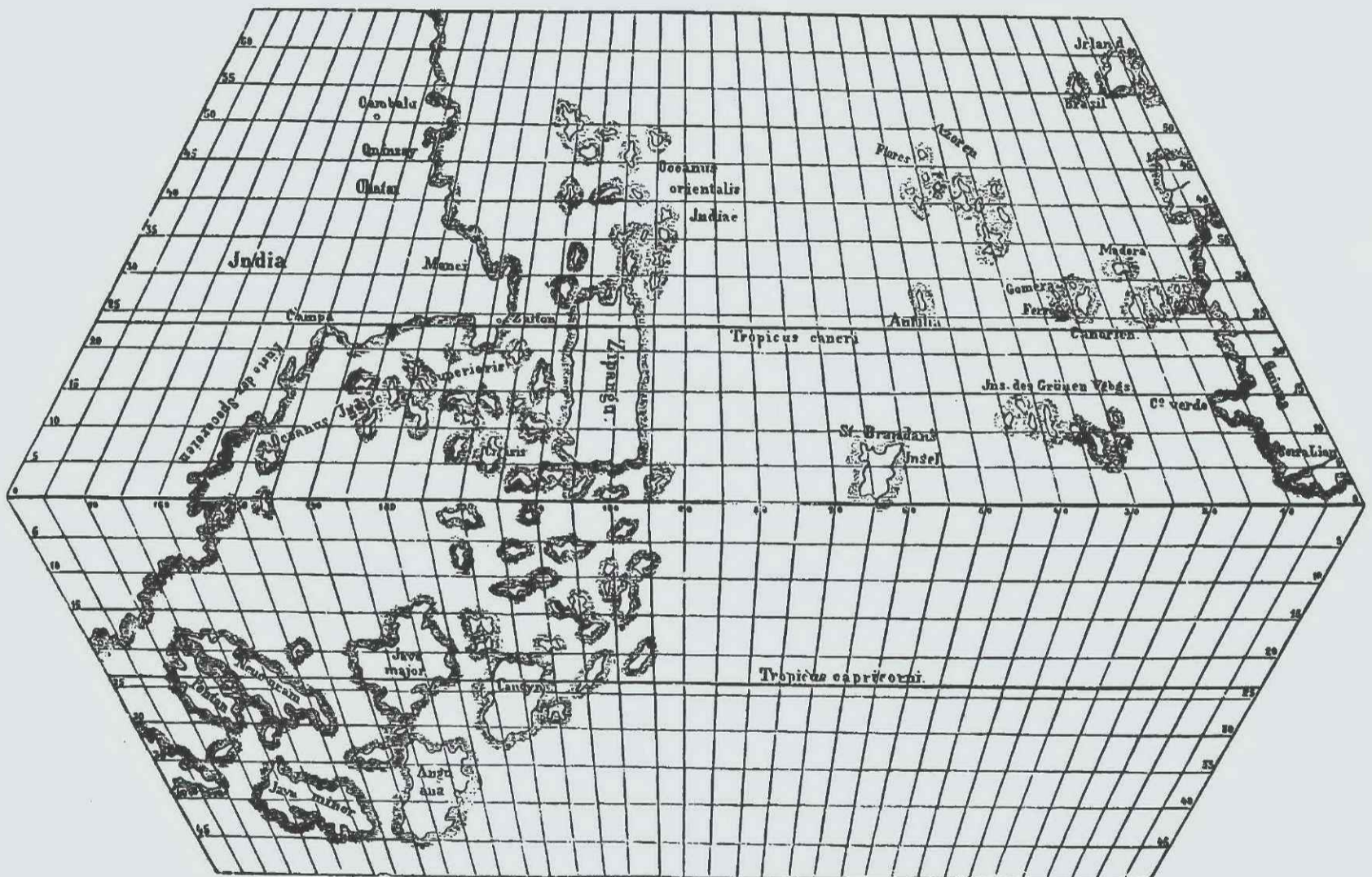
for further proceedings.

Bolton vs. Construction Laborers' Pension Trust, 9th U.S. Circuit Court of Appeals, Aug. 30, 1991, *As amended on denial of rehearing & rehearing en banc* Jan. 24, 1992 (*BI*/01/S.-\$10). ■

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.

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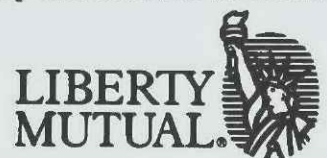
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Spotlight report

Continued from page 29

Founded: 1892; 401(k) plan administration services since 1986.

Software: Written and maintained by the company; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include full one on one enrollment service, computer based telephone fund transfer and flow redirection, electronic funds transfer.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Baltimore; Boston; Chicago; Cleveland and Columbus, Ohio; Dallas and Houston; Denver; Detroit and Grand Rapids, Mich.; Fort Lauderdale and Tampa, Fla.; Hartford, Conn.; Irvine, Los Angeles, San Diego, San Francisco and San Jose, Calif.; Minneapolis; Philadelphia; Phoenix; Portland, Ore.; Seattle; St. Louis; Washington; Parsippany, N.J.; Charlotte, N.C.; Nashville, Tenn.; Indianapolis.

Staff: (Home office-Denver) 1,864 total; 174 involved in 401(k) plan services.

Clients: 75% with 1 to 100 employees, 22% with 101 to 1,000, 3% with 1,001 to 5,000. Average plan, 75 participants; largest plan, 5,000; minimum size plan, 20; no maximum size plan.

1990 gross revenues: (premiums only) \$3.6 billion total; \$262.76 million from 401(k) plan administration.

Principal officers: W.T. McCallum, president/chief executive officer; R.E. Kavanagh, senior vp-employee benefits sales; J.D. Motz, senior vp-employee benefits; A.D. MacLennan, executive vp-employee benefits; J.T. Hughes, senior vp-investment.

Godwins Inc.

549 Pleasantville Road, Briarcliff Manor, N.Y. 10510; 914-747-2002; fax: 914-742-3215 or 914-742-3220

Founded: 401(k) plan administration services since 1982.

Parent: Godwins International Holdings/Frank B. Hall & Co. Inc.

Software: Purchased from an outside vendor; accommodates 10 investment funds and 15 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Locations: Administrative offices in Chicago; Briarcliff Manor and New York, N.Y. Consulting offices in Atlanta; Boston; Cedar Rapids, Iowa; Chicago; Coral Gables and Jacksonville, Fla.; Costa Mesa, Los Angeles, Oxnard and San Francisco, Calif.; Detroit; Houston; Nashville, Tenn.; New York; Omaha, Neb.; Parsippany, N.J.; Philadelphia and Pittsburgh; Portland, Ore.; Providence, R.I.; Roanoke, Va.; Seattle; St. Louis.

Staff: 300 total; 55 involved in 401(k)

plan services. Professionals: five CEBSs, three ASAs/FSAs, two attorneys.

Clients: 120 total; 20% with 1 to 100 employees, 65% with 101 to 1,000, 10% with 1,001 to 5,000, 5% with more than 5,000. Average plan, 600 participants; largest plan, 8,500; minimum size plan, 50; no maximum size plan.

Principal officers: David McLeish, chairman/chief executive officer; Michael Reynolds, president/chief operating officer; Brian Zwarych, chief financial officer; Herbert Grove, divisional managing director; Michael Dunigan, divisional managing director; Kenneth Clarke, Clifford Long, James McKinney, John McNamara, Richard Miller, William Xanthos, regional managing directors.

Contact: Michael W. Dunigan.

H

Halliwell & Associates Inc.

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

Founded: 1973; 401(k) plan administration services since 1984.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

issues, compliance issues, employee communications. Other services include plan implementation, design of administrative forms, minimum distributions and hardship distributions, asset balancing.

Service area: Pennsylvania, West Virginia, Virginia, Ohio, Illinois.

Staff: 47 total; 20 involved in 401(k) plan services. Professionals: three CEBSs, three ASAs/FSAs, one attorney.

Clients: 33 total; 61% with 1 to 100 employees, 33% with 101 to 1,000, 6% with 1,001 to 5,000. Average plan, 250 participants; largest plan, 2,451; no minimum size plan; maximum size plan, 8,000.

1991 gross revenues: \$2.9 million total; \$425,000 from 401(k) plan administration.

Principal officers: Paul D. Halliwell, president; David B. Thomas, vp; Thomas S. Baily, vp/president of Professional Risk Management Consultants.

Contact: David B. Thomas.

John Hancock Financial Services

P.O. Box 111 John Hancock Place, Boston, Mass. 02117; 617-572-1645; fax: 617-572-4585

Founded: 1862; 401(k) plan administration services since 1981.

Parent: John Hancock Financial Services.

Software: Purchased from an outside vendor; accommodates 90 investment funds and 35 kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include on-site employee enrollment, trust services, toll-free service for plan sponsors.

Service area: Nationwide.

Locations: Administrative office in Boston. Consulting offices in Princeton, N.J.; Atlanta; Chicago; Dallas; Los Angeles, San Francisco and San Jose, Calif.; Detroit; Washington; Melville, N.Y.

Contact: Maureen Phillips, vp.

Harris Trust & Savings Bank

111 W. Monroe St., Chicago, Ill. 60603; 312-461-7337; fax: 312-987-4181

Founded: 1882; 401(k) plan adminis-

tration services since early 1980s.

Parent: Bank of Montreal.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include custody, full trust services, master trust, investment management, employee communications and financial planning.

Service area: Nationwide.

Locations: Administrative and consulting offices in Chicago.

Staff: 435 total; 85 involved in 401(k) plan services. Professionals: CEBSs, MBAs, CPAs, attorneys.

Clients: 80 total; 30% with 1 to 100 employees, 45% with 101 to 1,000, 15% with 1,001 to 5,000, 10% with more than 5,000. Average plan, 2,400 participants; largest plan, 81,500; maximum size plan, 100,000.

Principal Officers: Jon S. Brightman, trust department executive; George H. Walper Jr., Nancy B. Wolcott, senior vps; Carolyn J. Faehling, Carol Sullivan, vps.

Hay/Huggins Co. Inc.

229 S. 18th St., Philadelphia, Pa. 19103; 215-893-0270; fax: 215-875-2833

Founded: 1911; 401(k) plan administration services since 1986.

Software: Written and maintained by the company; accommodates 20 investment funds and 20 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include enrollment services, fund selection.

Service area: Nationwide.

Locations: Administrative and con-

Continued on next page

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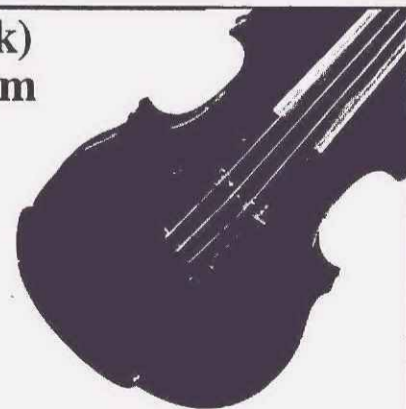
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Continued from previous page
sulting offices in Philadelphia, Los Angeles. Consulting offices also in New York, Chicago, Atlanta.

Staff: 110 total; 18 involved in 401(k) plan services. Professionals: two CEBSs, one CPA, four ASAs/FSAs, two attorneys.

Clients: 42 total; 10% with 1 to 100 employees, 40% with 101 to 1,000, 40% with 1,001 to 5,000, 10% with more than 5,000. Average plan, 1,200 participants; largest plan, 5,500; minimum size plan, 50; maximum size plan, 20,000.

1991 gross revenues: \$16 million total; \$1.2 million from 401(k) plan administration.

Principal 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

Founded: 1971; 401(k) plan administration services since 1982.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include full service bundled 401(k) offering, DC Optimum which provides access to eight mutual fund managers including 20th Century, Janus, Invesco, Phoenix Funds, Bankers Trust (75 funds in all). DC Optimum includes record keeping, trustee, investment management and investment advisory service. Currently service clients through DC Optimum.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta, Seattle.

Staff: 160 total; 70 involved in 401(k) plan services. Professionals: 20 MBAs, four CPAs, 25 ASAs/FSAs, two attorneys.

Clients: 100 total; 20% with 101 to 1,000 employees, 60% with 1,001 to 5,000, 20% with more than 5,000. Average plan, 5,500 participants; largest plan, 45,000; minimum size plan, 1,000.

Principal officers: James G. Pope, president; R. David Parsons, chairman; T. Ray McKinney, executive vp.

Contact: Steve Martin, director of sales.

Hewitt Associates

100 Half Day Road, Lincolnshire, Ill. 60069; 708-295-5000; fax: 708-295-7634

Founded: 1940; 401(k) plan administration services since 1982.

Software: Written and maintained by the company; accommodates 15 investment funds and 20 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include benefit plan design, legal documentation drafting, investment consulting and performance monitoring. Also offer Defined Contribution Alliance which is a "one-stop shopping" approach for recordkeeping, investment management, and trustee services.

Service area: Nationwide, plus Canada and Puerto Rico.

Locations: Administrative and consulting offices in Atlanta; Bedminster, N.J.; Lincolnshire, Ill.; Rowayton, Conn.; Walnut Creek, Calif.; The Woodlands, Texas; Toronto; Puerto Rico. Consulting offices also in Boston; Charlotte, N.C.; Chicago; Cleveland, Dayton, Ohio; Denver; Detroit; Houston, Las Colinas, Texas; Los Angeles, Newport Beach, San Francisco, Calif.; Milwaukee; Minneapolis; New York; Philadel-

phia; Pittsburgh; Phoenix; Richmond, Va.; St. Louis; Seattle; Tampa, Fla.; Washington; 30 international offices.

Staff: 3,000 total; 400 involved in 401(k) plan services. Professionals: five CEBSs, 30 MBAs, 25 CPAs, one attorney.

Clients: 260 total. Average plan, 5,500 participants; largest plan, 100,000 participants; minimum size plan, 1,500 participants; no maximum size plan.

1991 gross revenues: \$320 million total.

Principal officers: Peter E. Friedes, chief executive officer; Dale L. Gifford, chief executive officer (as of 10/92).

Contact: Barbara Rueth.

A. Foster Higgins Co. Inc.

125 Broad St., New York, N.Y. 10004-2424; 212-574-9000; fax: 212-574-8719

Founded: 1927; 401(k) plan administration services since 1982.

Parent: Johnson & Higgins.

Software: Leased from an outside vendor; accommodates 15 investment funds and 15 kinds of contributions;

software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include investment services, investment education, financial audits.

Service area: Nationwide.

Locations: Administrative offices in Princeton, N.J.; Los Angeles; Dallas. Consulting offices in Atlanta; Cleveland; Costa Mesa, Los Angeles, San Francisco, Calif.; Dallas; Minneapolis; New York; Philadelphia; Richmond, Va.; Princeton, N.J.; Seattle; Stamford, Conn.; Washington.

Staff: 1,200 total; 50 involved in 401(k) plan services. Professionals: two

CEBSs, two MBAs, one attorney.

Clients: 35 total; 7% with 1 to 100 employees, 39% with 101 to 1,000, 39% with 1,001 to 5,000, 15% with more than 5,000. Average plan, 1,400 participants; largest plan, 8,000; minimum size plan, 100; maximum size plan, 100,000.

1991 gross revenues: \$157 million total.

Principal officers: Robert F. Powell, chief executive officer; John N. Feldtmose, president.

Contact: Gus Sanchez, 212 Carnegie Center, Princeton, N.J. 08543; 609-520-2443.

Holzman Post Ludwig & Schwartz

125 S. Wilke Road, Arlington Heights, Ill. 60005; 708-392-2999; fax: 708-392-1053

Founded: 1977; 401(k) plan administration services since 1983.

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

Administration: Uses cash account-

ing, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Clients: 180 total; 95% with 1 to 100 employees, 5% with 101 to 1,000. Average plan, 50 participants; largest plan, 400; no minimum size plan; maximum size plan, 2,000.

1991 gross revenues: \$2.3 million total; \$575,000 from 401(k) plan administration.

Principal officers: Mark Schwartz, president; George Castillo, Thomas J. Doherty, vps; William C. Ludwig, treasurer; Ira A. Post, secretary.

Contact: George F. Castillo.

Continued on next page

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BI-WC

Continued from previous page

I

IDS Trust

2800 Multifoods Tower,
 Minneapolis, Minn. 55402;
 800-437-0600; fax: 612-671-5031

Founded: 1979; 401(k) plan administration services since 1981.

Parent: American Express.

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

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on compliance issues, employee communications. Manages investment of the plan funds. Other services include investment management, record keeping, trust and custody, employee education.

Service area: Nationwide.

Locations: Administrative offices in Minneapolis.

Staff: 300 total; 189 involved in 401(k) plan services. Professionals: five CEBSs, 17 MBAs, three CPAs; three ASAs/FSAs, three attorneys.

Clients: 810 total; 68% with 1 to 100 employees, 24% with 101 to 1,000, 7% with 1,001 to 5,000, 1% with more than 5,000. Average plan, 1,800 participants; largest plan, 23,000.

1990 gross revenues: \$29.2 million total; \$19.4 million from 401(k) plan administration.

Principal officers: Peter Lefferts, senior vp-banking and certificates; Gary Anderson, senior vp-IDS Trust; Juanita Costa, vp-IDS Trust Investment Services; Darryl Horsman, vp-qualified plan services; Mike Pietrzak, controller/vp-IDS Trust.

Contact: Robert A. Rudell.

In Plain English

P.O. Box 3300, Gaithersburg, Md.
 20878; 301-340-2821;
 fax: 301-279-0115

Founded: 1977; 401(k) plan administration services since 1980.

Client support: Written communication of plan features to employees. Consults on employee communications. Other services include development and writing of plan administration manuals, audit plan administration communications for readability, user-effectiveness, life-event organization.

Service area: Nationwide.

Locations: Administrative and consulting offices in Gaithersburg, Md.

Staff: 10 total; 3 involved in 401(k) plan services.

Clients: Average plan, 1,000 participants; largest plan; 18,000 participants; minimum size plan, 500 participants; no maximum size plan.

Principal officers: Ronald H. Wohl, president.

Contact: Ronald H. Wohl.

Independent Service Co. Inc.

P.O. Box 171, 143 E. Main St.,
 Albert Lea, Minn. 56007;
 507-373-8216; fax: 507-373-6220

Founded: 1970; 401(k) plan administration services since 1982.

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

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include individual and group investment counseling.

Service area: Upper Midwest.

Locations: Consulting offices in Minneapolis.

Staff: 20 total; 12 involved in 401(k)

plan services. Professionals: MBAs, attorneys.

Clients: 175 total; 90% with 1 to 100 employees, 10% with 101 to 1,000. Average plan, 60 participants; largest plan, 760; no minimum size plan; maximum size plan, 1,500.

1991 gross revenues: \$900,000 total; \$280,000 from 401(k) plan administration.

Principal officers: Paul Overgaard, president; Robert N. Prentiss, vp; David J. Woodruff, attorney; Mark Petroske, operations manager.

Contact: Paul Overgaard or Mark Petroske.

INVESCO Institutional Funds Group

7800 E. Union Ave., Suite 900,
 Denver, Colo. 80237; 800-328-1222;
 fax: 303-930-6476

Founded: 1971; 401(k) plan administration services since 1980.

Parent: INVESCO MIM P.L.C.

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

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include on-site presentations, 401(k) video, no-load mutual funds, pooled GIC funds, managed accounts, asset allocation education.

Service area: Worldwide.

Locations: Administrative and consulting offices in Atlanta; Denver; Dallas; Kansas City, Mo.; San Francisco; Los Angeles; New York.

Staff: 90 total, all involved in 401(k) plan services. Professionals: one MBA, one CPA, one attorney.

Clients: 175 total; 40% with 1 to

100 employees, 57% with 101 to 1,000, 2% with 1,001 to 5,000, 1% with more than 5,000. Average plan, 275 participants; largest plan, 15,000; no minimum or maximum size plan.

1991 gross revenues: \$800 million total; \$400,000 from 401(k) plan administration.

Principal officers: Craig Cloyd, senior vp; Wylie Hairgrove, vp; Ritis Skinner, assistant vp; Daniel Herzog, manager-retirement plans administration.

Contact: David Altmont, qualified plans consultant.

J

J&K Retirement Administration

5201 Washington, Suite 4, Downers
 Grove, Ill. 60515; 708-852-8882;
 fax: 708-852-8901

Founded: 1986; 401(k) plan administration services since 1986.

Software: Leased from an outside vendor; accommodates 30 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Staff: Five total, all involved in 401(k) plan services. Professionals: one ASA/FSAs.

Clients: 86 total; 80% with 1 to 100 employees, 16% with 101 to 1,000, 4% with 1,001 to 5,000. Average plan, 112 participants; largest plan, 2,500; no minimum size plan; maximum size plan,

5,000.

1990 gross revenues: \$406,000 total; \$219,000 from 401(k) plan administration.

Principal officers: James Hillman, actuary.

K

KPMG Peat Marwick

1 Boston Place, Boston, Mass.
 02108; 617-723-7700;
 fax: 617-973-2971

Founded: 1897; 401(k) plan administration services since 1965.

Software: Purchased from an outside vendor; accommodates 30 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Monthly and quarterly valuations (daily valuations available), toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include individual investment performance reports, comprehensive benefit consulting and benefit statements.

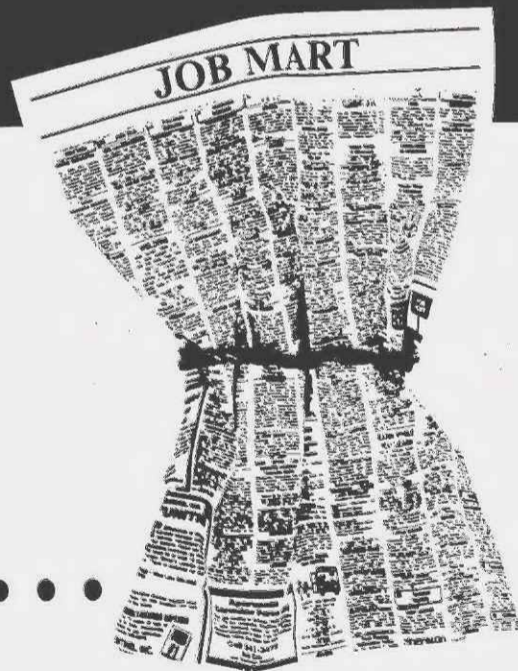
Service area: Nationwide.

Locations: Administrative offices in Dallas and Los Angeles. Consulting offices in more than 100 locations nationwide.

Staff: 30,000 total; 250 involved in 401(k) plan services. Professionals: three CEBSs, 40 MBAs, 10 CPAs, 25 ASAs/FSAs, 25 attorneys.

Continued on next page

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Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

THE MOST PRODUCTIVE AGENCIES

Let's face it, specialization alone is no longer enough. Here's what some of the best in the business see beyond niche marketing.

By LAURA MAZZUCA

FOR THE PAST THREE years, the country's most productive agents and brokers have sworn by specialization.

But as the soft market and the recession drag on, specialization is no longer enough.

Now creative principals are inventing other ways to remain profitable during tough times. They've come up with: developing exclusive program arrangements with insurers, creating reinsurance captives, launching managing general agency divisions and finding specialties within specialties.

Do these ideas work? According to the numbers, yes.

For the fourth consecutive year, *Agent/Broker Topics* culled the 20 most productive agencies, as measured by revenue per employee, from information submitted for the annual agent/broker profile issue of *Business Insurance* (BI, June 29).

Among those 20 agencies, average revenue per employee rose 7.8% to \$163,385 last year, from \$151,499 in

1990. Among last year's top 20, the overall increase was a more modest 4% over 1990 results (*A/BT*, Sept. 2, 1991).

Productivity increased for 14 of the Top 20 in 1991. Revenue per employee increases ranged from a modest 0.6%—for No. 10, Cal-Central Insurance & Management Services Inc.—to a whopping 180%—for No. 16, newcomer Patriot Insurance Group Inc.

Gross revenues of the top agencies—excluding a startup firm with revenues that soared 2,000%—grew an average of 10.7% compared with an average of 21.4% in 1990.

As in years past, these successful businesses shared several common traits. Not the least of these characteristics is an aggressive attitude toward new business, coupled with a healthy respect for retentions. These firms also scored strong gains in specialty services or market niches and used office technology well, all with an eye toward the crucial bottom line.

Very productive agencies have not limited their sights to the traditional property/casualty market.

Consider Joseph Held Co. Inc. Now in its third straight year as No. 1 on the productivity list, the small New York agency is just beginning to see a profit from a reinsurance captive in Bermuda.

The captive, Shinnecock Insurance Ltd., established in 1989, is owned and operated jointly by a major insurer and a limited number of selected agents. It underwrites reinsurance for much of the property-driven risks that are Held's specialty, said Kenneth S. Held, president and chief executive officer of the agency.

"This captive has contributed to the health of our operation," he noted.

Revenues per employee at Held rose 18.7% to \$285,714 in 1991, in part because staff size dropped by one employee to seven after Mr. Held's brother, Otto, retired. Gross revenues rose a far more modest 3.9% to \$2 million in 1991.

Similarly, MLW Services Inc., which rose to No. 17 this year from No. 20 in 1990, looks beyond the traditional marketplace.

Much of its growth comes from Barkly Brokerage Corp., a three-year-old wholesaler unit that specializes in real estate-related business, said Andrew H. Marks, president and chief executive officer of the New York brokerage.

Barkly Brokerage, a managing general agency for Great American Insur-



Stephen A. Warner
Ulrich, Voorhees, Warner Associates
See profile on page 36H

ance Co. of Cincinnati, "grew like Topsy this year," exclaims Mr. Marks. Having doubled its revenues from 1990 to 1991, the unit now produces 32% of the brokerage's book of business.

MLW's revenue per employee rose 6% to \$140,000 in 1991. And its gross revenues rose 10% to \$7.7 million in 1991.

Other productive agencies are also turning to divisions other than commercial property/casualty for growth.

Continued on next page



David S. Moross
Kalvin-Miller International Inc.
See profile on page 36F



Douglas Schenendorf and Alex Seaman
Seaman Ross & Wiener Inc.
See profile on page 36G

Photo by William A. Hillmeier

Photo by William A. Hillmeier

Agent/Broker Topics

Not just for the little guys anymore

Small firms, many with fewer than 10 employees, have fared well in the A/BT rankings over the years. But in fact the average agency in the Top 20 rankings has grown considerably.



Source: BI survey
GRAPHIC BY KIMBERLY MART

Productive agencies

Continued from previous page
No. 12-ranked Kornreich Insurance Services, for instance, relies heavily on three other divisions: the life division, which offers estate planning, and key man and second-to-die coverages for executives of its client companies; a retail division specializing in group benefits; and a division offering property/casualty coverage for program business, primarily not-for-profit organizations.
This year, Kornreich began getting a retail sales effort to target niches, including a program for abrasives manufacturers, an accountants' program and a special marine program.
Kornreich even has a division

to develop new ideas for specialties it can provide on a wholesale basis for other brokers, according to Steven L. Grossberg, executive vp and chief operating officer.

Per employee revenues for 1991 rose 7.6% to \$150,000. And gross revenues rose a slight 4.2% to \$22.5 million.

Bucking a trend

Careful targeting and creative thinking has even allowed entrepreneurs to start up agencies in these tough times.

Two years ago, Robert S. Van Cleave III formed Patriot Insurance Group Inc., which specializes in surety bonds for contractors and Fortune 200 companies, especially pharmaceutical, N.J.,

firm ranks 16th in productivity.

Patriot is also creating programs for directors and officers liability, and bonds for financial institutions and food and soft-drink manufacturers, said Mr. Van Cleave, who is president and chief executive officer.

These specialties, which constitute 35% of the agency's book of business, are attractive to niche surety insurers, which have been "very supportive" in Patriot's development.

Early returns look promising. Patriot's gross revenues grew phenomenally to \$2.1 million in its second year from \$100,000 a year earlier, and its revenues per employee shot up 180% to \$140,000 from \$50,000 in 1990.

On the strength of that performance, Mr. Van Cleave acquired

a personal lines agency with \$200,000 in commissions operating in an affluent Philadelphia suburb. He expects that personal lines business will constitute 12% of Patriot's revenues next year.

Patriot is also in the process of acquiring a property/casualty business with \$2.5 million in commissions.

Mr. Van Cleave's goal is to reach \$6 million in commissions by the end of the year; between new business and the acquisitions, it should become a reality, he said.

Specialties within specialties

Some brokerages with long-standing specialties are further honing those niches to find still other niches.

Healthcare Insurance Services Inc. was established in 1983 with a specialty in hospital and medical professional liability.

Since then, Houston-based Healthcare has tightened its focus. It now concentrates on selective medical specialties like emergency medicine and certain types of health care providers, such as ambulatory care facilities and clinics, said William F. Galtney Jr., chairman of Healthcare.

"This has kept our company focused so that there is very little energy wasted exploring areas in which we don't have existing knowledge and expertise," he added.

The company's revenue per employee declined 1.6% in 1991 to \$161,829—still good enough to rank No. 6. Healthcare's gross revenues increased 8.6% to \$13.8 million in 1991.

Mr. Galtney attributes the declining productivity figure to adding eight new staff members since last year for a total of 85.

Gradual expansion

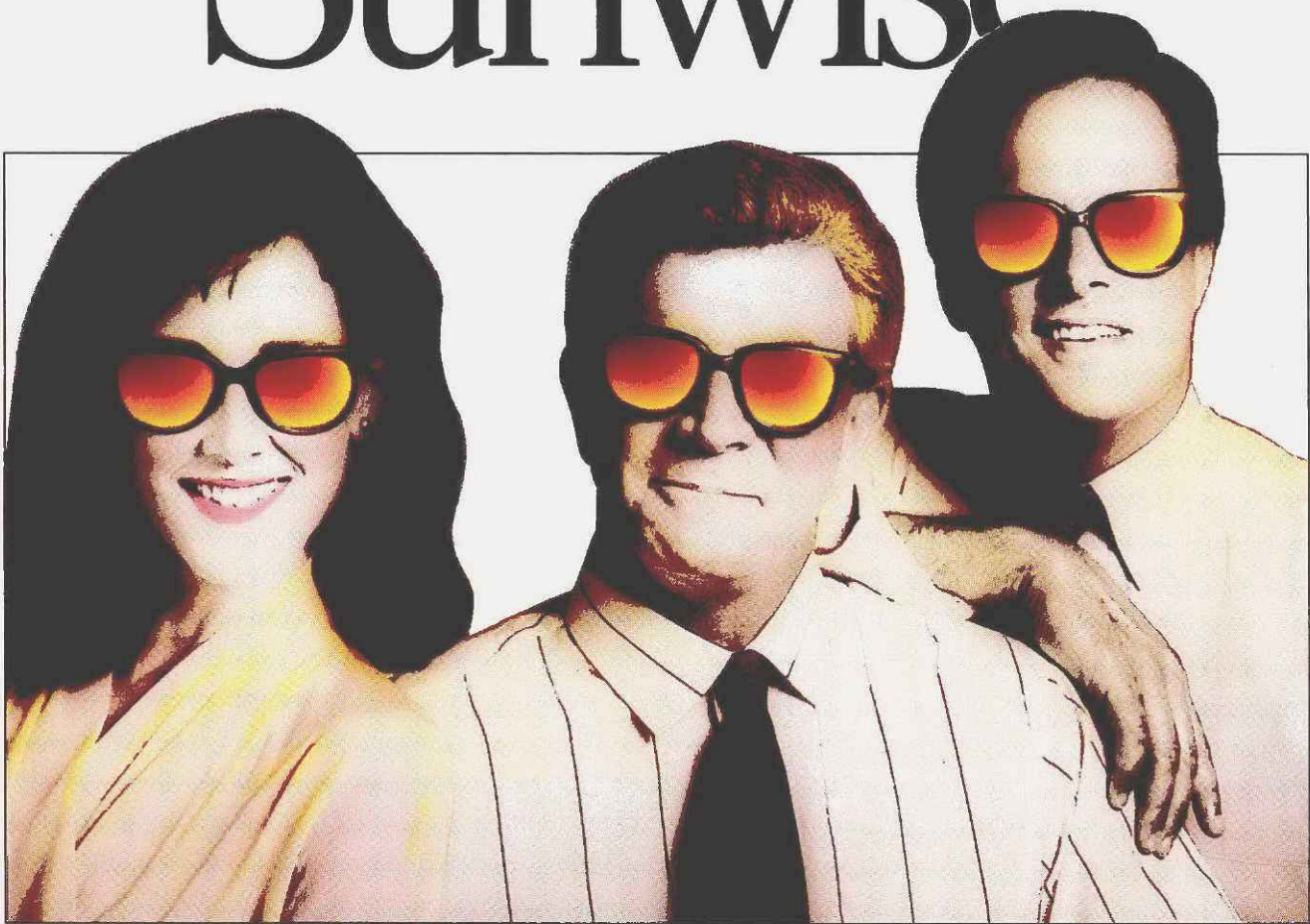
Several other top-ranked agencies are simply retaining existing specialties or expanding them slightly.

Herbert L. Jamison & Co., a New York agency that specializes in errors and omissions coverage for lawyers, judges and accountants, is setting up similar programs for psychiatrists and psychologists.

The legal E&O coverage makes up most of the business at Jamison, which was ranked No. 18 in the 1991 ranking and slipped to No. 19 in 1992. Another 32% of its gross revenues come from employee benefits, said Robert W.

Continued on page 36D

Sunwise



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Constant, if erratic, gains

Over the past years, average productivity gains have been constant, if somewhat unsteady, for the agencies in the A/BT most productive rankings.



Source: BI survey
GRAPHIC BY KIMBERLY MART

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Most productive agencies

Rank 1991	Rank 1990	Company	Revenue/employee			Gross revenues			Employees		
			1991	1990	% change	1991	1990	% change	1991	1990	% change
1	1	Joseph Held Co. Inc.	\$285,714	\$240,625	18.7%	\$2,000,000	\$1,925,000	3.9%	7	8	(12.5%)
2	13	The Redland Group Inc.	215,466	178,201	20.9	76,706,032	58,984,454	30.0	356	331	7.6
3	2	The Sklover Organization	188,889	188,889	0.0	1,700,000	1,700,000	0.0	9	9	0.0
4	6	Seaman Ross & Wiener Inc.	177,135	179,843	(1.5)	2,834,155	2,877,489	(1.5)	16	16	0.0
5	-	Kalvin-Miller International Inc.	173,184	171,975	0.7	31,000,000	27,000,000	14.8	179	157	14.0
6	4	The Wood Insurance Group Inc.	170,000	164,979	3.0	1,700,000	1,484,808	14.5	10	9	11.1
7	9	Healthcare Insurance Services Inc.	161,829	164,463	(1.6)	13,755,466	12,663,641	8.6	85	77	10.4
8	8	Frank Crystal & Co. Inc.	161,329	151,995	6.1	29,684,500	28,271,000	5.0	184	186	(1.1)
9	-	The HDH Group Inc.	157,790	169,963	(7.2)	5,996,004	5,778,733	3.8	38	34	11.8
10	7	Cal-Central Insurance & Management Services Inc.	155,909	154,909	0.6	1,715,000	1,704,000	0.6	11	11	0.0
11	14	Ulrich, Voorhees, Warner Associates Inc.	155,000	143,333	8.1	7,440,000	7,310,000	1.8	48	51	(5.9)
12	15	Kornreich Insurance Services	150,000	139,355	7.6	22,500,000	21,600,000	4.2	150	155	(3.2)
13	16	San Diego Associates Inc.	148,833	139,167	6.9	893,000	835,000	6.9	6	6	0.0
14	-	Gow & Hanna Inc.	143,314	127,432	12.5	10,032,000	9,047,700	10.9	70	71	(1.4)
15	-	LaGere & Walkingstick	143,200	131,254	9.1	17,040,743	18,244,344	(6.6)	119	139	(14.4)
16	-	Patriot Insurance Group Inc.	140,000	50,000	180.0	2,100,000	100,000	2000.0	15	2	650.0
17	20	MLW Service Inc.	140,000	132,075	6.0	7,700,000	7,000,000	10.0	55	53	3.8
18	17	James Econn & Co.	137,029	137,637	(0.4)	6,577,385	6,881,844	(4.4)	48	50	(4.0)
19	18	Herbert L. Jamison & Co.	132,479	134,339	(1.4)	15,500,000	16,255,000	(4.6)	117	121	(3.3)
20	-	The Simkiss Cos.	130,593	129,552	0.8	7,705,000	7,514,000	2.5	59	58	1.7
Totals/averages			163,385	151,499	7.8	13,228,964	11,858,851	11.6	1,582	1,544	2.5

Source: BI/survey

GRAPHIC BY JOHN HALL

Productive agencies

Continued from page 36B
Stephens, vp of finance and ad-

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ministration.

Jamison's per-employee revenues declined 1.4% to \$132,479 in 1991, and its gross revenues fell 4.6% to \$15.5 million.

At No. 5, Calvin-Miller International Inc., three key niches are New York real estate, jewelers' block and entertainment, said David S. Moross, chief operating officer of the New York-based broker (see profile on page 36F).

San Diego Associates Inc., which went to No. 13 from No. 16, continues to focus exclusively on employee benefit programs for midsize companies—a growth area as these benefits become more complex, said Director Bruce N. Kesler.

Its per-employee revenues rose 6.9% to \$148,833 in 1991. And its gross revenues went up 6.9% as well, to \$893,000.

At No. 9 was newcomer HDH Group Inc. of Pittsburgh. It spe-

cializes in workers compensation and has an exclusive arrangement in Pennsylvania to sell a municipality program from Fireman's Fund Insurance Co.

HDH also relies on group medical insurance, which experi-

'Four of our 10 largest accounts in 1990 were bankrupt in '91,' says James Econn.

enced "tremendous growth," said President Bryan C. Hondru.

Per-employee revenues for 1991 fell a significant 7.2% to \$157,790, a decrease the agency attributes to an increase in staff to 38 from 34. Its 1991 gross revenues, however, rose 3.8% to \$6

million from \$5.8 million.

Other productive agencies are beefing up their service capabilities to remain competitive.

No. 11-ranked Ulrich, Voorhees, Warner Associates Inc. is expanding its in-house loss control services for clients, and in April began providing information on hiring and firing practices and anti-discrimination laws, said Executive Vp Stephen A. Warner.

In the No. 14 spot, Gow & Hanna Inc. couples its construction program specialty with services like claims management and loss control, which are "important in any market, but critical in this market," said President Timothy Gow.

Gross revenues for the New York brokerage increased 10.9% to \$10 million in 1991, while revenues per employee rose 12.5% to \$143,314 from \$127,432 the year before.

Struggling

Specialization can sometimes be a double-edged sword.

Just ask James Econn, whose Los Angeles brokerage specializes in real estate development and high-tech companies, two areas that have been hit hard by the recession.

"Both of these fields have suffered far more than other businesses," he noted. "Four of our 10 largest accounts in 1990 were bankrupt in '91."

James Econn & Co. dropped one notch to the No. 18 spot this year. Its revenues per employee fell 0.4% to \$137,029 in 1991. And its gross revenues dropped 4.4% to \$6.6 million.

The CEO says he plans to stick with these specialties and focus on internal cost controls to weather the storm. "We have to be patient because it will change eventually," he said.

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Agents strike a delicate balance

Trimming costs without leaving agency on the cutting room floor

By LAURA MAZZUCA

Throughout the soft market, cost-cutting has been pursued zealously at the most productive agencies and brokerages.

Leases have been renegotiated, salaries frozen, staffs cut and perks eliminated.

Everything "from postage to people" is being scrutinized for ways to cut costs, said Timothy Gow, president of Gow & Hanna Inc. in New York, No. 14 on the *Agent/Broker Topics* list of the most productive agencies (see chart, page 36D).

Principals at highly productive agencies know they must be careful not to undercut the quality of service they can offer.

The real cost-cutting challenge is to maintain a balance between austerity and professionalism, said David N. Peterson, president of San Diego Associates Inc.

In the wake of staff reductions, "Our target market, the mid-sized company, will usually re-

ceive a 'rookie' or 'second-teamer' from the giant alphabet houses," added Bruce N. Kesler, director of San Diego Associates, the No. 13 agency. "From us, they receive first-team expertise and support."

Startup agencies often have trouble with this balancing act. They find it difficult to both hold down staff costs and handle all their new business.

Just ask Richard S. Van Cleave III, who founded No. 16-ranked Patriot Insurance Group Inc. in 1990. Patriot's marketing team is "good, but could be better," so

he plans to hire a new marketing person soon.

"We look very carefully at disciplines we need in-house," Mr. Van Cleave said. "We're looking at overall expenses, not just cutting anything we can."

Some agencies will add staff even when the market is soft.

"We are always looking for good people to augment our offices," said Mr. Gow of Gow & Hanna. "We will always take a great 'athlete' and make room."

When it comes to those "athletes," the alphabet houses' losses can be the mid-sized bro-

kerages' gain, said Andrew H. Marks, president and chief executive officer of MLW Services Inc. in New York.

MLW has picked up staffers like customer-service representatives and account executives after their jobs were phased out by major brokers. "You can upgrade a bit because the big brokers have let people go," he said.

"There are highly talented people in other Philadelphia brokerages who are not being properly recognized, and we want to talk to them," said John A. Simkiss Jr., president of The Simkiss Cos. in St. Davids, Pa., which ranked No. 20.

Using another approach, many principals restructure compensation rather than reduce staff.

Rather than laying off employees, No. 3 Sklover Organization waived all profit-sharing and capped raises at 5% last year, said Richard Sklover, president of the Westbury, N.Y., agency.

Ordinarily, HDH Group Inc. employees are on a "self-adjusting" bonus system. But to cut costs, they were given flat percentage raises last year, said Bryan C. Hondru, president of the Pittsburgh agency, which ranked No. 9.

Another business tool that the top-producing agencies don't scrimp on is automation. In fact, they rely on it more and more.

"We're always trying to maxi-
Continued on next page

How do they do it? Not by cutting staff

In fact, the agencies in the A/BT most productive rankings have, on average, increased their staffs in each of the past four years.



Source: BI survey
GRAPHIC BY KIMBERLY MART

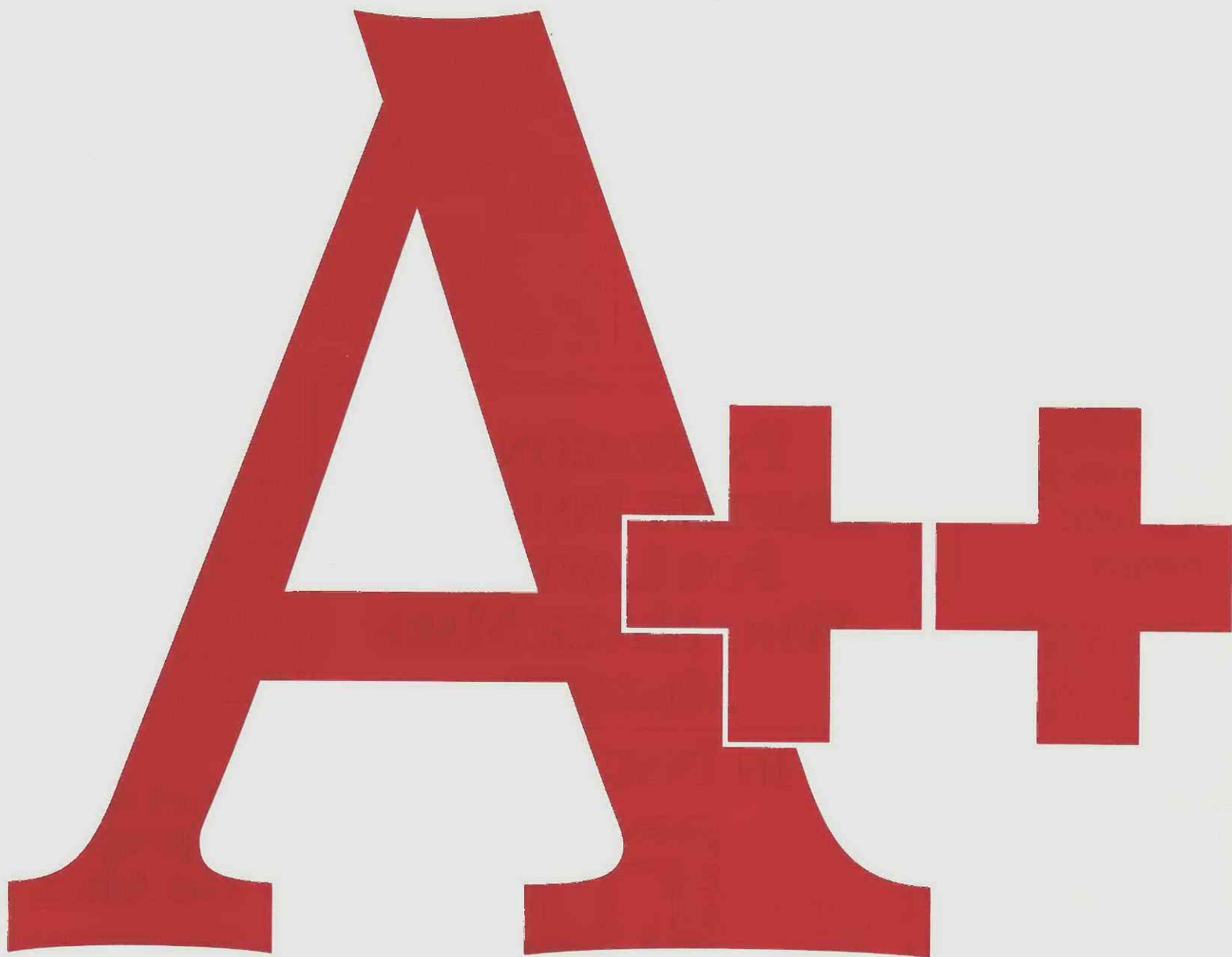
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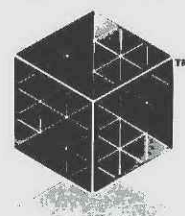
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Productivity gains

Continued from previous page
 mize computerization to increase efficiency," said Mr. Gow of Gow & Hanna. "With one exception, (we) run all of our offices from a central processor. Despite the communication expense, the cost savings are enormous because we only need data processing people in one place, and software maintenance is done only once."

Overhead costs, of course, are being scrutinized closely. Take, for example, No. 10-

ranked Cal-Central Insurance & Management Services Inc. It is "building a zero-based budget starting with expense rather than income, monitoring the budget and maintaining a lean staff to maximize productivity," said James E. Williams, executive vp of the Fresno, Calif., agency.

"We're going through the usual gyrations in analyzing expenses," said Robert W. Stephens, vp of finance and administration for 19th-ranked Herbert L. Jamison & Co. in New York. The company is conducting an internal evaluation that it hopes will result in "running things more efficiently and smarter."

Agencies are also seeking business that promises to be more lucrative than commercial property/casualty accounts.

MLW, for example, derives 3% of its gross revenues from personal lines, which is remaining profitable while commercial income stalls. And at the Sklover Organization, travel and credit card businesses are big contributors to profit.

Account size can be important as well. "Our productivity is high because we seek medium and large accounts," said Mr. Hondru of HDH, which has only 400 accounts on its books. "We never succumbed to letting producers go out and chase small stuff." ■

Kalvin-Miller is revitalized after its 1986 acquisition

Eschewing tradition, new owner revamps N.Y.-based broker

By LAURA MAZZUCA

NEW YORK—Kalvin-Miller International Inc. is striving to become the type of multinational brokerage it once competed against.

Management changes, new programs and an international focus are among the strategies being used to marshal a new order at Kalvin-Miller.

"Our goal is to launch ourselves into the U.S. brokerage business," said David S. Moross, chief operating officer of Kalvin-Miller, which since 1986 has been 80% owned by Whitehall Financial Group, a U.S.-based subsidiary of a diversified London company.

Relatively new to the brokerage business, Whitehall is trying to shake up the old-line midsize New York brokerage, which was founded in 1902 but, which undergone a virtual rebirth since being acquired.



Photo by William A. Hillermeier

A wealthy parent company has Mr. Moross of Kalvin-Miller smiling.

"Our mission is not just to run a traditional insurance broker," Mr. Moross said. "This industry is still rife with lazy, undereducated, and overpaid people."

The agency's new approach seems an efficient one: Revenues per employee inched up 0.7% to \$173,184 last year, good enough to rank No. 5. Gross revenues rose 15% to \$31 million in 1991.

With the clout of diversified Whitehall behind it—an asset management company, a bank and a life insurer round out the parent's holdings—Kalvin-Miller plans on going toe to toe with the big alphabet houses by offering an arsenal of new programs: life insurance and financial consulting, loss control and risk management services through subsidiaries KM Consulting Group Inc. and Kalvin-Miller Life Consultants; and access to the international brokerage market

through wholesale brokerage subsidiaries Norex Insurance Brokers Ltd. in London and Kammsac International Ltd. in New York.

Forty-one percent of its revenues are now derived from non-U.S. clients, and Kalvin-Miller is focusing on expansion in Europe, Mr. Moross said.

Kalvin-Miller also plans to add more "anti-cyclical, revenue-producing businesses" like fee-based services as a hedge against the peaks and valleys of the commercial market, Mr. Moross said.

In 1991, commercial retail brokerage business accounted for 71% of revenues, with 8% wholesale, 14% reinsurance, 2% personal lines, 1% services and 4% investment income.

The many changes Kalvin-Miller has undergone may seem geared to attract large corporations as clients, but the brokerage intends to specialize in the midsize market.

In fact, much of the direction for the operational changes made at Kalvin-Miller come directly from Whitehall's shareholders. "Kalvin-Miller is only a small part of Whitehall, but they are very focused on growing it," Mr. Moross said.

The brokerage's per employee revenues suggest that it is indeed operating differently than the alphabet houses, which never come close to the productivity levels in the *Agent/Broker Topics* rankings.

When Kalvin-Miller was acquired in 1986, the brokerage had gross revenues of \$10 million and 58 employees in one Manhattan location, Mr. Moross said.

Now revenues have grown to \$31 million at year-end 1991, and headcount last year climbed 14% to 179 employees.

Mr. Moross attributes this growth to "serious management and midmanagement changes" within the organization.

After Whitehall bought Kalvin-Miller, it brought on four "heavyweight" managers to oversee smaller agencies being merged into the firm, Mr. Moross said. "It's not just the financial structuring of the deal that makes it work."

The company has acquired two
Continued on next page

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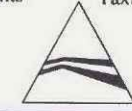
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Seaman shuns specialization

Agency boosts productivity by pursuing all revenue sources

By LAURA MAZZUCA

SYOSSET, N.Y.—Principals of the most productive agencies have been singing the praises of specialization for years now, but not everyone likes the tune.

Specialization isn't necessarily the best way for an agency to survive the soft market, according to Alex Seaman, a partner in Seaman Ross & Wiener Inc., the Syosset, N.Y.-based agency that landed in fourth

Kalvin-Miller

Continued from previous page agencies since 1986, and currently is looking at making a "significant number" of additional purchases, Mr. Moross said.

Kalvin-Miller is keen on new business and has a separate division devoted to generating it, Mr. Moross said. Between 1982 and 1987, annual new business at Kalvin-Miller averaged \$375,000 per year. But for the years 1987 through 1991, average new business per year was \$2.2 million, he said.

Retentions, though, have been a problem. Kalvin-Miller lost some accounts after it was acquired by Whitehall, though "not more than we've anticipated," Mr. Moross said. And retentions slipped slightly to 94% last year from 96% in 1990.

Looking to grow through acquisition, the brokerage is targeting agencies and brokerages with revenues of between \$5 million and \$25 million that are strong niche marketers, Mr. Moross said.

Kalvin-Miller's three offices are now being linked to its Delphi/McCracken Inc. automation system, and the brokerage is also electronically linked to most of its major insurers.

Since the 1986 buyout, good relations with markets have only gotten better through the brokerage's increased involvement with top insurer executives, Mr. Moross said.

The fact that owner Whitehall is also in the underwriting business gives Kalvin-Miller some "leverage" in its relationship with these insurers, he added. "This relationship has been the edge in increasing our new business," he added.

But in spite of its ambitions, Kalvin-Miller plans to avoid becoming overdiversified and top-heavy with staff and management—circumstances the broker believes would lead to decreased productivity.

"It's all a matter of balancing expenses with returns," Mr. Moross said. "We've structured compensation programs to be profitable and return-driven."

The key to this, Mr. Moross said, is "being able to take advantage of opportunities, being courageous, and keeping our staff focused every day on what we can do in this business." ■

place in this year's most productive agency ranking.

Tying up too much business in one or two specialty lines is simply "too risky," said Douglas Schenendorf, a partner in SRW, although almost 15% of SRW's business is in professional liability, and the agency does retain specialists for some niche business like employee benefits.

Insurers are notoriously fickle about the types of business they are willing to underwrite when profits or losses aren't up to snuff, Mr. Schenendorf said.

So why take chances sticking to a

few specialized lines? he asks.

Target markets may be profitable when they're still new and fresh, but they become highly competitive once other agencies get wind of the fact that they're a good market, he said.

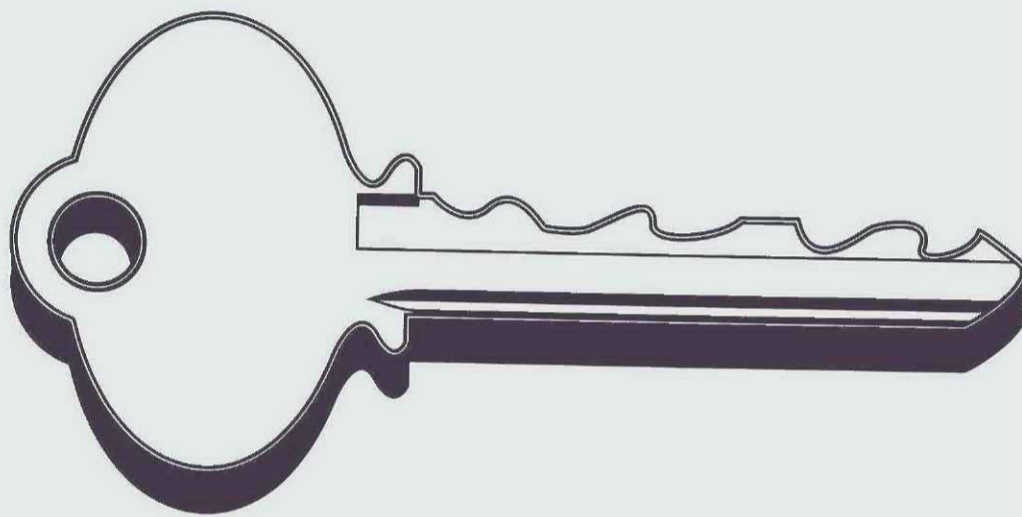
For that reason, "specializing is not something we've promoted," Mr. Schenendorf said. "We're not selecting one area to go after. It's basically the aggressive nature of myself and

Continued on next page

Seaman Ross & Wiener Partners Alex Seaman (left) and Douglas Schenendorf.



Photo by William A. Hillermeier



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SRW productivity

Continued from previous page
Alex (Seaman). We're pursuing every avenue of revenue, because we've been trained to sell everything."

The agency prefers to focus on "total account selling" rather than niche marketing; and the key is to "service the hell out of every client," Mr. Seaman said.

Commercial retail brokerage produced 60% of its gross revenues in both 1991 and 1990. Ten percent of revenues were from personal lines; with the rest from life, health, employee benefits and other services.

SRW is iconoclastic in other ways as well. The "cluster" trend of the early 1980s, has gone the way of roller disco. But SRW has been a cluster—all three principals retain their own books of business—since it was founded in 1955.

Principals do, however, share agency expenses, markets and administrative costs.

Also unconventional is its use of markets and insurers. Rather than lose accounts, SRW will turn to wholesale brokers and direct writers to give clients access to underwriters other than agency insurers.

About 80% of its business is still with agency companies, but alternative markets have become crucial "across the board" over the past year, Mr. Seaman said.

Personal lines has helped pick up the slack from the soft commercial property/casualty market. Handled by a separate department, personal lines constitute 10% of the agency's gross revenues, and is especially valuable in cross-selling, he said.

"We are probably one of the few agencies where the life sale is as important as the workers comp," Mr. Schenendorf added.

Expert advice on direct marketing and promotions now goes unheeded. SRW does no direct solicitation, preferring to rely on word of mouth, Mr. Schenendorf said.

It was not always so. Recent experiments in telemarketing have backfired, mainly because incumbent insurers simply matched the

savings that SRW offered, he noted. "In every case where we could save the prospect 15% or 20%, they went back with their incumbent."

Cold calling on a large scale was dropped about a year ago, Mr. Seaman said.

The agency's avoidance of recent trends in insurance marketing hasn't hurt. Since 1990, SRW has been no lower than No. 6 in the A/BT rankings.

However, like other agencies, SRW is faced with dwindling property/casualty commissions and fixed, if not growing, overhead.

Even on unprofitable business that has sustained losses, "We're seeing accounts that were \$300,000 in premiums last year and are being quoted this year for \$125,000," Mr. Seaman said. "Everybody is going nuts replacing business."

Both gross revenues and revenue per employee were off in 1991. The per employee figure fell 1.5% to \$177,135 and gross revenues fell 1.4% to \$2.83 million.

Though serious about holding down expenses, its principals are not interested in compromising the professionalism of their staff of 16.

Rather than hiring new workers, SRW has creatively used those it already has, such as shifting those who have gone "stale" to areas they might find more challenging, Mr. Seaman said.

Instead of staff or salary cuts, SRW two years ago replaced flat annual raises with performance-based pay. "People now understand what their pay is based on," Mr. Schenendorf added.

In other expense-cutting, SRW took advantage of New York's depressed real estate market last year to move into larger quarters "at half the rent we were paying the year before," Mr. Seaman noted.

One key to further cost cutting is automation. Although the 7-year-old agency management system will need an upgrade soon, current software—such as an interface with CIGNA Corp., Travelers Corp. and a few other major insurers—contributes to efficient administration, Mr. Seaman said. ■

Getting everyone to pitch in

Teamwork given credit for productivity gains at Ulrich, Voorhees

By LAURA MAZZUCA

SOMERSET, N.J.—Last year at this time, Ulrich, Voorhees, Warner Associates was an agency in flux.

In fact, when *Agent/Broker Topics* called Executive Vp Stephen A. Warner in 1991, he was literally in the process of packing for a move to bigger quarters to take advantage of low lease costs.

Now that the agency is settled in, change has become a constant.

Mr. Warner acknowledges that he was unhappy with growth, profits and the firm's management structure, which he described as a "factory."

Consultants were brought in to revamp that structure into a team approach. And teamwork appears to be paying off: The agency moved up three notches to No. 11 in the annual A/BT productivity rankings.

Revenues per employee in 1991 grew to \$155,000, a respectable 8.1% increase over \$143,333 in 1990. Gross revenues edged up to \$7.4 million from \$7.3 million.

Team management—in which teams of staffers work on each account—gets at least part of the credit, Mr. Warner said.

The new format, which was partially in place in 1991, eliminates isolated departments for personal lines, commercial lines, claims processing and other tasks. Now, teams are created from each area to service an account, Mr. Warner explained.

Based on the Japanese concept of service, the team approach makes "everybody responsible to pitch in and get things done," Mr. Warner said. Along with this accountability, flat raises have been replaced with performance-based pay.

A typical team for a medium-size account could include two commercial account managers, a personal lines representative, a claims person and a technical support person. The group then appoints a team leader,



Photo by William A. Hillmeier

Stephen A. Warner champions teamwork at Ulrich, Voorhees.

who may specialize in any of these disciplines.

Both productivity and camaraderie have improved under the system, Mr. Warner said. Employees make more efficient use of the agency's Delphi-McCracken Inc. automation system, and complaints from clients have decreased, he added.

Yet not everyone took to this new approach. In the course of the management shakeup, one manager and two other staffers left the agency. During the past six months, Ulrich, Voorhees hired five new people, two for new positions.

Increased efficiency generated by the teams is especially important as the property/casualty market remains "numb," Mr. Warner said. "This is the way it's probably going to be forever. The good old days are gone for good."

Ulrich, Voorhees remains primarily a commercial retail operation—retail operations accounted for 67% of its gross revenues in 1991, down slightly from 1990. But other types of business are beginning to make their mark.

A loss-control services operation, for instance, grew from 12% of gross

revenues in 1990 to 13% in 1991. Further increases are expected.

The agency's benefits department, which specializes in life insurance and estate planning, "has also had a nice turnaround" and is steadily growing, Mr. Warner said. "This will probably be a banner year for that."

Ulrich also plans to expand its personal lines sales, which account for 6% of gross revenues in both 1991 and 1990.

Another category of business being pursued is "tough classes" of business for specialization. The agency now specializes in environmental, medical malpractice, auto dealers and hospitals. And Mr. Warner said, "We're always looking for more."

The changes and growth plans at Ulrich, Voorhees, are bolstered by enhancements in automation, which has long been important to the agency. It recently added a local area network, or LAN, to integrate additional systems into the Delphi-McCracken system. For instance, employees can now retrieve motor vehicle reports, which are on a separate software system, from any terminal in the office, Mr. Warner said.

Ulrich also replaced its library of manuals with a hard-disk computer information system which is updated twice a month, he said. The cost is about the same as maintaining a library of actual books, but it saves room.

Relationships with insurers, another important growth element, is a high priority at Ulrich, too. "Our relationships with them have always been a 'nine,' and today it's as good as it's ever been," Mr. Warner noted. "We understand what they're going through."

And instead of griping about neglect, Ulrich itself is opening the lines of communication.

Last month, for example, Ulrich arranged for eight staffers and 11 representatives from one of its major insurers to discuss how to meet production goals, Mr. Warner said. ■

Brokers do what they can for clients after Andrew

By SARA MARLEY

After Hurricane Andrew knocked out power and phone service and left many roads blocked and buildings in rubble, brokers—some storm victims themselves—had trouble just reaching clients.

Service was interrupted at many brokerage offices and a few sustained actual damage.

Normally home to more than 100 employees, Alexander & Alexander

Services Inc.'s Miami office was without power or electricity for several days after the storm hit.

Some glass was broken and internal ceilings damaged. Seventeen employees were back to work a few days later and others were moved to Fort Lauderdale, said Art Brown, vp and manager of that office.

Another broker that sustained significant damage, Frank B. Hall & Co. Inc., used newspaper and radio ads to tell clients that its Coral

Gables, Fla., operations were open.

As part of the broker's catastrophe plan, three motor homes were driven from Jacksonville, Fla., to serve as mobile offices in Coral Gables, said Terry Wilcox, chairman and CEO of Frank B. Hall Florida.

Clients were not allowed in the office there while officials determined if it was structurally sound.

At Johnson & Higgins, the Richmond, Va., office was designated as catastrophe headquarters. Major clients were told to report losses there if they could not reach the Miami office—which was shut down by storm damage—or the New Orleans office, said David North, national claims manager for J&H.

J. Patrick Gallagher Jr., president of Arthur J. Gallagher & Co., said, "We've got claims like you wouldn't believe. We have billions of dollars of property insured there," through both the brokerage and its risk management services subsidiary, Gallagher Bassett Services.

Gallagher Bassett serves as third-party administrator for the Archdiocese of Miami, which suffered damages at several locations, including churches, hospitals, schools and offices, said Ralph Jenke, vp-property at the consulting group.

Brokerages tried to begin the claims process as soon as possible.

A&A employees began visiting Florida clients in the late afternoon

of the day the storm struck, Mr. Brown said. At least a dozen major claims were discovered before clients even reported them, said John Beltran, managing vp of A&A's south Florida operations.

Property repairs were delayed because contractors' supplies were destroyed and replacements are unavailable, Mr. Beltran said.

Impaired communications systems means most clients are unable to report their claims. "We expect to receive claims daily for the next two weeks," Mr. Beltran said.

"Most insurance companies have responded very well and are sending in action teams," A&A's Mr. Brown said.

"The industry is doing a great job responding," Mr. Brown said.

One early loss reported to American Business Insurance Inc. in Florida was a real estate brokerage office that housed 100 salespeople, said James R. Harper, president of ABI-Southeast in Tampa. At least 1,000 claims have poured into ABI's office.

Two other brokers with Florida offices—Brown & Brown of Daytona Beach and Hilb Rogal & Hamilton Co.—reported few claims and no damaged offices.

Tampa-based Poe & Associates Inc. reported that its Miami and Fort Lauderdale offices were closed for one day. ■

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Business Insurance

Continued from previous page

Clients: 1,000 total; 10% with 1 to 100 employees, 55% with 101 to 1,000, 30% with 1,001 to 5,000, 5% with more than 5,000. Average plan, 350 participants; largest plan, 20,000; no minimum size plan; maximum size plan, 50,000.

1991 gross revenues: \$2.5 billion total; \$15 million from 401(k) plan administration.

Principal officers: John Madonna, chairman/managing partner; James Brocksmith, vice chairman/managing partner.

Kemper Financial Services Inc.

120 S. LaSalle St., Chicago, Ill. 60603; 800-621-1148; fax: 312-499-5207

Founded: 1948; 401(k) plan administration services since 1987.

Parent: Kemper Corp.

Software: Written and maintained by the company; accommodates over 20 investment funds and eight kinds of contributions; software may be used by clients in-house under Preferred K (turnkey) program.

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests for Preferred K.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on plan design issues for Preferred K, compliance issues for Preferred K, employee communications. Manages investment of the plan funds. Other services include prototype plan documents, proposals, monthly statements, on-line transaction processing and look-up, communication materials and video.

Service area: Nationwide.

Locations: Administrative offices for Preferred K (Dun & Bradstreet Pension Services) in Tampa.

Staff: 70 total; 45 involved in 401(k) plan services.

Clients: 4,300 total; 75% with 1 to

100 employees, 24% with 101 to 1,000, 1% with 1,001 to 5,000. Average plan, 50 participants; largest plan, 1,500; minimum size plan, five; no maximum size plan.

Principal officers: Charles Kierscht, chairman/president/chief executive officer; Rich Redeker, senior executive vp; William E. Chapman, senior vp/central marketing.

Contact: Jeff Kargl, senior marketing analyst, retirement plan marketing, 312-499-8404.

Kimball Akins & Bigwood Inc.

800 South St., Waltham, Mass. 02154; 617-894-2111; fax: 617-894-3781

Founded: 1970; 401(k) plan administration services since 1982.

Software: Written and maintained by the company; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include actuarial services, group and flex benefits consulting, design and financial analysis services.

Service area: New England, New York.

Locations: Administrative and consulting offices in Waltham, Mass.

Staff: 16 total; 12 involved in 401(k) plan services. Professionals: three MBAs, four ASAs/FSAs, one attorney.

Clients: 70% with 1 to 100 employees, 30% with 101 to 1,000. Average plan, 125 participants; largest plan, 450; no minimum or maximum size plan.

Principal officers: C. Charles Akins Jr., president; Emmet M. Bonner, Joanne O'Donnell, Richard S. Fitts, vps.

Contact: Richard S. Fitts.

Kirke-Van Orsdel Inc. Benefit Trust Division

One Metropolitan Square, Suite 800, St. Louis, Mo. 63102; 314-621-0040; fax: 314-621-5019

Founded: 1974; 401(k) plan administration services since 1983.

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

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Locations: Administrative and consulting offices in St. Louis.

Staff: 130 total; 13 involved in 401(k) plan services.

Clients: 150 total; 94% with 1 to 100 employees, 6% with 101 to 1,000. Average plan, 35 participants; largest plan, over 500; minimum size plan, 10; maximum size plan, 2,500.

Principal officers: John F. Hannan, William C. Heidbrink, James L. McKown III.

Contact: James L. McKown III.

Kwasha Lipton

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

Founded: 1944; 401(k) plan administration services since 1968.

Software: Written and maintained by the company; accommodates 99 investment funds and 16 kinds of contri-

butions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include PC and LAN-based data administration software "live" customer service representatives, statistical summaries of plan activity.

Service area: Nationwide.

Locations: Administrative and con-

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 sulting offices in Fort Lee, N.J.

Staff: 370 total; 70 involved in 401(k) plan services. Professionals: two CEBSs, 12 MBAs, three CPAs, 23 ASAs, 22 FSAs, four attorneys.

Clients: 100 total; 60% with 1,001 to 5,000 employees, 40% with more than 5,000. Average plan, 5,000 participants; largest plan, 60,000; minimum size plan, 750; no maximum size plan.

Principal officers: David A. Skovron, chief executive partner; Robert S. Byrne Jr., chief operating partner; James T. Brickman, recording partner.

Contact: R.T. Whitman, partner.

L

LFS Benefit Services Inc.

271 W. Cerritos Ave., Anaheim, Calif. 92805-6549; 714-774-8051; fax: 714-239-6862

Founded: 1974; 401(k) plan adminis-

tration services since 1980.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.

Service area: Nationwide.

Staff: 16 total; three involved in 401(k) plan services.

Clients: 65 total; 85% with 1 to 100 employees, 15% with 101 to 1,000. Average plan, 90 participants; largest plan, 500; no minimum size plan; maximum size plan, 1,000.

Principal officers: Alfred O. Long, president/chief executive officer; Mark E. Long, vp-administration; Marcia E. Lichte, vp-sales/marketing.

Contact: Alfred O. Long.

M

Mammel, Schropp, Swartzbaugh, Engler & Jones Inc.

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

Founded: 1959; 401(k) plan administration services since 1981.

Parent: The Redland Group.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

tions.

Service area: Nationwide.

Locations: Administrative and consulting offices in Omaha, Neb.

Staff: 127 total; 18 involved in 401(k) plan services. Professionals: one CEBS, two ASAs/FSAs.

Clients: 104 total; 58% with 1 to 100 employees, 35% with 101 to 1,000, 7% with 1,001 to 5,000. Average plan, 234 participants; largest plan, 2,000; no minimum size plan; maximum size plan, 10,000.

Principal officers: Carl G. Mammel, chairman; Gary L. Hurley, vice chairman; Robert F. Swartzbaugh, president/chief executive officer; Omer C. Trout, executive vp/chief operating officer; Donn B. Jones, senior vp; Joseph Smith, secretary/treasurer.

Contact: Donn B. Jones.

Massachusetts Mutual Life Insurance Co.

1295 State St., Springfield, Mass. 01111; 413-788-8411

Founded: 1854; 401(k) plan administration services since 1972.

Software: Written and maintained by the company; accommodates 12 investment funds and 12 kinds of contributions.

Administration: Uses unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include accounts for non-Massachusetts Mutual funds.

Service area: Nationwide.

Staff: 175 staff members involved in 401(k) plan services.

Clients: 1,500 total. 60% with 1 to 100 employees, 35% with 101 to 1,000, 5% with 1,001 to 5,000. Average plan, 130 participants; largest plan, 6,000; minimum size plan, 25.

Contact: Peter Vogian.

Meeker Sharkey

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

Founded: 1864; 401(k) plan administration services since 1978.

Parent: Meeker Sharkey Financial Group.

Software: Leased from an outside vendor; accommodates 50 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Northeast.

Locations: Administrative and consulting offices in Cranford, N.J.

Staff: Nine total; seven involved in 401(k) plan services. Professionals: one CEBS, one attorney.

Clients: 115 total; 27% with 1 to 100 employees, 69% with 101 to 1,000, 4% with 1,001 to 5,000. Average plan, 125 participants; largest plan, 1,600; minimum size plan, 25; maximum size plan, 4,000.

1991 gross revenues: \$900,000 total; \$400,000 from 401(k) plan administration.

Principal officers: Gerard E. Desmond, president; Myles J. Gilsenan, benefit and tax counsel; Lynn Decker, actuarial supervisor.

Contact: Gerard E. Desmond.

William M. Mercer Inc.

1166 Ave. of the Americas, New York, N.Y. 10036-2708; 212-345-7000; fax: 212-345-7423

Founded: 1975; 401(k) plan administration services since the late 1970s.

Parent: William M. Mercer Cos. Inc.

Software: Written and maintained by the company, some leased from an outside vendor; accommodates unlimited investment funds and kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations,

toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include consulting with employers to integrate 401(k) plans into a total compensation and employee benefit program, 401(k) modeling through interactive video or PC diskettes, investment manager search and selection services.

Service area: Nationwide.

Locations: Administrative and consulting offices in Albuquerque, N.M.; Anchorage, Alaska; Atlanta; Baltimore; Birmingham, Ala.; Boston; Charlotte, N.C.; Chicago, Deerfield, Ill.; Cincinnati, Cleveland, Columbus, Ohio; Dallas, Fort Worth, Houston, Texas; Denver; Detroit; Indianapolis; Irvine, Los Angeles, Orange, San Francisco, San Jose, Calif.; Kansas City, Mo.; Louisville, Ky.; Memphis, Tenn.; Milwaukee; Minneapolis; Morristown, N.J.; New Orleans; New York, Rochester, New York; Philadelphia; Pittsburgh; Phoenix; Portland, Ore.; Richmond, Va.; St. Louis; San Juan, Puerto Rico; Seattle; Stamford, Conn.; Tampa, Fla.; Washington.

Staff: 3,461 total; 350 involved in 401(k) plan services.

Clients: 1,250 total. 14% with 1 to 100 employees, 28% with 101 to 1,000, 45% with 1,001 to 5,000, 13% with more than 5,000. Average plan, 1,000 participants; largest plan, 53,000; minimum size plan, 100; no maximum size plan.

1991 gross revenues: \$720 million total worldwide.

Principal officers: Robert A. Brochu, president.

Contact: Robert Aglira, managing director, 1515 Market St., Suite 400, Philadelphia, Pa. 19102; 215-963-4216.

Merrill Lynch

800 Scudders Mill Road, Plainsboro, N.J. 08536; 609-282-2233; fax: 609-282-3743

Founded: 401(k) plan administration services since 1985.

Parent: Merrill Lynch & Co. Inc.

Software: Purchased from an outside vendor, record keeping is provided by an outside third party; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include benefits administration, satellite video network and customized materials, comprehensive communications capabilities including PC-based asset allocation, retirement consulting and investment packages, trustee service.

Service area: Nationwide.

Locations: Administrative offices in Somerset, N.J. Consulting offices in Princeton, N.J.

Staff: 640 total; 375 involved in 401(k) plan services.

Clients: 303 total; 3% with 1 to 100 employees, 46% with 101 to 1,000, 36% with 1,001 to 5,000, 15% with more than 5,000. Average plan, 3,340 participants; largest plan, 110,000; minimum size plan for in-house record keeping, 1,000, third party, one; no maximum size plan.

1991 gross revenues: \$53 million total; \$20 million from 401(k) plan administration.

Principal officers: J. Arthur Urcioli, director of business financial services; G. Stephen Thoma, director of group employee services; Richard Hanson, director of financing and credit services; Jeffrey S. Feldman, director of evaluation and business brokerage services; Alan M. Sitsen, director of Institutional Consulting.

Metropolitan Life Insurance Co.

1 Madison Ave., New York, N.Y. 10010; 212-578-3854; fax: 212-578-4176

Founded: 1868; 401(k) plan administration services since 1980.

Parent: Metropolitan Life.

Continued on next page

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Continued from previous page

Software: Written and maintained by the company; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of plan funds. Other services include financial modeling for participants, enrollment services, asset allocation information, modeling trustee services.

Service area: Nationwide.

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

Staff: 1,800 total; 300 involved in 401(k) plan services. Professionals: 97 CEBSs, 23 MBAs, one CPA, three ASAs/FSAs, five attorneys.

Clients: 300 total; 4% with 1 to 100 employees, 70% with 101 to 1,000, 20% with 1,001 to 5,000, 6% with more than 5,000. Average plan, 1,500 participants; largest plan, 60,000; no minimum or maximum size plan.

1991 gross revenues: \$10 billion total.

Principal officers: Robert G. Schwartz, chairman/president/chief executive officer; Phillip Briggs, vice chairman; Robert E. Chappell Jr., Stewart G. Nagler, Ted Athanassiades, senior executive vps.

Contact: Edward Dietrich, assistant vp, 72 Eagle Rock Ave., East Hanover, N.J.; 201-515-1579; fax: 201-386-1010.

Michigan National Bank

P.O. Box 9065, 27777 Inkster Road, Farmington Hills, Mich. 48333; 313-473-3550; fax: 313-473-3094

Founded: 1940; 401(k) plan administration services since 1982.

Parent: Michigan National Corp.

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

Administration: Uses cash accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, clients' on-line access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include customized participant statements, employee communications programs, fidelity mutual funds at no-load.

Service area: Nationwide.

Locations: Administrative and consulting offices in Farmington Hills, Grand Rapids, Lansing, Mich.

Staff: 30 total; 21 involved in 401(k) plan services. Professionals: one CEBS, one MBA.

Clients: 300 total; 70% with 1 to 100 employees, 29% with 101 to 1,000, 1% with 1,001 to 5,000. Average plan, 85 participants; largest plan, 2,100; no minimum or maximum size plan.

Principal officers: Gary Queen, senior vp; Tom Defer, Steff Chalk, vps.

Contact: Steff Chalk.

Miller, Mason & Dickenson Inc.

123 N. Wacker Drive, Suite 1000, Chicago, Ill. 60606; 312-701-4800; fax: 312-701-4855

Founded: 1960; 401(k) plan administration services since 1974.

Parent: Aon Corp.

Software: Leased from an outside vendor; accommodates 99 investment funds and 36 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include data base administration, health and welfare consulting, executive compensation consulting, retirement plan

actuarial consulting, personal benefit statements, international benefits consulting.

Service area: Nationwide.

Locations: Administrative and consulting offices in Conshohocken, Pa.; Minneapolis; New York; St. Louis; Chicago; Tampa Bay, Fla. Consulting offices also in Houston; Los Angeles, Palo Alto, Calif.

Staff: 552 total; 70 involved in 401(k) plan services. Professionals: six CEBSs, five MBAs, four CPAs, 18 ASAs/FSAs, five attorneys.

Clients: 356 total; 13% with 1 to 100 employees, 74% with 101 to 1,000, 11% with 1,001 to 5,000, 2% with more than 5,000. Average plan, 600 participants; largest plan, 10,000; no minimum or maximum size plan.

Principal officers: Daniel T. Cox, chief executive officer; Joseph J. Stahl, president.

Milliman & Robertson Inc.

1301 Fifth Ave., Suite 3800, Seattle, Wash. 98101-2605; 206-624-7940; fax: 206-340-1380

Continued on next page

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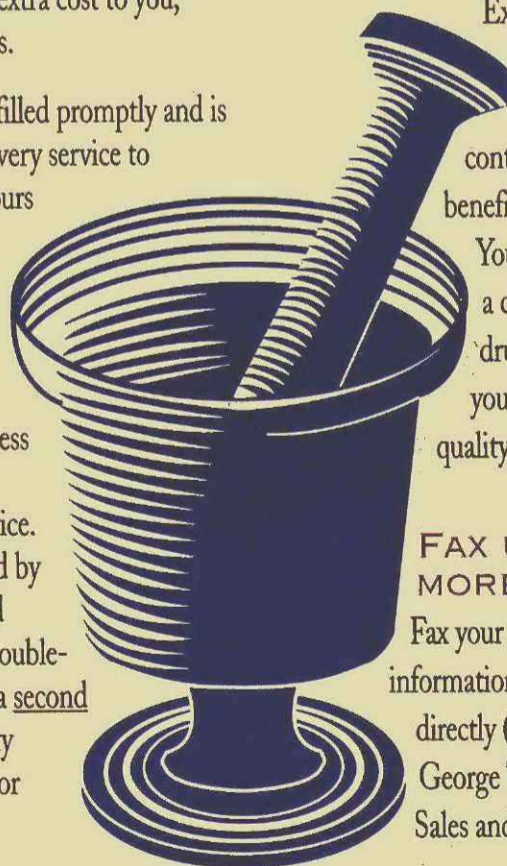
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Continued from previous page

Founded: 1947; 401(k) plan administration services since 1970.

Software: Written and maintained by the company, some leased from an outside vendor; accommodates 99 investment funds and 15 kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include qualified and non-qualified retirement programs; ESOPs; TDAs; deferred compensation programs; investment counseling services to single employer, multiple employer and Taft-Hartley plan sponsors.

Service area: Nationwide.

Locations: Administrative and consulting offices in 25 locations nationwide.

Staff: 800 total; 250 involved in 401(k) plan services. Professionals: CEBSs, MBAs, CPAs, ASAs/FSAs, attorneys.

Clients: 650 total; 29% with 1 to 100 employees, 54% with 101 to 1,000, 15% with 1,001 to 5,000, 2% with more than 5,000. Average plan, 220 participants; largest plan, 13,000; no minimum or maximum size plan.

1991 gross revenues: \$114 million total; \$5.7 million from 401(k) plan administration.

Principal officers: James A. Curtiss, chairman; Robert Collett, chief executive officer/president; Frederic T. Lhamon, national director-pensions; Lloyd Robinson, director of marketing.

Contact: Frederic T. Lhamon or Lloyd Robinson.

N

National Benefit Consultants Inc.

28800 Orchard Lake Road, Suite 210, Farmington Hills, Mich. 48334; 313-932-4020; fax: 313-932-4119

Founded: 1968; 401(k) plan administration services since 1978.

Software: Written and maintained by the company; accommodates 99 investment funds and 99 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include Internal Revenue Service plan filings, compliance and trust asset accounting.

Service area: Nationwide.

Locations: Administrative and consulting offices in Farmington Hills, Mich.

Staff: 24 total; 8 involved in 401(k) plan services. Professionals: one MBA, one CPA, one ASA/FSA.

Clients: 85 total; 62% with 1 to 100 employees, 38% with 101 to 1,000. Average plan, 80 participants; largest plan, 660.

Principal 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

Founded: 1978; 401(k) plan administration services since 1984.

Software: Purchased from an outside vendor; accommodates 10 investment funds and 10 kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-

discrimination tests.

Client support: Written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include software for employee asset allocations and account projections, video.

Service area: Nationwide.

Locations: Administrative and consulting offices in Chicago.

Staff: Eight total; four involved in 401(k) plan services. Professionals: one MBA.

Clients: 50% with 1 to 100 employees, 49% with 101 to 1,000, 1% with 1,001 to 5,000. Average plan, more than 100 participants; largest plan, 2,500.

Principal officers: Gerald I. Kalish, president; Karen S. Bonn, vp.

Contact: Gerald I. Kalish.

National City Corp.

1900 E. Ninth St., Cleveland, Ohio 44114; 216-575-9280; fax: 216-575-2649

Founded: 1845.

Software: Purchased from an outside vendor; accommodates unlimited investment funds and 35 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, compliance issues, employee communications. Manages investment of the plan funds.

Service area: Ohio, Kentucky, Indiana.

Locations: Administrative and consulting offices in Cleveland, Columbus, Toledo, Akron, Dayton, Ohio; Louisville, Ky.; Indianapolis.

Staff: 800 total; 78 involved in 401(k) plan services.

Clients: 400 total; 35% with 1 to 100 employees, 40% with 101 to 1,000, 15% with 1,001 to 5,000, 10% with more than 5,000. Average plan, 500 participants; largest plan, 27,000; minimum size plan, 25; no maximum size plan.

1991 gross revenues: \$55.6 million total; \$13.9 million from 401(k) plan administration.

Principal officers: M. Patricia Allen, Noel Knox; Jack W. Sommer, Priscilla Lesinszki, Edwardo Augirre, R. Kent Ludwig, vps; Houston E. Cockrell, senior vp.

National Funds

Two Pickwick Plaza, Greenwich, Conn. 06830; 203-863-5635; fax: 203-863-5620

Founded: 1930; 401(k) plan administration services since 1991.

Parent: Aitkes Home International.

Software: Record keeping is provided by an outside third party; accommodates unlimited investment funds and unlimited kinds of contributions; software may be used by clients in-house.

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

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on plan design issues, employee communications. Manages investment of the plan funds.

Service area: Nationwide.

Locations: Administrative offices in Frederick, Md. Consulting offices in Greenwich, Conn.

Staff: 100 total; 25 involved in 401(k) plan services.

Principal officers: David Wallace, chairman; Mark L. Lipson, president/ chief executive officer; Denis McAuley, chief financial officer; Robert Adler, Thomas Ole Dial, senior vps.

Noble Lowndes

3 Becker Farm Road, Roseland, N.J. 07068; 201-533-4500; fax: 201-535-1440

Founded: 1934; 401(k) plan administration services since 1980.

Parent: Noble Lowndes & Partners Ltd. (U.K.)

Software: Leased from an outside vendor; accommodates 30 investment funds and 10 kinds of contributions.

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Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include asset consulting services, pre-retirement counseling, supplemental 401(k) plans.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Boston; Chicago; Cincinnati; Dover, Del.; Garden City, N.Y.; Langhorne/Newton, Philadelphia, Pa.; Roseland, N.J.; San Francisco; Washington.

Staff: 615 total; 140 involved in 401(k) plan services. Professionals: three CEBSs, three MBAs, two CPAs, three ASAs/FSAs, four attorneys.

Clients: 560 total; 23% with 1 to 100 employees, 65% with 101 to 1,000, 12% with 1,001 to 5,000. Average plan, 375 participants; largest plan, 6,000; minimum size plan, 50; maximum size plan, 10,000.

1991 gross revenues: \$37 million total; \$8 million from 401(k) plan administration.

Principal officers: Peter Brew, director; R. Theodore Benna, managing vp; Rene Mathis, chief financial officer; Rebecca Johnson, vp-retirement plan services; Gerald I. Kranson, managing vp/general counsel.

Contact: R. Theodore Benna, 201-533-4750.

P

Parsons, McKee, Sommers & Co.

2001 Crocker Road, Suite 300,
Westlake, Ohio 44145;
216-871-8611; fax: 216-871-7485

Founded: 1976; 401(k) plan administration services since 1986.

Software: Leased from an outside vendor; accommodates 25 investment funds and seven kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include interactive touchscreen participant planning systems and employee data base systems.

Service area: Ohio, North Carolina and surrounding states.

Locations: Administrative and consulting offices in Charlotte, N.C.

Staff: 18 total; eight involved in 401(k) plan services. Professionals: one CEBS, two attorneys.

Clients: 70 total; 50% with 1 to 100 employees, 40% with 101 to 1,000, 10% with 1,001 to 5,000. Average plan, 100 participants; largest plan, 1,200; minimum size plan, 10; maximum size plan, 25,000.

1991 gross revenues: \$1.5 million total; \$200,000 from 401(k) plan administration.

Principal officers: John R. Parsons, president; Mark S. Sommers, vp/managing principal; Annette Abramczyk, consultant; Richard S. Wargo, managing actuary.

Contact: John R. Parsons, Mark S. Sommers.

T.R. Paul Inc.

14 Commerce Road, Newtown,
Conn. 06420; 203-426-8161;
fax: 203-270-0927

Founded: 1947; 401(k) plan administration services since 1977.

Software: Written and maintained by the company; accommodates 40 investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations,

toll-free service for participants to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include health insurance, third-party claim administration, cafeteria plans, deferred compensation plans.

Service area: Nationwide.

Staff: 110 total; 10 involved in 401(k) plan services. Professionals: one CEBS, two ASAs/FSAs.

Clients: 70% with 1 to 100 employees, 30% with 101 to 1,000. Average plan, 200 participants; no minimum size plan; maximum size plan, 5,000.

Principal officers: Robert L. Levy, president/treasurer; Raymond Nelson, Michael Millman, Mary Ingham, vps.

Pension Planning Co.

355 Lexington Ave., New York, N.Y.
10017; 212-867-4100;
fax: 212-953-7765

Founded: 1946; 401(k) plan administration services since 1982.

Parent company: Hogg Robinson Inc.

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

Administration: Uses cash accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications in English and Spanish. Other services include "Manual of Administration" for benefits department outlining all of the steps necessary to facilitate plan administration on a daily basis—includes administrative forms, enrollment meetings for eligible employees.

Service area: Nationwide.

Locations: Administrative offices in New York; Wynnewood, Pa. (Barry R. Milberg Associates).

Staff: 40 total; 12 involved in 401(k) plan services. Professionals: one CEBS, one CPA, three ASAs/FSAs, one attorney.

Clients: 58 total; 66% with 1 to 100 employees, 28% with 101 to 1,000, 4% with 1,001 to 5,000, 2% with more than 5,000. Average plan, 200 participants; largest plan, 4,500; minimum size plan, five; maximum size plan, 10,000.

Principal officers: Donald A. Lockwood, president; Paul D. Robinson, senior vp; Jack Warshavchik, Heather Buyers, vps; Barbara Lein, general counsel.

Contact: Heather Buyers.

Pension Resources

401 N. Michigan Ave., Chicago, Ill.
60611; 312-245-1740;
fax: 312-644-4423

Founded: 1972; 401(k) plan administration services since 1980.

Parent: Friedman, Eisenstein, Raemer & Schwartz.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

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

Service area: Nationwide.

Locations: Administrative and consulting offices in Chicago.

Staff: 25 total (in benefit consulting); 15 involved in 401(k) plan services. Professionals: one MBA, two CPAs, two ASAs/FSAs.

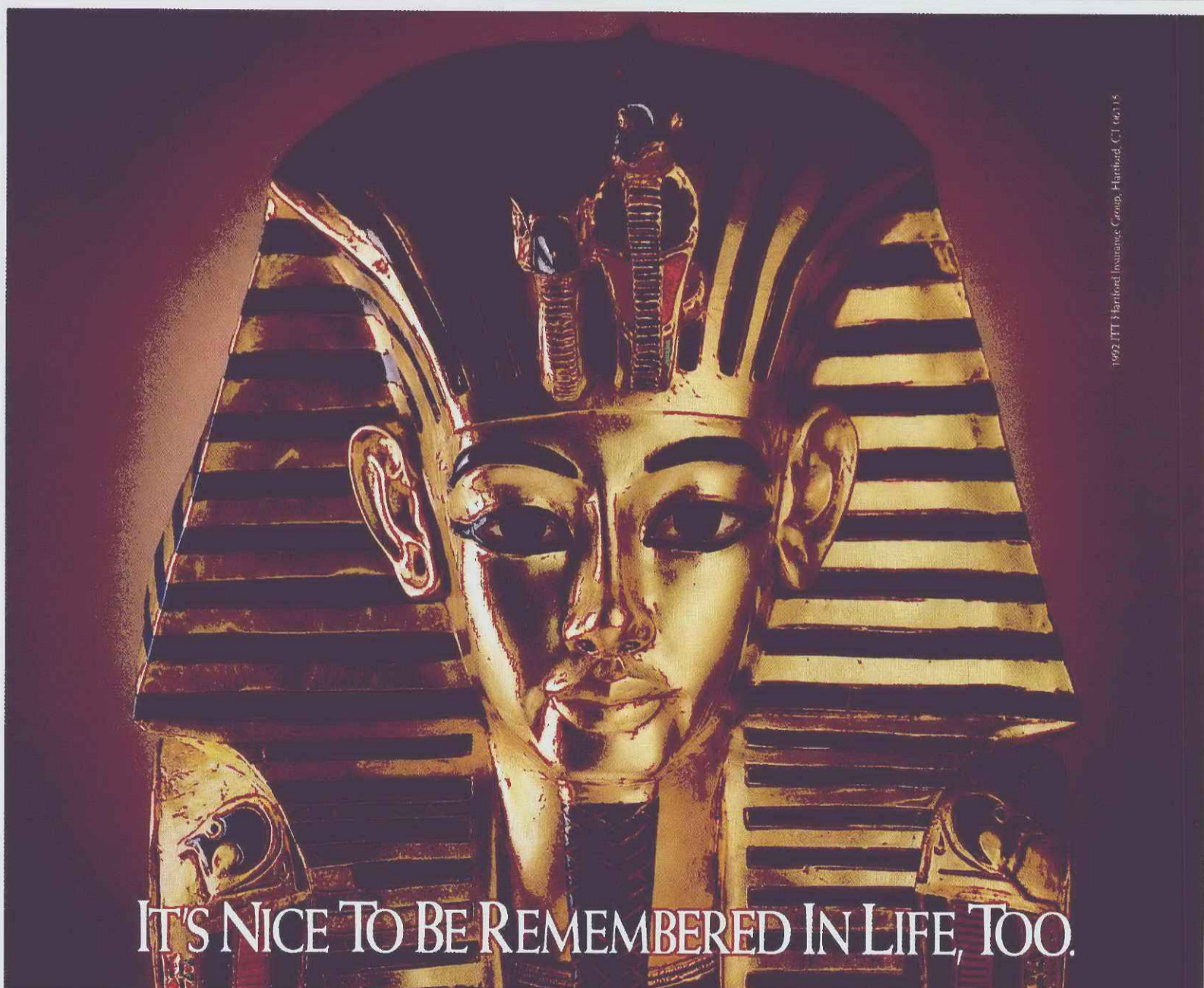
Clients: 800 total; 85% with 1 to 100 employees, 15% with 101 to 1,000. Average plan, 50 participants; largest plan, 2,000; no minimum or maximum size plan.

1991 gross revenues: \$2.2 million total; \$1 million from 401(k) plan administration.

Principal officers: Michael Schwartz, principal; Irwin Steinberg, managing partner.

Contact: Michael Schwartz.

Continued on next page



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ITT HARTFORD

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Continued from previous page

The Principal Financial Group/Principal Mutual Life Insurance Co.

711 High St., Des Moines, Iowa 50392-0001; 515-247-5111; fax: 515-247-5930

Founded: 1879; 401(k) plan administration services since 1984.**Software:** Written and maintained by the company; accommodates seven investment funds and five kinds of contributions.**Administration:** Uses cash accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.**Client support:** Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity (available in 1993), clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include 5500 series filings; electronic reporting of plan data; electronic transfer of funds; automatic voice response system; enrollment meetings; plan document and amendment drafting.**Service area:** Nationwide.**Locations:** Administrative and consulting offices in Des Moines and Mason City, Iowa. 50 U.S. regional group and pension sales offices.**Staff:** More than 6,000 total; more than 1,000 involved in 401(k) plan services.**Clients:** 11,500 total; 84% with 1 to 100 employees, 16% with 101 to 1,000. Average plan, 50 participants; largest plan, 7,000; minimum size plan, one; no

maximum size plan.

1991 gross revenues: \$10.4 billion total; \$20.6 million from 401(k) plan administration.**Principal officers:** G. David Hurd, chairman/chief executive officer; Roy W. Ehrle, vice chairman; Charles E. Rohm, Theodore M. Hutchison, Ronald E. Keller, executive vps.**Contact:** Lori Eggers, 515-247-6650.**Provident Capital Management**

1700 Market St., Suite 1412, Philadelphia, Pa. 19103; 215-585-7500; fax: 215-585-7519

Founded: 1978; 401(k) plan administration services since 1982.**Parent:** PNC Corp.**Software:** Leased from an outside vendor; accommodates 20 investment funds and 20 kinds of contributions; software may be used by clients in-house.**Administration:** Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.**Client support:** Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include 5500 series filings, pension payments.**Service area:** Nationwide.**Staff:** 54 total; 31 involved in 401(k) plan services. Professionals: one CEBS, three MBAs, two attorneys.**Clients:** 370 total; 43% with 1 to

100 employees, 40% with 101 to 1,000, 15% with 1,001 to 5,000, 2% with more than 5,000. Average plan, 150 participants; largest plan, 12,000; minimum size plan, 20; no maximum size plan.

Principal officers: Thomas Stewart, chief executive officer; Robert Trempe, executive vp; William Erb, senior vp; Marcia Hoover, vp.**Contact:** Marcia Hoover, 215-585-5015.**Prudential Defined Contribution Services**

W.W. Scranton Office Park, Moosic, Pa. 18507-1796; 717-341-6200; fax: 717-341-6049

Founded: 1875; 401(k) plan administration services since 1980.**Parent company:** The Prudential Insurance Co. of America.**Software:** Written and maintained by the company; accommodates unlimited investment funds and unlimited kinds of contributions.**Administration:** Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.**Client support:** Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include separate accounting for business units or multiple locations, trustee services, company stock record-keeping, external investment record keeping.**Service area:** Nationwide.**Locations:** Consulting offices in Florham Park, N.J.; Chicago; Woodland Hills, Calif.; Dallas; Tampa, Fla.; Atlanta.**Staff:** 250 total; 230 involved in 401(k) plan services.**Clients:** Average plan, 350 participants; largest plan, 125,000; minimum size plan, 100; no maximum size plan.**Principal officers:** Mark Fetting, president; Harold Hopkins Jr., Steven E. Benson, vps.**Contact:** Andrew M. Richmond.**R****Retirement Plans of America**

P.O. Box 35, 200 S. Broad St., Suite 425, Philadelphia, Pa. 19102; 215-875-8610; fax: 215-875-3592

Founded: 1977; 401(k) plan administration services since 1982.**Parent:** Benefit Dynamics Inc.**Software:** Purchased from an outside vendor; accommodates 21 investment funds and five kinds of contributions.**Administration:** Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.**Client support:** Written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications.**Service area:** Nationwide.**Locations:** Administrative and consulting offices in Philadelphia.**Staff:** 25 total; eight involved in

401(k) plan services. Professionals: one CEBS, one MBA, one CPA, one ASA/FSA.

Clients: 600 total; 80% with 1 to 100 employees, 15% with 101 to 1,000, 5% with 1,001 to 5,000. Average plan, 75 participants; largest plan, 3,500; no minimum or maximum size plan.**Principal officers:** Joann Massanova, Carmen LaVerghetta, Mark Moran.**Contact:** Mark Moran.**Frank Russell Trust Co.**

909 A St., Tacoma, Wash. 98402; 206-572-2282; fax: 206-272-4097

Founded: 1980; 401(k) plan administration services since 1986.**Parent:** Frank Russell Co.**Software:** Record keeping is managed in-house utilizing software service provided by a service bureau vendor; accommodates unlimited investment funds and unlimited kinds of contributions.**Administration:** Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.**Client support:** Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on employee communications. Manages investment of the plan 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. Professionals: two CEBSs,

Continued on next page

National Park Service U.S. Department of the Interior
NPS Photo by Richard Frear

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*Includes pass-along readership.

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 eight MBAs, two CPAs, one attorney.
Clients: 158 total; 30% with 1 to 100 employees, 38% with 101 to 1,000, 22% with 1,001 to 5,000, 10% with more than 5,000. Average plan, 1,750 participants; largest plan, 75,000.
Principal officers: Lynn Anderson, president; Kelly Haughton, director-client services; Eric Russell, director-defined contribution programs; Lu Baggenstos, manager-recordkeeping services; JoAnn Mast-Higle, manager, employee communication.
Contact: Eric Russell.

S

Scudder Investor Services Inc

175 Federal St., Boston, Mass.
 02110; 800-541-7701;
 fax: 617-422-6171

Founded: 1919; 401(k) plan administration services since 1982.

Parent: Scudder, Stevens & Clark Inc.
Software: Purchased from an outside vendor; accommodates 99 investment funds and 35 kinds of contributions.

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

Client support: Daily valuations, toll-free service for account balance inquiries from participants. Consults on employee communications. Manages investment of the plan funds. Other services include investment options, prototype plans and trustee services.

Service area: Nationwide.

Locations: Administrative offices in Boston. Consulting offices in Boston, Chicago, New York, San Francisco.

Staff: 54 total; 34 involved in 401(k) plan services. Professionals: one MBA, three attorneys.

Clients: 214 total; 34% with 1 to 100 employees, 61% with 101 to 1,000, 5% with 1,001 to 5,000. Average plan, 220 participants; largest plan, 1,700; no minimum or maximum size plan.

Principal officers: Daniel Pierce, chairman-Scudder, Stevens & Clark Inc.; Edmund D. Villani, president-Scudder, Stevens & Clark Inc.; David S. Lee, president-Scudder Investor Services Inc.; Dennis M. Cronin Jr., senior vp-retirement plans; Phillip F. Stambaugh, vp-defined contribution plans.

Contact: Phillip F. Stambaugh.

The Segal Co.

1 Park Ave., New York, N.Y.
 10016-5895; 212-251-5000;
 fax: 212-251-5490

Founded: 1939; 401(k) plan administration services since 1981.

Software: Written and maintained by the company; accommodates ten investment funds and 10 kinds of contributions.

Administration: Uses cash accounting, unit value accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include annual reporting of 1099Rs, 5500 series reports, SPDs, benefit statements, administrative manuals, preparation and submission of plan documents, interactive voice services.

Service area: Nationwide.

Locations: Administrative offices in New York. Consulting offices in Atlanta; Boston; Chicago; Denver; Cleveland; Hartford, Conn.; Houston; Los Angeles; New Orleans; New York; Phoenix; San Francisco; Seattle; Washington; West Palm Beach, Fla.

Staff: 670 total; 70 involved in 401(k) plan services. Professionals: three CEBSs, five MBAs, two CPAs, seven ASAs/FSAs, three attorneys.

Clients: 80 total; 15% with 1 to 100 employees, 50% with 101 to 1,000, 20% with 1,001 to 5,000, 15% with more than 5,000. Average plan, 700 participants; largest plan, 35,000; no maximum size plan.

Principal officers: Robert D. Paul, chairman; Robert D. Krinsky, president; Howard Fluhr, Dale Grant, executive vps.

Contact: Bob Liberto, vp.

Small Parker & Blossom Inc.

4200 N. Knoxville, Peoria, Ill. 61614;
 309-682-4200;
 fax: 309-682-2418

Founded: 1966; 401(k) plan administration services since 1980.

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

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include comprehensive service for all types of employee benefit plans; specific 401(k) services are enrollment meetings, distribution processing, distribution analysis, and trust accounting.

Service area: Nationwide.

Staff: 30 total; 12 involved in 401(k) plan services.

Clients: 290 total; 80% with 1 to 100 employees, 20% with 101 to 1,000. Average plan, 75 participants; largest plan, 800.

Principal officers: John D. Blossom Jr., Carol R. Sears, Linda B. Blossom.

Donald F. Smith & Associates

P.O. Box 6509, 3120 Princeton Pike, Lawrenceville, N.J.
 08648-0509; 609-895-1616;
 fax: 609-895-1511

Founded: 1966; 401(k) plan administration services since 1984.

Software: Recordkeeping is provided by an outside third party; accommodates six investment funds and six kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for participants to request account activity, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include plan enrollment, ADP/ACP testing, periodic newsletters, multiple plan testing, top-heavy testing, loan administration.

Service area: Nationwide.

Staff: nine total; five involved in 401(k) plan services. Professionals: one ASA/FSAs.

Clients: 35 total; 50% with 1 to 100 employees, 50% with 101 to 1,000. Average plan, 90 participants; largest plan, 290; no minimum size plan.

1991 gross revenues: \$990,000 total; \$150,000 from 401(k) plan administration.

Principal officers: Donald F. Smith, chairman; William B. Stephenson, president; Robert M. Neumann, senior vp; Gerald A. Lister, vp-pensions; Robert Bainbridge, vp-sales.

Contact: Gerald A. Lister.

Society National Bank

900 Euclid Ave., Cleveland, Ohio,
 44115; 216-737-8450;
 fax: 216-621-4971

Founded: 1849; 401(k) plan administration services since 1979.

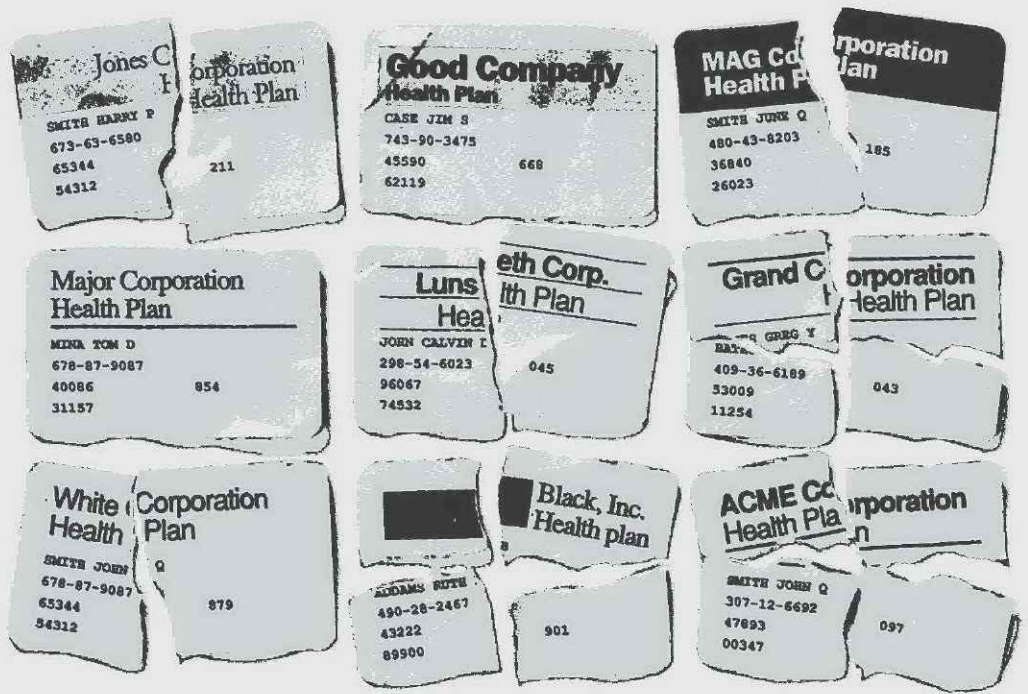
Parent: Society Corp.

Software: Leased from an outside vendor; accommodates unlimited investment funds and 35 kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include prototype plan documents, on-site enrollment meetings, preparation of governmental forms.

Continued on next page



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Continued from previous page

Service area: Nationwide.
Locations: Administrative and consulting offices in Naples, Palm Beach Gardens, Tampa, Fla.; Elkhart, Indianapolis, Kokomo, South Bend, Ind.; Ann Arbor, Sturgis, Mich.; Akron, Ash-tabula, Beachwood, Canton, Cincinnati, Cleveland, Columbus, Dayton, Findlay, Hamilton, Mansfield, Toledo, Youngs-town, Ohio; Austin, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, San Antonio, Sherman, Waco, Wichita Falls, Texas.

Staff: 195 total; 173 involved in 401(k) plan services.

Clients: 1,200 total; 51% with 1 to 100 employees, 36% with 101 to 1,000, 11% with 1,001 to 5,000, 2% with more than 5,000. Average plan, 325 partici-pants; largest plan, 73,000; no minimum or maximum size plan.

Principal officers: Frank I. Hard-ing III, president-investment manage-ment & trust services; Richard C. Hyde, executive vp/chief financial officer; James J. McGuire, senior vp-head of in-stitutional asset services; John Brooks,

senior vp; George Fetko, vp.
Contact: Timothy J. Connors, se-nior vp.

**State Mutual
 Life Assurance Co.**
 440 Lincoln St., Worcester, Mass.
 01653; 508-855-1000;
 fax: 508-855-3444

Founded: 1844; 401(k) plan admin-istration services since 1982.

Software: Written and maintained by the company; accommodates unlim-ited investment funds and unlimited kinds of contributions; software may be used by clients in-house.

Administration: Uses cash account-ing, unit value accounting, full share accounting, accrual accounting; accommo-dates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance in-quiries from participants, toll-free ser-vice for participants to request account activity, clients' on-line access, written communication of plan features to em-

ployees. Consults on legal issues, plan design issues, compliance issues, em-ployee communications. Manages invest-ment of the plan funds. Other services include prototypes, investments, record-keeping, administration, benefit payment, testing, employee communication, gov-ernment reporting, complete plan admin-istration with money back guarantee.

Service area: Nationwide.
Locations: Administrative offices in Atlanta; Boston, Worcester, Mass.; Buffalo, N.Y.; Chicago; Dallas; Greensboro, N.C.; Los Angeles, San Francisco, Orange County, Calif.; Paramus, N.J.; Pittsburgh; Philadel-phia; Puerto Rico; Richmond, Va.; Washington.

Staff: 224 total; 130 involved in 401(k) plan services. Professionals: two CEBSS, four MBAs, one attorney.
Clients: 1,185 total; 42% with 1 to 100 employees, 56.4% with 101 to 1,000, 1.5% with 1,001 to 5,000, 0.1% with more than 5,000. Average plan, 280 participants; largest plan, 5,300.

1991 gross revenues: \$52 million total; \$32 million from 401(k) plan ad-ministration.

Principal officers: Albert W. Buck-bee II, vp-retirement & investment services; Richard P. McGirr, vp-retire-ment & investment services sales; John Wentzell, second vp-retirement & investment services marketing.

Contact: John Stebbins.

**J.E. Stone &
 Associates Inc.**
 5555 San Felipe, Suite 550,
 Houston, Texas 77056;
 713-622-8930; fax: 713-622-6705

Founded: 1987; 401(k) plan admin-istration services since 1987.

Software: Purchased from an out-side vendor; accommodates 10 invest-ment funds and 10 kinds of contribu-tions; software may be used by clients in-house.

Administration: Uses cash account-ing, unit value accounting, full share accounting; accommodates loan provi-sions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Toll-free service for account balance inquiries from partici-pants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compli-ance issues, employee communications. Other services include investment con-tract review/advise.

Service area: Nationwide.
Staff: 12 total; five involved in 401(k) plan services. Professionals: one MBA, one CPA, three ASAs/FSAs.

Clients: 22 total; 36% with 101 to 1,000 employees, 48% with 1,001 to 5,000, 16% with more than 5,000. Av-erage plan, 1,861 participants; largest plan, 7,500; minimum size plan, 100; maximum size plan, 25,000.

Principal officers: J. Stone, man-aging director; K.H. Haynes, chief actu-ary/principal; T.F. McCord, principal; C.R. Rennpage, principal; E.B. Sanborn, principal.

Contact: Tom McCord.

**T
 Texas Commerce Bank**
 P.O. Box 2558, Houston, Texas
 77252-8032; 713-236-4444;
 fax: 713-236-5803

Founded: 1912; 401(k) plan admin-istration services since 1978.

Parent: Chemical Banking Corp.
Software: Record keeping is pro-vided by an outside third party.

Administration: Uses cash account-ing, unit value accounting; accommo-dates loan provisions.

Client support: Daily valuations, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages in-vestment of the plan funds. Other ser-vices include providing administrative manuals; video, slide, written materials and qualified investment advisors for employee enrollment meetings.

Service area: Nationwide.

Locations: Administrative and con-sulting offices in Arlington, Austin, Beaumont, Brownsville, Corpus Christi, Dallas, El Paso, Fort Worth, Houston, Longview, Lubbock, McAllen, Midland, New Braunfels, Odessa, San Angelo, San Antonio, Texas.

Staff: 720 total; 200 involved in 401(k) plan services. Professionals: one MBA, one CPA.

Clients: 25% with 1 to 100 employ-ees, 55% with 101 to 1,000, 20% with 1,001 to 5,000. Average plan, 250 partici-pants; largest plan, 8,000; minimum size plan, 10.

1991 gross revenues: \$81.5 million total; \$4.7 million from 401(k) plan ad-ministration.

Principal officers: Walt Brauchle, Don Jancosek, Joe Ayres, Neal Powers, John Kesner, senior vps.

Contact: Don G. Robinson, senior vp.

Towers Perrin
 1500 Market St., Philadelphia, Pa.
 19102; 215-246-6000

Founded: 1934; 401(k) plan admin-istration services since 1983.

Software: Written and maintained by the company; accommodates unlim-ited investment funds and unlimited kinds of contributions.

Administration: Uses cash account-ing, unit value accounting, full share accounting; accommodates loan provi-sions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance in-quiries from participants, toll-free ser-vice for participants to request account activity, clients' on-line access, written communication of plan features to em-ployees. Consults on legal issues, plan design issues, compliance issues, em-ployee 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 loca-tions.

Staff: 5,000 total; 387 involved in 401(k) plan services.

Clients: 150 total; 13% with 101 to 1,000 employees, 60% with 1,001 to 5,000, 27% with more than 5,000. Av-erage plan, 4,500 participants; largest plan, 57,000; minimum size plan, 1,000; no maximum size plan.

1991 gross revenues: \$650 million worldwide total.

Principal officers: John T. Lynch, chairman/chief executive officer.

Contact: Michael L. Hockersmith, 215-246-6271.

Trust Consultant Inc.
 155 Bovet Road, San Mateo, Calif.
 94402; 415-574-8272;
 fax: 415-341-7382

Founded: 1966; 401(k) plan admin-istration services since 1989.

Parent: Seabury & Smith.
Software: Purchased from an out-side vendor; accommodates 99 invest-ment funds and four kinds of contribu-tions; software may be used by clients in-house.

Administration: Uses cash account-ing, unit value accounting, full share accounting; accommodates loan provi-sions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations,

written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include specialized software for clients called "plan manager," modem transmission of data.

Service area: Nationwide.
Locations: Administrative and con-sulting offices in San Mateo, Glendale, Calif. Additional consulting offices in Chicago, New York.

Staff: 57 total; 28 involved in 401(k) plan services. Professionals: attorneys.

Clients: 330 total; 90% with 1 to 100 employees, 10% with 101 to 1,000. Average plan, 45; 45 participants; largest plan, 450; no minimum size plan; maxi-mum size plan, 600.

Principal officers: Mark Weimer, president; Jean Willis, Jack Ringlein, Gloria Erlick, vps.

Trustmark Inc.
 7520 E. Independence Blvd.,
 Charlotte, N.C. 28277;
 800-628-7118

Founded: 1983; 401(k) plan admin-istration services since 1984.

Software: Written and maintained by the company; accommodates 20 in-vestment funds per source and 15 kinds of contributions per plan; software may be used by clients in-house.

Administration: Uses cash account-ing, unit value accounting, full share accounting; accommodates loan provi-sions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations.

Service area: Nationwide.

Staff: 32 total; 22 involved in 401(k) plan services. Professionals: two CEBSS, two MBAs, one CPA.

1991 gross revenues: \$2.7 million total; all from 401(k) plan administra-tion.

Principal officers: Robert P. Van Art, president; Vernon Knight, vp.

Twentieth Century Services
 4500 Main St., Kansas City, Mo.
 64111; 816-531-5575;
 fax: 816-932-4257

Founded: 1958; 401(k) plan admin-istration services since 1990.

Software: Purchased from an out-side vendor; accommodates more than six investment funds and more than 35 kinds of contributions.

Administration: Uses cash account-ing, unit value accounting, full share accounting; accommodates loan provi-sions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance in-quiries from participants, toll-free ser-vice for participants to request account activity, clients' on-line access (avail-able 1993), written communication of plan features to employees. Consults on legal issues, plan design issues, compli-ance issues, employee communications. Manages investment of the plan funds. Other services include participant state-ments and management reports, loan and benefit processing, record keeping services, enrollment kits and customized administration manuals.

Service area: Nationwide.

Staff: 1,376 total; 19 involved in 401(k) plan services. Professionals: two MBAs, one CPA, two attorneys.

Clients: 33 total; 15% with 1 to 100 employees, 64% with 101 to 1,000, 15% with 1,001 to 5,000, 6% with more than 5,000. Average plan, 1,016 participants; largest plan, 5,500; minimum size plan, 500; no maximum size plan.

Principal officers: James E. Stowers Jr., president.

Contact: Denise McMurry, manager-marketing programs, 816-932-4726.

**V
 The Vanguard Group Inc.**
 1400 Morris Drive, VM No. 832,
 Wayne, Pa. 19087; 800-523-1036;
 fax: 215-669-4035

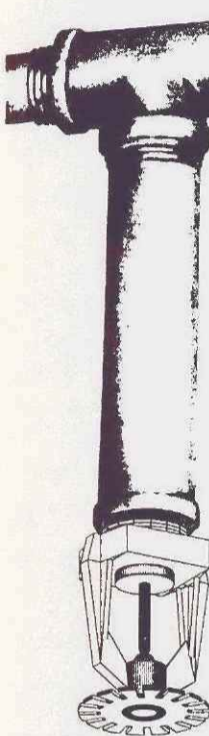
Founded: 1974; 401(k) plan admin-istration services since 1982.

Software: Written and maintained by the company; accommodates 20 in-vestment funds and 400 kinds of contribu-tions.

Administration: Uses cash account-ing, unit value accounting; accommo-dates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations,

Continued on next page



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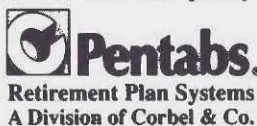
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Continued from previous page
 toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Manages investment of the plan funds. Other services include retirement planning services, trustee services, custodial services, plan level accounting and tax reporting services.

Service area: Nationwide.
Staff: 2,800 total; 530 involved in 401(k) plan services.
Clients: 515 total. Average plan, 1,700 participants; largest plan, 33,000; minimum size plan, 1,000; no maximum size plan.
Principal officers: John C. Bogle, chairman/chief executive officer; John J. Brennan, president; James H. Gately, senior vp-institutional division; F. William McNabb, vp-director of sales; John E. Barth, vp-institutional client services.
Contact: F. William McNabb.

ment funds and 27 kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Written communication of plan features to employees. Consults on plan design issues, compliance issues, employee communications. Other services include customized statements, government reportings, 415 and 402(g) limits.

Service area: Metropolitan Baltimore.

Staff: 35 total; eight involved in 401(k) plan services. Professionals: one CEBS, one CPA.

Clients: 25 total; 38% with 1 to 100 employees, 52% with 101 to 1,000, 10% with 1,001 to 5,000. Average plan, 300 participants; largest plan, 2,500; minimum size plan, 100; maximum size plan, 4,000.

Principal officers: Rian M. Yaffe, president; Judy H. Cox, Daphne R. Salsberg, Gerard F. Petrik, principals.
Contact: Judy H. Cox.

by the company; accommodates unlimited investment funds and unlimited kinds of contributions.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include limitation testing, form 5500 and SAR/SPD preparation, administration manuals, GIC/general investment surveys, data collection software and comprehensive benefit statements.

Service area: Nationwide.

Locations: Administrative and consulting offices in Baltimore; Denver; Indianapolis; Philadelphia; Richmond, Va.; Washington.

Staff: 175 total; 45 involved in 401(k) plan services. Professionals: six CEBSs, four MBAs, one CPA, 12 ASAs/FSAs, one attorney.

Clients: 205 total; 15% with 1 to 100 employees, 65% with 101 to 1,000, 15% with 1,001 to 5,000, 5% with more than 5,000. Average plan, 500 participants; largest plan, 8,500; no minimum or maximum size plan.

Principal officers: Charles Thacher, Robert Williams, Thomas Rand, Terry Stokes.

Contact: Richard Darian.

Software: Written and maintained by the company; accommodates 99 investment funds and 99 kinds of contributions; software may be used by clients in-house.

Administration: Uses cash accounting, unit value accounting, full share accounting; accommodates loan provisions; performs 401(k) and 401(m) non-discrimination tests.

Client support: Daily valuations, toll-free service for account balance inquiries from participants, toll-free service for participants to request account activity, clients' on-line access, written communication of plan features to employees. Consults on legal issues, plan design issues, compliance issues, employee communications. Other services include GIC placements, trustee searches, fund performance analysis.

Service area: Nationwide.

Locations: Administrative and consulting offices in Atlanta; Boston; Chi-

cago; Cleveland and Columbus, Ohio; Dallas; Denver; Detroit and Grand Rapids, Mich.; Honolulu; Houston; Irvine, Los Angeles, San Diego and San Francisco, Calif.; Little Falls, Ark.; Memphis, Tenn.; Miami; Milwaukee; Minneapolis; New York; Philadelphia; Phoenix; Portland, Ore.; Seattle; Stamford, Conn.; Washington; San Juan, Puerto Rico; Montreal.

Staff: 3,600 total; 411 involved in 401(k) plan services.

Clients: 2,016 total; 55% with 1 to 100 employees, 34% with 101 to 1,000, 9% with 1,001 to 5,000, 2% with more than 5,000. Average plan, 603 participants; largest plan, 51,000; no minimum or maximum size plan.

1991 gross revenues: \$440 million total; \$60 million from 401(k) plan administration.

Principal officers: Mike Davis, president; Lee Parks, executive vp.

Contact: Gisele Cloutier.

Y

Yaffe & Co. Inc.

409 Washington Ave., Suite 700, Towson, Md. 21204; 410-494-4100; fax: 410-494-4151

Founded: 1976; 401(k) plan administration services since 1982.

Software: Purchased from an outside vendor; accommodates 30 invest-

W

Williams, Thacher & Rand

630 Third Ave., New York, N.Y. 10017; 212-949-1344; fax: 212-682-9147

Founded: 1975; 401(k) plan administration services since 1981.

Software: Written and maintained

The Wyatt Co.

601 13th St. N.W., Washington, D.C. 20005; 202-508-4760; fax: 202-508-4758

Founded: 1943; 401(k) plan administration services since 1981.

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P/C legislation

Continued from page 1
 crease the excise tax on premiums paid to reinsurers located in tax havens to 4% from 1% (BI, June 29).

"We're hoping, and to some extent predicting," that the reinsurance provision will be removed from the energy bill, said Paul Brown, general counsel and director of government and public affairs for the Risk & Insurance Management Society Inc. in New York.

Insurance industry and business lobbyists' attention is accordingly focused on S. 640, the Product Liability Fairness Act. Senate debate is set to begin on Sept. 8, with a vote on whether to cut off an anticipated filibuster probable two days later (BI, Sept. 23, 1991).

S. 640 would, among other things:

- Make it harder to recover punitive damages in product liability cases.
- Eliminate joint and several liability for non-economic damages in product liability cases.
- Encourage the use of alternative dispute resolution mechanisms such as arbitration and mediation.
- Prohibit product liability lawsuits over workplace capital goods that are more than 25 years old.
- Require plaintiffs that refuse settlement offers to pay defendants' legal fees if a court returns a verdict that is less than the settlement offer.

S. 640, which was approved by the Senate Commerce Committee last October, now has 40 co-sponsors. Among its backers are a pair of influential Democrats—Sens. Lloyd Bentsen, D-Texas, and John D. Rockefeller IV, D-W.Va.

But opponents are expected to filibuster the bill, and getting the 60 votes needed to cut off the filibuster could be a problem, said Victor Schwartz, counsel for the Product Liability Alliance, a business lobby that supports the bill.

"I don't think it's impossible, but I do not underestimate the difficulty of getting 60 votes," said Mr. Schwartz, who is also a partner with Crowell & Moring in Washington. "It's going to be a very close vote."

"The 60 votes are gettable," said Tom O'Day, associate vp-federal affairs in Washington for the Alliance of American Insurers. The trade group supports S. 640.

Sixty-two or 63 votes will probably have to be lined up, the lobbyist said, in case a leading opponent, Senate Majority Leader George Mitchell, D-Maine, persuades some senators to change their votes at literally the last minute.

Cutting off a filibuster, though, does not ensure a vote.

Opponents would still mount "massive attacks" to insert so-called killer amendments—those that would cost it votes—into the bill, predicted Mr. O'Day. He added that if supporters could muster the 60 votes, they could probably retain the 51 needed to cut off the amendment process.

Even if the Senate passes the bill, time constraints make House action unlikely, supporters of the product liability bill concede. But Senate approval would give the bill considerable momentum next term, they say.

No matter what happens this week, the ongoing debate over a uniform product liability code is "politically one of the most interesting issues" of recent times, said Mr. Schwartz.

Already, the bill has created some odd alliances. Conservative, generally pro-business Republicans have resisted S. 640 and its predecessors in the name of states' rights, while some liberal Democratic lawmakers not usually considered friends of business have thrown their support to the measure in the name of job creation and economic competitiveness.

Presidential politics could still

Continued on next page



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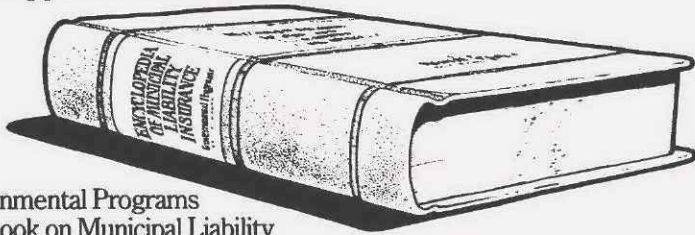


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P/C legislation

Continued from previous page
have a role to play. At the Republican convention last month, President Bush railed against "crazy lawsuits" and vowed to fight trial lawyers (*BI*, Aug. 24).

"I think the politics of the issue have been flared by the president's attack on the trial bar," said Michael F. Dineen, vp-federal relations in Washington for Kemper National Insurance Cos. Plaintiffs' attorneys have been steadfast in their opposition to uniform product liability codes, and the president's stinging attack could bolster their efforts, he said.

Another persistent critic of uniform product liability laws launched some verbal flares of his own less than a week before S. 640 was scheduled for a vote.

According to Ralph Nader, the bill is nothing less than "a cruel and brutish attempt by big business and big government to strip away the last chance for injured parties to bring corporate wrongdoers to justice."

During a press conference last Wednesday, the consumer advocate branded the act "The Cruel Wrongdoers Act of 1992" and accused its congressional supporters of "having one hand in the taxpayers' pockets to pay their salaries and the other in manufacturers' slush funds."

If continued controversy is to be expected over product liability laws, observers aren't expecting much action of any sort regarding H.R. 9, the Insurance Competitive Pricing Act sponsored by House Judiciary Chairman Jack Brooks, D-Texas.

The antitrust reform measure passed the House Judiciary Committee last November (*BI*, Nov. 25, 1991), but never came before the full House. Uniformly opposed in the insurance industry, the bill would remove several of the antitrust exemptions given to insurers by the McCarran-Ferguson Act.

"We don't expect any further action on H.R. 9. They haven't even filed a committee report," said the Alliance's Mr. O'Day. "We think they're being told it's a bad bill," he said. Companion legislation in

the Senate, S. 430, hasn't even gone to a committee vote.

"Nothing's going to happen to H.R. 9," agreed Kemper National's Mr. Dineen.

Time constraints also will prevent the House from dealing with H.R. 4900, he predicted. The solvency regulation bill introduced by House Energy and Commerce Committee Chairman John Dingell, D-Mich., would create a dual system of federal and state oversight (*BI*, April 30).

"I don't think anyone expects them to move on it" before adjournment, agreed Andrew Wright, vp-federal affairs for the American Insurance Assn. in Washington.

Action is considered more likely next session. In fact, said Mr. Wright, a subcommittee of Rep. Dingell's committee has already sent detailed questionnaires to insurance trade groups and others soliciting information on the possible impact of a dual regulatory system.

Lobbyists also agree that action is highly unlikely this term on the comprehensive crime bill that would have made several types of insurance fraud federal felonies (*BI*, Dec. 2, 1991).

The bill, H.R. 3371, would cover: falsifying records with intent to defraud a policyholder or insurer; knowingly filing fraudulent financial statements about an insurer with a regulator; embezzling insurance company funds; and criminally obstructing proceedings before a state regulator.

The provision had widespread support among insurers, consumer groups and regulators.

"We're very anxious" to see the fraud provisions passed, said Mr. Wright.

He added, however, "even though it's an election year and there's a lot of pressure to pass a crime bill," there just doesn't seem to be enough time to get the measure rolling again.

The Alliance's Mr. O'Day cautioned that no matter how short time appears to be, "Congress can literally pass a bill in one day" if its leaders are so inclined.

"Anything can happen. These are some of the most dangerous times," he said. ■

Citing 'abusive' securities suits, accountants call for tort reforms

NEW YORK—The nation's largest accounting firms are jointly pushing for changes in tort law to insulate them from what they call "abusive" securities suits.

The heads of the "Big 6" accounting firms have called on Congress to abolish joint and several liability for any defendant in securities suits that did not engage in "knowing securities fraud."

Under joint and several liability, a defendant whose misconduct caused only a small part of the total damages can be held liable for the full amount if other wrongdoers are unable to pay.

The current liability system is "seriously lacking in logic, fairness and balance," said the heads of Arthur Andersen & Co.; Coopers & Lybrand; Deloitte & Touche; Ernst & Young; KPMG Peat Marwick; and Price Waterhouse in their joint statement.

In the past year, all of the Big 6 firms have either been ordered to pay multimillion dollar liability awards or settled high-profile multimillion dollar suits out of court. Not all involved fraud.

Because victims are now encouraged to seek out "deep pockets" to pay damages, "marginally culpable and even blameless parties" are being exposed to

litigation, the accounting firms said.

This, the firms say, causes even large firms to shun "high risk" audit clients like new high-tech companies.

Some smaller and mid-sized accounting firms are withdrawing from auditing altogether, they say.

Auditors back two recently introduced bills that would eliminate joint and several liability for securities fraud defendants that did not "knowingly" commit fraud.

Instead, their damages would be limited by their degree of fault. The bills define an act of "knowing" securities fraud as making a false statement with actual knowledge of its falsehood. "Reckless conduct" is specifically excluded.

The companion bills were introduced in both houses of Congress in early August. Sens. Pete Domenici, R-N.M., and Terry Sanford, D-N.C., introduced S. 3181. The House companion bill, H.R. 5828, was introduced by Rep. Billy J. Tauzin, D-La. Neither has come up for a vote.

A Coopers & Lybrand spokesman said the bills are "very similar" with only minor technical differences.

—By Mark A. Hofmann



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Benefit bills

Continued from page 1
posals are moving quickly.

"There are several important pieces of benefits legislation in the congressional pipeline which could be tackled in short order," said Frank McArdle, a consultant with Hewitt Associates in Washington.

First on the agenda will probably be family leave legislation. This would require employers with more than 50 employees to provide up to 12 weeks of unpaid, job-protected leave to employees who need to take time off because of personal illness or certain family situations, including the birth or adoption of a child. During the leave, an employer would have to continue the worker's health insurance.

The Senate already has given final approval to a bill, S. 5, cleared by a congressional conference committee (BI, Aug. 10). The House could vote as soon as this week and will almost certainly approve it (BI, Aug. 17).

Despite the administration's endorsement of "family values," the bill will probably be vetoed, benefit analysts say.

While President Bush believes employers should offer family leave programs, he also feels that that decision should be voluntary, benefit lobbyists note.

"President Bush will continue to campaign against family leave legislation. He views it as a costly government intrusion, not as a family values issue," said Ellen Goldstein, director of health care policy for the Assn. of Private Pension & Welfare Plans, a benefits lobbying organization in Washington.

Congress previously passed family leave legislation in 1990 and was unable to override a presidential veto.

Once again, there currently is not enough congressional support to override a presidential veto if President Bush takes the veto route, said Hewitt's Mr. McArdle.

Passage of pension simplification legislation also is considered likely, but it too could face a veto.

Provisions included in tax bill H.R. 11, already passed by the House and now awaiting Senate action, would begin—if only modestly—to peel back the layers of complex pension rules (BI, Aug. 10).

Among the provisions are those that would:

- Give employers a simpler way to run the Internal Revenue Service non-discrimination tests for 401(k) plans.

- Employers would be allowed to compare salary deferrals made by low-paid employees during the previous year with the contributions made by high-paid employees in the current year.

Employers now have to com-

pare current-year salary deferrals of the two groups.

By using low-paid employees' prior-year contributions, employers would know at the start of a plan year how much high-paid employees could contribute without violating the non-discrimination rules.

Both the House and Senate versions of the tax bill would offer employers two new safe harbors for their 401(k) plans, which, if satisfied, would exempt employers from non-discrimination tests. But benefit experts say that the requirements set by the safe harbors are so stiff that few companies would qualify.

- Allow non-governmental tax-exempt employers, like trade associations, to establish 401(k) plans.

- Require the IRS to round up to the nearest \$100 and \$1,000 the annual inflation adjustment in the maximum employee salary deferral made to a 401(k) plan and the maximum benefit that can be funded through a defined benefit plan.

To help employers plan better, the IRS also would be required to announce these changes in inflation-adjusted amounts before the end of the year.

- Simplify the definition of "highly compensated employee" for IRS non-discrimination testing purposes.

Under both bills, highly paid employees would be those who own at least 5% of the company or those earning at least \$62,345—an amount which would be increased annually with inflation and rounded to the nearest \$1,000 in future years.

The two bills differ in a number of other areas. For example, only the House bill would require multiemployer pension plans to adopt more rapid vesting schedules.

The plans could adopt a schedule in which employees were first and fully vested after five years, or a schedule in which employees were 20% vested after three years, with vesting continuing at the rate of 20% annually until an employee was fully vested after seven years of service.

On the other hand, the Senate bill makes certain changes in pension non-discrimination rules, such as making it easier for pension plans that cover both union and non-union employees to pass IRS non-discrimination tests.

Benefit experts say the Senate is almost certain to pass the tax bill. If differences can be worked out with the House, legislation will become law that actually will simplify pension rules rather than making them more complex.

"It is a change in direction," Mr. McArdle said.

Meanwhile, Congress may reduce, though not eliminate, the administrative burdens of a new

20% withholding tax on many types of pension distributions. The tax can be avoided if an employee asks his or her employer to directly transfer the distribution, like a lump-sum payment from a profit-sharing plan, into an individual retirement account or to the defined contribution plan of a new employer.

The Senate tax bill would reduce the administrative burden on employers by eliminating the 20% tax on pension distributions that are less than \$500, and on in-service employee hardship withdrawals from 401(k) plans.

While several free-standing bills have been introduced to repeal the 20% tax, legislators are more likely to amend—not scrap—the law, benefit experts say. They note that revenue from the 20% withholding tax is earmarked to pay for an extension of unemployment benefits and finding a new revenue source would be difficult.

Meanwhile, the Senate is expected to pass legislation, S. 1095, that would allow employees returning from military service to make retroactive contributions to their 401(k) plans (BI, July 6; June 29; May 25). Their employers—if they offered a matching feature—would have to match the contributions. An amendment expected to be added on the floor would strip a current provision that would require mandatory retroactive contributions by employers with profit-sharing plans. The House already has made such a change in its tax bill.

Also awaiting action are Department of Defense spending bills that could add hundreds of millions of dollars in new pension costs for big military contractors (BI, July 20).

A House-passed bill, H.R. 5006, would require companies with more than \$100 million in defense contracts to give two new special early retirement benefits to laid-off workers age 55 and older and with 10 years of service: a \$500 monthly supplement until the laid-off worker reached age 62; and a full pension, unreduced for age.

The Senate bill S. 3114, which is now awaiting floor action, lacks such a provision. But Sen. Edward Kennedy, D-Mass., may propose an amendment preventing any actuarial reduction for age, but not requiring the \$500 supplemental benefit.

Benefit consultants say Congress is likely to agree on some type of added pension requirement on defense contractors to ease the burden of layoffs on workers as that industry downsizes.

However, Gerald Uslander, a principal with William M. Mercer Inc. in Washington, says a move may be underfoot to exempt certain defense contractors, like fuel oil suppliers, who do not

provide military hardware.

"Right now, the term military contractor is very broadly defined," Mr. Uslander said.

Finally, the plethora of health care access bills—ranging from reforms in the small-group health insurance market to much broader proposals—like the "play or pay" approach to expanding coverage or a single-payer Canadian-style national program—seem likely to die as the administration and Congress are unable to compromise on any approach.

"We will not see any health care reform bill passed. There is absolutely no consensus, even among congressional Democrats. With the clock ticking away, time is simply going to run out," said Stuart J. Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

"Truly controversial proposals, like health care reform, are likely to fall by the wayside in an election year. Legislators will want to get home to campaign," said Mercer's Mr. Uslander.

LEGAL NOTICE

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re

Petition of Christopher John Hughes and Ian Douglas Barker Bond, as Joint Provisional Liquidators of Kingscroft Insurance Company, Ltd.,

Debtor in Foreign Proceedings

In Petition Under Section 304 Case Nos. 92-B-41974 (PBA) through 92-B-41977 (PBA) Jointly Administered

PRELIMINARY INJUNCTION ORDER

This matter has come before the Court on Petitioners' request for a Preliminary Injunction Order pursuant to Bankruptcy Rule 7065 and Federal Rule of Civil Procedure 65(b). The Court has considered and reviewed the Petitions filed in these cases, the Affidavit of Ronald DeKoven, one of the attorneys for the Petitioners, duly sworn to the 7th day of April, 1992, the Declaration of Gabriel Moss, duly sworn to the 8th day of April, 1992, the Declaration of Christopher John Hughes, one of the Petitioners herein, duly sworn to the 8th day of April, 1992, and the Memorandum of Law in support of the application, and the responses filed thereto, and having held hearings and heard arguments by counsel on April 10, 1992, May 12, 1992, and August 19, 1992, and based on the foregoing the Court finds and concludes as follows:

1. Petitioners have demonstrated a substantial likelihood of success or have raised serious questions on the merits of the contentions that Kingscroft Insurance Company Ltd. ("Kingscroft"), El Paso Insurance Company Ltd. ("El Paso"), Lime Street Insurance Company Ltd. ("Lime Street") and Mutual Reinsurance Company Ltd. ("Mutual") (collectively, "KELM") are companies subject to foreign proceedings, that Petitioners are the foreign representatives of the debtors, that the commencement or continuation of any judicial, administrative or regulatory action or proceeding against KELM, or any of their property in the United States, should be enjoined pursuant to 11 U.S.C. § 304(b) to permit the orderly resolution of claims in the pending proceedings brought under foreign law, and that the relief requested will not cause hardships to parties which are not outweighed by the benefits;

2. Unless an injunction is issued, it appears to this Court that one or more parties in interest will relinquish or dispose of property of KELM in the United States, or will commence or continue the prosecution of judicial, administrative or regulatory actions against KELM and/or seek to retain assets of KELM, thereby interfering with, and causing harm to, the Petitioners' efforts to administer the estates of KELM pursuant to the foreign proceedings, and that as a result the Petitioners will suffer immediate and irreparable injury for which they will have no adequate remedy at law;

3. The interest of the public will be served by restraining such disposition of KELM property and the commencement or continuation of such judicial, administrative or regulatory actions or proceedings;

NOW, THEREFORE, IT IS ORDERED THIS 20th day of August, 1992 at 2:40 p.m., as follows:

ORDERED, that all persons (except as provided in the Orders of Conservation) are hereby preliminarily enjoined and restrained from:

(1) relinquishing or disposing of any property of KELM in the United States, or the proceeds of such property, to third parties;

(2) commencing or continuing any judicial, administrative or regulatory action or proceeding against Kingscroft, El Paso, Lime Street and/or Mutual or any of their property in the United States;

(3) enforcing any judicial, administrative or regulatory judgment, assessment or order and commencing or continuing any act or any judicial, administrative or regulatory proceeding to create, perfect or enforce any lien, set-off or other claim against Kingscroft, El Paso, Lime Street and/or Mutual or any of their property in the United States;

ORDERED, that nothing in this order shall in any respect prevent the continuance or commencement of proceedings against or involving other London Market insurers or any other insurance company defendant;

ORDERED, that pursuant to Bankruptcy Rule 7065, the security provisions of Fed. R. Civ. P. 65(c) be, and the same hereby are, waived; and it is further

ORDERED, that this Preliminary Injunction Order shall be served (A) by hand delivery, facsimile or United States mail, postage prepaid, on or before August 27, 1992 upon (1) the persons listed on Exhibit A to the Temporary Restraining Order entered by this Court on April 10, 1992 at their respective addresses listed on such Exhibit, which persons comprise, as far as Petitioners were able to identify as of the date of the Temporary Restraining Order, the parties to pending litigation affected by that Order (or their attorneys, where identified) and certain U.S. reinsurers, (2) the persons subsequently identified by the Petitioners as additional parties to such litigation (or their attorneys, where identified) and additional reinsurers at the best known addresses for such parties, and (3) the parties in interest appearing in these cases; (B) by hand delivery, facsimile or United States mail, postage prepaid, on additional parties at such time as they are sufficiently identified (or their attorneys, where identified); and (C) by publication of a summary of this Preliminary Injunction Order in *Business Insurance Magazine* on or before September 15, 1992; that service pursuant to this paragraph shall be deemed good and sufficient service and adequate notice; and it is further

ORDERED, that this injunction shall remain in effect pending further order of the court, after a hearing scheduled to be held in Room 617 of the Alexander Hamilton House, One Bowling Green, New York, New York on November 17, 1992 at 2:30 p.m.;

ORDERED, that all papers submitted for the purpose of controverting the petition or opposing a continuation of the relief provided for in this Preliminary Injunction Order shall be served and filed in accordance with the Interim Scheduling Order entered in these cases on August 20, 1992.

Dated: New York, New York
August 20, 1992
2:41 o'clock p.m.

/S/PRUDENCE BEATTY ABRAM

U.S.B.J.

"Petitioners' request for relief, and the terms of this Order, are subject to the provisions of the Orders of Conservation obtained by the New York Superintendent of Insurance in the New York Supreme Court for New York County (the "Orders of Conservation")."

annual premium for companies with one reinstatement left on their original covers, and 100% or more of annual premium for those that have already exhausted their reinstatements.

Nevertheless, interest in additional reinstatement coverage is picking up as ceding insurers get a better idea of their potential losses from Hurricane Andrew, according to Scott Doerr, vp with Berkshire Hathaway Inc.'s reinsurance division.

Mr. Doerr added that there is less interest in third-event covers

Continued on next page

be left bare after Andrew, having already used their reinstatements on earlier 1992 catastrophe losses, including the Los Angeles riots and Midwestern storms.

With four months left in the year and most of the hurricane season still to come, many ceding insurers—including those with reinstatement limits remaining—are seeking quotes for so-called "third-event" covers, reinsurers report.

Capacity for such covers is short, though, and prices are high: Reinsurers say an additional reinstatement of limits until the end of the year will cost 50% to 60% of the

Reinsurer results

Continued from page 1
where many ceding insurers are seeking quotes for additional reinstatements of their catastrophe limits.

Insurers typically arrange catastrophe reinsurance with one reinstatement of limits in case they are hit with more than one catastrophic event in a year.

Some insurers with Andrew losses may not be hit badly enough to tap their catastrophe reinsurance at all, and most insurers will have one reinstatement left after paying Andrew claims.

A few companies, though, may

Largest U.S. reinsurers' first-half 1992 results

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

Reinsurers	Net reinsurance premiums written 1992	Net reinsurance premiums written 1991	Policyholders surplus (reinsurers only)	Net income 1992	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1992	Combined ratio 1991
1. General Re	\$1,056,307	\$1,016,125	\$3,256,337	\$271,632	\$813,620	76.2%	\$301,686	28.6%	104.7%	101.7%
2. Employers Re	696,719	586,516	1,583,064	158,513	507,633	75.0	184,318	26.5	101.5	106.8
3. American Re	503,179	461,842	786,346	60,432	319,258	68.0	166,943	33.2	101.2	100.1
4. North American/Swiss Re	335,947	372,242	699,374	38,451	275,697	72.9	126,404	37.6	110.5	109.5
5. Prudential Re	330,905	318,224	613,017	43,205	255,493	76.4	122,232	36.9	113.4	114.6
6. Munich Re	312,969	263,305	692,978	22,108	233,501	79.6	106,080	33.9	113.5	109.8
7. Kemper Re	288,900	226,600	377,300	8,300	247,900	84.3	61,800	21.4	105.7	107.9
8. Berkshire Hathaway	237,967	236,994	N/A	N/A	159,401	147.1	12,138	11.2	158.3	141.6
9. Transatlantic/Putnam	237,845	243,272	436,431	35,525	191,521	81.3	63,639	26.8	108.1	106.7
10. Skandia America Group	193,176	191,648	338,516	12,805	143,428	72.2	73,982	38.3	110.5	112.1
11. Transamerica Re	185,275	183,676	247,354	17,722	142,542	78.9	52,237	28.2	107.1	105.1
12. The St. Paul Cos.*	172,041	188,569	N/A	N/A	174,336	95.3	54,263	31.5	126.8	127.0
13. CIGNA Re	154,236	159,031	246,020	11,947	132,119	81.6	38,889	25.2	106.8	102.1
14. Constitution Re	151,181	118,588	265,680	18,940	106,414	73.4	47,871	31.7	105.0	104.9
15. F&G Re	124,282	131,798	N/A	N/A	89,385	72.6	23,026	18.5	91.1	91.8
16. National Re	119,196	130,392	306,902	24,629	88,566	73.5	34,136	28.6	102.2	102.2
17. NAC Re	119,137	111,820	320,475	17,060	79,181	67.0	49,688	41.7	108.7	108.2
18. Winterthur Re	113,393	97,790	176,504	12,221	79,257	73.5	38,890	34.3	107.8	107.5
19. Scor Re/Unity	99,066	84,218	237,127	19,285	56,879	62.0	37,512	37.9	99.9	101.1
20. American Agricultural	74,954	63,607	146,458	7,040	58,747	88.3	9,211	12.3	100.5	108.1
Totals for Top 20	5,506,675	5,186,257	10,729,883	779,815	4,154,878	77.6	1,604,945	29.4	107.0	106.5
Total for all companies	6,219,053	5,880,258	14,027,880	941,458	4,608,728	75.3	1,955,859	31.4	106.7	106.4

* St. Paul's 1991 figures restated.

Source: Reinsurance Assn. of America and Business Insurance

Reinsurer results

Continued from previous page
now than in 1989, after cedants were hit with Hurricane Hugo and the Northern California earthquake. But interest could intensify with another catastrophe this year, he said.

Ceding insurers most interested in additional reinstatements may be those with April 1 or July 1 renewals, since they face eight to 10 months of additional exposure, he said.

Dwight Evans, senior vp with F&G Re Inc., a Morristown, N.J.-based USF&G Corp. unit, added that ceding insurers with one re-

instatement left are the likeliest buyers, since the cost of the additional reinstatement is lower.

For future renewals, Hurricane Andrew may blow away what little capacity remains in the catastrophe retrocessional market, and is sure to cause further contraction in the already tight catastrophe reinsurance market, reinsurers agree.

In addition to shrinking capacity and rising prices, the storm may cause reinsurers to re-evaluate some coverage terms.

Berkshire Hathaway, for example, may rethink the terms of its "market loss" policy. This coverage is triggered by an event

causing total insured losses exceeding a defined amount—\$3 billion or \$4 billion, for example.

To date, Berkshire has written most of its market loss coverage as retrocessional protection for Lloyd's of London syndicates and other London market excess-of-loss reinsurers, Mr. Doerr said.

Until recently, it was assumed that a \$5 billion market loss would occur once every 10 years or so, Mr. Doerr noted. Since 1987, however, the market has been rocked by six events for which trended losses exceed \$4 billion to \$5 billion, including 1987 and 1990 windstorms in the

United Kingdom and northern Europe; Hurricane Hugo; Typhoon Mireille; and now Hurricane Andrew.

Andrew could easily have been much worse, he added.

"This did not even hit a really major population center," he said, observing that Andrew could have caused more than \$20 billion in insured losses if it had followed an arc slightly to the north and had squarely hit Miami and New Orleans.

"It makes people focus on the reality of how big these losses can really be," Mr. Doerr said.

Though Berkshire remains committed to playing a major role in the catastrophe reinsurance market, it will re-assess its own exposure in the Southeast and could raise the market loss trigger in its contracts, he said.

While the catastrophe market appears destined for more contraction, Hurricane Andrew's impact on the broader property/casualty reinsurance market is in doubt.

It's possible that the market for property per risk and pro-rata excess reinsurance may tighten in response to losses from Andrew, but this is far from certain, Mr. Evans reflected.

"Will it change anything? Probably not," said Bard E. Bunea, chairman of Constitution Reinsurance Corp. in New York. "I'm very pessimistic on change. Very pessimistic."

"This market is driven entirely by long-tail business and investment income," added one reinsurance company official. "Property losses are blips," even when they are the size of Andrew.

"Flood, fire, famine, pestilence: None of these things seems to affect the industry," said Michael A. Smith, a Lehman Bros. analyst in New York.

While losses from Andrew could "shake out" a few small reinsurers that had moved heavily into property coverages, the market-wide impact is likely to be slight, and casualty pricing could actually erode if insurers and reinsurers move capacity from property lines to casualty, Mr. Smith observed.

Meanwhile, Mr. Smith said he saw little that was new in the reinsurance industry's six-month results.

Large direct writing reinsurers continue to outperform the overall market, he noted: Return on equity for direct writers was about 11.7% for the second quarter and 12% for the first half, compared with 8.1% and 8.6%, respectively, for broker market companies, he said.

Returns remained stronger for large reinsurers than for their smaller competitors, he added.

"The smaller guys are still struggling," Mr. Smith said.

The 20 largest U.S. reinsurers recorded net written premiums of \$5.5 billion in the first half, up 6.2% from \$5.2 billion in the same period last year.

Premiums written by the 20 largest companies represented 88.5% of the total premiums written by the 56 professional reinsurers and six reinsurance departments in the RAA survey.

The aggregate combined ratio for the 20 largest companies deteriorated slightly to 107% in the first half from 106.5% for the same period last year. For all reinsurers in the RAA survey, the aggregate combined ratio rose to 106.7% from 106.4% in the first half of 1991.

The slight increase in premium volume doesn't reflect any improvement in the market, but instead continues to reflect financial reinsurance contracts and rising volume of higher-risk business being written by smaller reinsurers, reinsurers and market observers say.

Constitution Re's first-half volume jumped 27.5% to \$151.2 million from \$118.6 million last year largely because it assumed business previously written by two other reinsurers managed by Constitution Reinsurance Corp., according to Mr. Bunea.

Berkshire reported the worst 1992 first-half combined ratio, 158.3%, which largely reflected adverse development on prior years' business and Japanese and U.S. storm losses, Mr. Doerr said.

The St. Paul Cos., meanwhile, restated its 1991 first-half reinsurance figures following a realignment of its London underwriting operations. Net written premiums for the first half of 1991 were changed from \$222.4 million to a restated \$188.6 million.

August 1992

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INTERNATIONAL

INTERNATIONAL DIGEST

Algiers airport losses remain in local market

War risk losses from an Aug. 26 terrorist bomb explosion at Algiers' international airport will fall on the local Algerian insurance market, London sources say. The bomb destroyed the Houari Boumediene Airport's international arrivals building, owned by Air Algeria, killed nine people and wounded approximately 90 others, the Algerian authorities said. All of the dead were Algerian, according to authorities. While most of the war risk was retained in the Algerian market, some of the loss may be paid by international reinsurers under reinsurance treaties, sources say.

Agencies change rating status of insurers

Standard & Poor's Corp. last week lowered the claims-paying ability rating of Danish insurer Baltica Forsikring A/S to A+ from AA. The downgrade was made as the senior debt ratings of parent company Baltica Holding A/S and another unit, Baltica Bank A/S, were lowered to BBB from A. S&P said that the downgrades reflect "significant declines in asset values, which have resulted in investment losses at Baltica's insurance operations," as well as a drop in share value and "sizable" loss provisions related to property-based bank loans and financial guarantees. S&P noted that Baltica Holding reported a consolidated net loss for 1992's first half of 991 million Danish krone (\$169 million at the applicable exchange rate), compared with a profit of 762 million Danish krone (\$109 million) for the same period last year. S&P also lowered the claims-paying ability rating of Stockholm, Sweden-based Trygg-Hansa Insurance Co. Ltd. to AA from AAA. S&P said the downgrade reflects its expectation that Trygg-Hansa will "be required to give indirect support, through Trygg-Hansa SPP Holding, to the sorely troubled Gota Bank, a member of the Trygg-Hansa group." S&P said Trygg-Hansa's first-half underwriting profit of 647 million Swedish krone (\$117.5 million at the applicable exchange rate) "indicates that direct insurance operations continue to perform well, although reinsurance results have been disappointing." Meanwhile, Moody's Investors Service has placed the Aaa financial strength rating of Tokyo-based Dai-ichi Mutual Life Insurance Co. under review for possible downgrade. Moody's said the review was prompted mainly by "growing pressures on Dai-ichi Mutual's earnings as a consequence of changing product offerings and increasing vulnerability of investment income to more volatile market conditions." The life insurer reported assets of 21 trillion yen (\$155 billion) as of March 31.

Aegon reports improved first-half results

Aegon N.V., an international insurance group based in The Hague, Netherlands, reported first-half revenues of 8.03 billion guilders (\$4.6 billion at the applicable exchange rate), a 14.7% increase over revenues of 7 billion guilders for the same period last year. Operating income in 1992's first half rose by more than 12% from the same period in 1991, totaling 377.7 million guilders (\$219.6 million). Aegon's capital base on June 30 stood at 6.2 billion guilders, an increase of 8.75% from 7 billion guilders (\$4.1 billion at applicable exchange rate) as of Dec. 31, 1991.

Australian judge ends hearings in Lloyd's lawsuit

An Australian Supreme Court judge will decide whether his court has jurisdiction to render a verdict in a lawsuit brought by a Lloyd's name against Lloyd's of London. Judge McDonald in the Supreme Court in Victoria on Aug. 27 ended 11 days of hearings in the case of Dr. Emyln Williams (*BI*, Aug. 3). No date has been set for the decision on jurisdiction to be handed down. Also, there is no set time frame for such a decision to be made; judges have taken as long as a year to hand down a decision in Australia's judicial system. Dr. Williams contends he should not be required to pay syndicate losses because of Lloyd's members' alleged misleading and deceptive conduct in violation of Australia's Trade Practices Act and for breaches of the Australian Companies' Code. Other Australian Lloyd's members are awaiting the outcome of the anesthesiologist's case to determine whether they are going to take any action.

Gooda Walker's 1989 results released

The loss-riddled syndicates managed by Gooda Walker Ltd. lost 488.9 million pounds (\$789 million at applicable exchange rates) for their disastrous 1989 accounting year, according to the much delayed annual reports issued for the syndicates last week. Further losses expected for 1990 are as yet unquantifiable, the syndicate managers say. Many of the losses are a result of the syndicates' participation in London market excess-of-loss spiral business, the reports say. The two syndicates in the Gooda Walker group with the greatest losses are non-marine 290 and marine 298. Syndicate 290 is estimated to have lost 206.5 million pounds (\$333.3 million) on its still open 1989 year. The huge losses on 298 began in 1988 when the syndicate lost 71.3 million pounds (\$129.1 million), largely as a result of the Piper Alpha explosion. In its still open 1989 year, the syndicate is forecast to lose 182.1 million pounds (\$294 million), the report says.

By Gavin Souter and Kate McIlwaine

London company market shrinks with withdrawals

By GAVIN SOUTER

LONDON—The London company market is contracting with the recent withdrawal of two insurers.

Dutch insurer Nationale-Nederlanden B.V. has pulled the plug on its London market subsidiary, Orion Insurance Co. P.L.C. The move will create upheaval in the London aviation market, where Orion leads several major programs currently in renewal negotiations, sources say.

In addition, British insurers Prudential Corp P.L.C. and Pearl Assurance P.L.C. have stopped underwriting marine insurance through St. Helen's Trust Ltd., their joint marine insurance venture in the London company market.

LONDON

In a brief statement, Nationale-Nederlanden said: "The decision is based on an analysis of Orion's prospects given its limited size in relation to the market and on the fact that further investment in the U.K. general insurance market is not currently one of ING Group's strategic priorities."

Nationale-Nederlanden, which is owned by Internationale Nederlanden Group, also is negotiating the sale of Orion's personal lines and medical insurance divisions in Britain.

Nationale-Nederlanden is more interested in developing the group's life insurance interests in Japan, South Korea and

Hungary, according to an Orion spokesman.

Orion has struggled lately. In 1991, Orion's gross losses totaled 49.2 million pounds (\$92 million at the applicable exchange rate), of which the London market division lost 34.3 million (\$64.1 million) and the personal lines division lost 14.9 million (\$27.9 million). After investment income, the company lost 30.2 million pounds in 1991 (\$56.5 million) from a gross premium income of 187 million pounds (\$349.7 million), a spokesman said.

The London market division insured marine, aviation and non-marine risks. Orion was a well-respected leader in the aviation market and led insurance programs for, among others,

Continued on next page

Skandia takes a new tack

Swedish insurer intends to focus on direct writings

By MARIA KIELMAS

STOCKHOLM, Sweden—Skandia Holding A.B. plans to concentrate exclusively on its direct insurance business once a sale of its Stockholm and New York reinsurance operations is concluded.

Skandia Chief Executive Bjorn Wolrath issued a statement last week affirming that Skandia has decided to change its strategic orientation.

"We are now concentrating resources on direct non-life insurance and life insurance in our Nordic home market, as well as in Europe and the United States," Mr. Wolrath said. "The current reinsurance activities will thus no longer be part of our



core operations."

The announcement last week came in answer to growing speculation in the Swedish business press about the Skandia's future.

Skandia is exploring the possibilities of selling its New York-based reinsurance operation, Skandia America Corp., and Stockholm-based Reinsurance Europe & Overseas.

Skandia America Corp. writes property/casualty reinsurance through subsidiary Skandia American Reinsurance Corp.

In July, Skandia America filed a registration with the Securities and Exchange Commission for an initial public offering of 9 million shares of common stock. Upon completion of the offering and related transactions, Skandia's U.S. holding company will

have less than 49% of the total voting power in the reinsurer.

In addition, amid negotiations earlier this year to solve a messy takeover attempt of Skandia by UNI Storebrand A/S and Hafnia Holding A/S, the Swedish insurance group offered to exchange its non-U.S. reinsurance operations for its shares held by UNI Storebrand. The deal was ruined after other components were rejected by Hafnia shareholders (*BI*, May 11).

Mr. Wolrath stressed in his statement last week that no final decisions have been made concerning either operation.

"If as a result of a successful initial public offering, (Skandia America) can be de-consolidated prior to year end, this can lead to an approximate halving of the group's total risk premium in the reinsurance sector for 1993," he said.

Insurance analysts have been

Continued on next page

Ingosstrakh names interim head
Russian insurer downplays problems, Safronov's ouster

MOSCOW—Vladimir Kruglyak is serving as acting chairman of Russia's foreign insurance and reinsurance company, Ingosstrakh, after the ouster last month of Mikhail Safronov as chairman.

Mr. Safronov's dismissal came about after what has been described by the company as "differences of opinion" with Ingosstrakh's shareholders. Ingosstrakh is 90% owned by the Russian Finance Ministry, which reportedly had wanted to increase its control over the insurer.

"The shareholders are all different people with different opinions, and after some exchanges of opinions" they decided on Safronov's departure, according to Mr. Kruglyak.

Mr. Kruglyak, who formerly was deputy chairman, will serve as acting chairman of Ingosstrakh until mid-October when a permanent chairman will be ap-

pointed at a shareholders meeting.

Mr. Kruglyak said Mr. Safronov and the shareholders had disagreed over the appointment of Arthur Andersen & Co. to conduct a review of Ingosstrakh's operations and over the course the review would take.

The Moscow office of Arthur Andersen is expected to complete the review by October.

Mr. Kruglyak further declined to expand on comments earlier attributed to him that Mr. Safronov, who had served with Ingosstrakh for 30 years—as chairman since 1988—had "not adapted to perestroika."

But Mr. Kruglyak did acknowledge the term perestroika was now outdated by the events of the past few years.

Ingosstrakh's new management is trying to play down the controversy, as well as any difficulties the insurer faces as a result of Russia's growing eco-

omic crisis.

"As all firms, we have suffered" from the evolving economic crisis, Mr. Kruglyak said. But the company still maintains a "strong" position, he added.

The collapse of the former Soviet foreign trade bank, Vneshekonbank, has not significantly affected the insurer, Mr. Kruglyak said.

Reports earlier speculated that the bank collapse had wiped out a huge chunk of Ingosstrakh's hard currency reserves, which he denied.

"Ingosstrakh's reserves are 60% to 70% of its share capital of 755 billion roubles," according to Mr. Kruglyak.

According to the Bank of America, the Commonwealth of Independent States' rouble was trading on Aug. 28 at 205 roubles to the dollar, which would put Ingosstrakh's capital at \$3.68 billion.

—By Maria Kielmas

LONDON

Skandia strategy

Continued from previous page
speculating that Skandia already has held preliminary discussions about the disposal of its REO subsidiary with potential European, Japanese and U.S. buyers.

According to Skandia's first-half results, underwriting income improved considerably during the half to 195 million krona (\$35.4 million) from a 175 million loss (\$26.9 million) in the same period a year earlier.

Skandia's combined ratio at the half was 113%, compared with 119% a year earlier.

One London insurance analyst said that Skandia would emerge "pretty healthy if it can get (rid) of its reinsurance activities."

The analyst said that Skandia's mainstream non-life insurance business is improving, and life insurance operations are "pretty strong."

Furthermore, with the eventual expected breakup of Denmark's Hafnia Holding A/S and Norway's UNI Storebrand A/S—or at least the disposal of some of those companies' assets—Skandia will be in a good position to win more profitable direct business within Scandinavia through acquisition of companies in those markets (BI, Aug. 31; Aug. 24).

But in this case, the analyst says, Skandia will have to pay cash to acquire insurance operations in those markets. And the only way for Skandia to acquire this cash is to sell parts of its own operations, the analyst says.

Continued from previous page
United Air Lines Inc., KSSAF and Thai International Airlines, sources say.

Meanwhile, St. Helen's Trust Ltd.'s majority owner says marine insurance underwriting no longer fits its business strategy.

"Marine insurance is a very small part of our business and there is little or no strategic fit with our other mainstream operations," said Mick Newmarch, group chief executive of Prudential.

Although marine rates are increasing, the volatility of the market makes it an unattractive sector considering the amount of capital it re-

quires, a Prudential spokesman added.

St. Helen's is two-thirds owned by Prudential and one-third by Pearl.

The company had a 1991 net premium income of around 65 million pounds (\$121.6 million) and an underwriting loss of around 7.5 million (\$14 million), the spokesman said.

Lloyd's loss forecast

Lloyd's of London will report a 1990 loss of approximately 1.5 billion pounds (\$2.9 billion at applicable exchange rate) and a 1991 loss of 750 million pounds (\$1.4 billion), according to estimates by market analyst Chatset Ltd.

Chatset's 1990 projection exceeds estimates of a 1.1 billion pound (\$2.12 billion) loss made by other market observers, while the 1991 loss forecast matches observers' speculations (BI, Aug. 31).

Prospects for 1992 may not be as rosy as previously anticipated, now that Hurricane Andrew has wreaked record-breaking damage in Florida and Louisiana, Chatset said.

Insured losses from Hurricane Andrew were estimated at \$7.8 billion in Florida and Louisiana.

The chain of catastrophes that has hit underwriters in recent years, combined with old-year losses at Lloyd's, will produce a fourth consecutive year of losses when the 1991 results are published in 1994 under Lloyd's three-year accounting system, Chatset predicts in its report published at the end of August.

In 1988, the market lost 509.7 million pounds (\$983.7 million at the applicable exchange rate), and in 1989 it lost a massive 2.06 billion pounds (\$3.85 billion).

If Chatset's predictions for 1990 and 1991 are on target, Lloyd's will have lost approximately 4.8 billion pounds (\$8.98 billion at the year-end 1991 exchange rate) for the years 1988 through 1991.

Amid these gloomy prospects, many sectors of the market are enjoying higher rates in 1992. But rates in the crucial North American non-marine insurance market have remained sluggish, Chatset said. And while catastrophe rates have increased, the market still will be

affected badly by losses from Hurricane Andrew, the analyst said.

"The vulnerability of the excess-of-loss market will be tested by Hurricane Andrew... it is clearly a big loss," Chatset said.

Despite the gloomy forecast for the next few years to close, Lloyd's received far fewer member resignations by the Aug. 31 deadline than it had by last year's deadline.

At the end of August, 686 members had resigned from Lloyd's for the 1993 underwriting year, far fewer than the 1,760 who resigned by the end of August 1991 for the 1992 underwriting year.

Officially, members must inform Lloyd's of their intention to resign by Aug. 31. In practice, however, Lloyd's accepts resignations for several months after that date.

Lloyd's projects that 1,500 members will leave by the end of 1992, 62% fewer than the 3,900 who resigned last year.

Archer acquisitions

Lloyd's of London managing agency A.J. Archer Holdings P.L.C. will double its capacity with the purchase of two of its rival managing agencies.

A.J. Archer will also boost its small members agency with the addition of the members agency units of the two agencies.

A.J. Archer will add 81 million pounds in capacity (\$162.2 million at current exchange rates) with the purchase of Kellett (Holdings) Ltd. and 202 million pounds (\$404.5 million) with the purchase of Cuthbert Heath Underwriting Ltd.

The combined capacity of the syndicates managed by A.J. Archer will total nearly 570 million pounds (\$1.14 billion) when the deals are completed by year-end, pending Lloyd's approval. Currently, A.J. Archer manages syndicates with a total capacity of 290 million pounds (\$580.7 million).

Kellett shareholders will receive a total of 9.74% of issued shares in A.J. Archer, or 2.25 million shares, as consideration for the deal.

Kellett manages three syndicates: non-marine syndicate 994, which in

Continued on next page

1 in 5 Australian firms lacks D&O cover

SYDNEY, Australia—A survey of 1,000 of Australia's largest companies has found that 22% have no directors and officers liability insurance.

And, more than one in 10 of the surveyed companies faced a D&O claim between 1989 and 1991.

"In two of those instances, damages of more than \$50 million Australian (\$36.2 million U.S.), were awarded," noted Stephen Moore, banking and financial senior consultant with BIS Shrapnel, which conducted the study.

BIS Shrapnel, a Sydney-based economic forecasting and market research organization, is owned by New York-based NYNEX Corp.

The study was based on responses from corporate directors, company secretaries, insurance brokers, D&O lawyers and insurers. Mr. Moore said 81% of respondents represented companies with more than 1,000 employees, and most represented companies with annual revenues of more than \$100 million Australian (\$72.3 million U.S.).

Of the 22% of companies which had no D&O coverage, two were major utilities with annual revenues of more than \$1.75 billion Australian (\$1.27 billion).

Mr. Moore warned that share-

holder and customer suits against directors and officers could increase in Australia as a result of an amendment to the Federal Court Act. The amendment, which took effect March 5, makes class actions easier to file.

Mr. Moore said the survey showed directors and officers were "deeply concerned" about insurance coverage for claims brought by the Australian Securities Commission and the Trade Practices Commission—two federal agencies that oversee corporate regulation in Australia.

Directors and officers viewed actions by the ASC and the TPC as the biggest potential source of litigation, followed by claims filed by the Australian Taxation Office, customers, shareholders, creditors, liquidators and employees. Claims brought by the Australian Stock Exchange were seen as posing the least threat to directors and officers.

John Green, president of the Australian Institute of Company Directors, an organization that participated in the D&O survey, said the findings were "deeply disturbing and reveal just how vulnerable" many senior and experienced directors and officers are.

He suggested some companies had declined to purchase D&O coverage

because of recessionary cost pressures. "If that's the case, it represents false economy and is not in the interests of sound company administration.

"This is clearly an issue which, given the increasingly litigious nature of the business environment, requires government intervention," Mr. Green said.

The AICD and the Institute of Corporate Managers, Secretaries and Administrators will jointly lobby for federal legislation to allow companies to pay 100% of premiums for directors, Mr. Green said. Under the current law, directors must pay at least 10% of the premium.

Mr. Green pointed out that the courts recently upheld a claim of \$97 million Australian (\$70.1 million) against a former director of the National Safety Council.

"No individual director could possibly sustain such a payout from his or her own pocket, and that means personal bankruptcy," he said.

Respondents to the survey considered defense-cost coverage and automatic coverage of new subsidiaries as the two most important components of D&O policies, Mr. Moore said.

—By Kate McIlwaine

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A pre-proposal conference to discuss this proposal will be held by the Finance Director at 10:00 a.m.; at 1 Village Hall Plaza, Oak Park, IL on Friday, September 18, 1992, in the Council Chambers.

All proposals shall be submitted in accordance with the Instructions to Bidders and the Request for proposal specifications. The Village will only consider triple option proposals.

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INTERNATIONAL

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1989 lost 4.6 million pounds (\$7.42 million at the applicable exchange rates) on a capacity of 45 million pounds (\$72.6 million); non-marine syndicate 1002, which lost 6.2 million pounds (\$10 million) on a capacity of 19.2 million pounds (\$31 million); and marine syndicate 613, which turned a profit of 275,000 pounds (\$440,000) on a capacity of 10.4 million pounds (\$16.8 million).

"The Lloyd's market has been going through a difficult period, and the consolidation of Lloyd's agencies into larger and more economic units will enable us to take advantage of the improving market conditions," Kellett Chairman Bryan Kellett said.

Mr. Kellett will join A.J. Archer as chairman and chief executive of the managing agencies. A.J. Archer Chairman Richard Maylam will remain chairman of the holding company.

Financial details of the Cuthbert Heath deal have not been disclosed.

Cuthbert Heath is largely owned by its existing management. Some of the current management at Cuthbert Heath will retire when the acquisition goes through, but others will transfer to A.J. Archer, Mr. Maylam said.

Cuthbert Heath "is a good purchase for us because the company has a lot of good syndicates, including one of the best motor syndicates in Lloyd's, and we currently do not have a motor syndicate ourselves," Mr. Maylam said.

Cuthbert Heath manages six syndicates: non-marine 404, which has an open 1989 year with a capacity of 77.3 million pounds (\$124.8 million); aviation 942 which made a profit in 1989 of 296,000 pounds (\$480,000) on a capacity of 15.9 million pounds (\$25.7 million); credit 965, which is in runoff; motor 979, which made a profit of 8.6 million pounds (\$14.4 million) on a capacity of 88.9 million pounds (\$143.5 million); marine 1084, which made a profit of 685,000 pounds (\$1.11 billion) on a capacity of 3.6 million pounds (\$5.8 million); and non-marine 1086 which lost 1.3 million pounds (\$2.1 million) on a capacity of 6.7 million pounds (\$10.8 million).

A.J. Archer will also set up a runoff company to manage the runoff of syndicate 965. The runoff company will subsequently offer services to other Lloyd's syndicates outside of the group, Mr. Maylam said.

Although most of the Cuthbert Heath syndicates will remain separate entities, syndicate 404 may be merged with an existing A.J. Archer syndicate, he said.

The Cuthbert Heath Members Agency Ltd. will significantly boost the number of members managed by A.J. Archer. Cuthbert Heath currently manages the affairs of 470 members, compared with 75 managed by A.J. Archer.

Additionally, A.J. Archer will take on 116 members from the Kellett members agency.

While the Kellett name will not be retained, the Cuthbert Heath name will probably be maintained as a subsidiary of A.J. Archer, Mr. Maylam said.

"It is probably the second most famous name in Lloyd's after Lloyd's itself, so we would like to keep it," he said.

Underwriter Cuthbert Heath made his name in the United States when he cabled his agent after the 1906 San Francisco earthquake instructing him to pay all claims.

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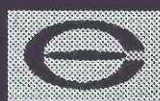
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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re

Petition of Christopher John Hughes,
Ian Douglas Barker Bond and Gareth Howard
Hughes, as Joint Provisional Liquidators
of Walbrook Insurance Company Ltd.,Case No.
92-B-44623 (PBA)

Debtor in Foreign Proceedings.

TEMPORARY RESTRAINING ORDER

This matter has come before the Court on Petitioners' request for a Temporary Restraining Order pursuant to Bankruptcy Rule 7065 and Federal Rule of Civil Procedure 65(b). The Court has considered and reviewed the Petition filed in this case, the Affidavit of Ronald DeKoven, one of the attorneys for the Petitioners, duly sworn to on the 16th day of August, 1992, the Declaration of Gabriel Moss, Q.C., duly verified on the 14th day of August, 1992, the Declaration of Ian Douglas Barker Bond, one of the Petitioners herein, duly verified on the 14th day of August, 1992, and the Memorandum of Law in support of the application, and the responses filed thereto, and having held a hearing and heard arguments by counsel on the 19th day of August, 1992, and based on the foregoing the Court finds and concludes as follows:

1. Petitioners have demonstrated a substantial likelihood of success or have raised serious questions on the merits of the contentions that Walbrook Insurance Company Ltd. ("Walbrook") is subject to foreign proceedings, that Petitioners are the foreign representatives of the debtor, that the commencement or continuation of any judicial, administrative or regulatory action or proceeding against Walbrook, or any of its property in the United States, should be enjoined pursuant to 11 U.S.C. § 304(b) to permit the expeditious and economical administration of the foreign estate in the pending proceedings brought under foreign law, and that the relief requested will not cause hardships to parties which are not outweighed by the benefits;

2. Unless an injunction is issued, it appears to this Court that one or more parties in interest will relinquish or dispose of property of Walbrook in the United States, or will commence or continue the prosecution of judicial, administrative or regulatory actions against Walbrook and/or seek to retain assets of Walbrook, thereby interfering with, and causing harm to, the Petitioners' efforts to administer the Walbrook estate pursuant to the foreign proceedings, and that as a result the Petitioners will suffer immediate and irreparable injury for which they will have no adequate remedy at law;

3. Unless the injunction is issued, Petitioners will be unable to acquire sufficient information about pending litigations and U.S. assets of Walbrook to properly protect the interests of Walbrook in the United States, subjecting Walbrook to the risk of default judgments and resulting in the further depletion of Walbrook's limited assets;

4. The interest of the public will be served by restraining the disposition of Walbrook's property and the commencement or continuation of such judicial, administrative or regulatory actions or proceedings; and

5. Venue is proper in this district pursuant to 28 U.S.C. § 1410;

NOW, THEREFORE, IT IS ORDERED THIS 20th day of August, 1992 at 2:40 p.m., as follows:

ORDERED, that all persons (except as provided in the New York Superintendent Orders) are hereby enjoined and restrained from:

(1) relinquishing or disposing of any property of Walbrook in the United States, or the proceeds of such property, to third parties;

(2) commencing or continuing any judicial, administrative or regulatory action or proceeding against Walbrook or any of its property in the United States; and

(3) enforcing any judicial, administrative or regulatory judgment, assessment or order and commencing or continuing any act or any judicial, administrative or regulatory proceeding to create, perfect or enforce any lien, set-off or other claim against Walbrook or any of its property in the United States; and it is further

ORDERED, that nothing in this order shall in any respect prevent the continuance or commencement of proceedings against or involving other London Market insurers or any other insurance company defendant; and it is further

ORDERED, that pursuant to Bankruptcy Rule 7065, the security provisions of Fed. R. Civ. P. 65(c) be, and the same hereby are, waived; and it is further

ORDERED, that this Temporary Restraining Order shall be served (A) by hand delivery, facsimile or United States mail, first class postage prepaid, on or before August 27, 1992 upon (1) the persons listed on Exhibit B to the Order to Show Cause entered by this Court on August 17th, 1992 at their respective addresses listed on such Exhibit, which persons comprise, as far as Petitioners were able to identify as of the date of the Order to Show Cause, the parties to pending litigation affected by this Order (or their attorneys, where identified) and certain U.S. reinsurers, (2) the persons subsequently identified by the Petitioners as additional parties to such litigation (or their attorneys, where identified) and additional reinsurers at the best known addresses for such parties, and (3) the parties in interest appearing in these cases; (B) by hand delivery, facsimile or United States mail, postage prepaid, on additional parties at such time as they are sufficiently identified (or their attorneys, where identified); and (C) by publication of a summary of this Preliminary Injunction Order in *Business Insurance Magazine* on or before September 15th 1992; and that service pursuant to this paragraph shall be deemed good and sufficient service and adequate notice; and it is further

ORDERED, that the papers submitted by Petitioners in support of their application (the "Supporting Papers") (excluding the Exhibits to the Declaration of Gabriel Moss, Q.C., which shall be made available upon request) shall be served by the Petitioners by United States mail, first class postage prepaid, upon the persons and in the manner set forth in part (A) of the preceding paragraph on or before August 27, 1992; and it is further

ORDERED, that the Summons and Petition shall be served by United States mail, first class postage prepaid, on or before August 27, 1992, on such persons as Petitioners are able to identify at the time of such service as parties to pending litigation affected by this Order or as U.S. reinsurers of Walbrook; and it is further

ORDERED, that the time to answer or move with respect to the Petition is extended *sine die*, but that parties wishing to move for modification of or relief from this Order or otherwise may do so in accordance with the schedule set forth by the Court herein and in any subsequent Scheduling Order entered by the Court in this case;

ORDERED, that service of the Supporting Papers and the Summons and Petition in the manner set forth herein shall be good and sufficient service and adequate notice; and to is further

ORDERED, that this injunction shall remain in effect pending further order of the court, after a hearing scheduled to be held in Room 617 of the Alexander Hamilton House, One Bowling Green, New York, New York on September 25, 1992 at 2:30 p.m.; and it is further

ORDERED, that all papers submitted for the purpose of controverting the petition or opposing a continuation of the relief provided for in this Temporary Restraining Order shall be filed with the Court with a copy to the Chambers and delivered personally or by overnight mail or so as to be received by Shearman & Sterling, 599 Lexington Avenue, New York, New York 10022 (attention: Ronald DeKoven), Attorneys for Petitioners, on or before September 18, 1992.

Dated: New York, New York
August 20, 1992
2:40 p.m.

/S/PRUDENCE BEATTY ABRAM

U.S.B.J.

*Petitioners' request for relief, and the terms of this Order, are subject to the provisions of any temporary restraining order or order of conservation to be obtained by the New York Superintendent of Insurance ("New York Superintendent Orders").

A case of bad faith

Sex abuse charges against ex-priest beget liability dispute

By LAURA MAZZUCA

BOSTON—Thirty-two years after a former Catholic priest allegedly began a long reign of child molestations in several states, a federal court will decide whether a Massachusetts diocese's liability insurance will cover mounting claims.

The court also may be asked to determine whether the diocese's liability insurer acted in bad faith by not participating in mediation to resolve 70 claims against the former priest.

The Fall River Diocese in Fall River, Mass., claims it is covered under an employee misconduct provision in comprehensive general liability policies written by Continental Insurance Co. of New York, a Continental Corp. unit.

But, citing 17 reasons, Continental is refusing to defend or indemnify the diocese.

The coverage dispute in the highly publicized case erupted Aug. 14, when Continental informed the diocese that it would stop providing the diocese a defense and would not indemnify it for any damages.

Continental then filed a complaint in the U.S. District Court in Boston on Aug. 18 seeking a declaratory judgment that it does not have to defend or indemnify the Roman Catholic bishop and the Diocese of Fall River.

The diocese says Continental has reneged on a commitment to assist in mediating claims filed by 70 individuals in Massachusetts who allege that former priest James R. Porter sexually abused them from 1960 through 1967.

Mediation was scheduled to begin Aug. 24.

In addition to those claims, the Fall River Diocese is named as a defendant in eight suits filed in Minnesota and New Mexico.

The Fall River Diocese ordained and employed Mr. Porter until 1969 and afterward consulted with parishes in other states about Mr. Porter's duties there. Mr. Porter was transferred to parishes in these states after parishioners in Massachusetts complained about him to church authorities, court papers say.

Those suits charge that Mr. Porter sexually abused children until 1973, when Mr. Porter was relieved of all parish duties, the court papers say.

Mr. Porter is currently under criminal investigation for child molestation in Boston.

Attorneys for the Fall River Diocese would not comment on the case.

But Jane Harrell, director of the office of risk management for the Archdiocese of Baltimore, said that coverage for employee misconduct was standard under CGL policies until the mid-1980s. Insurers that

having contact with children and informing authorities about the allegations, Mr. Ostrager said.

Continental also charges in its suit that priests in various parishes in the Fall River Diocese where Mr. Porter was assigned even witnessed the former priest molest children and did not intervene.

● The diocese failed to notify Continental in a timely manner of the claims and Mr. Porter's actions.

In addition, while acknowledging that it was "aware" that the diocese and claimants were planning to mediate, Continental denies it was ever involved in the mediation process.

Continental said it responded to the diocese on May 19 that no records of coverage from before 1972 existed because Continental routinely destroys account information after 20 years.

The letter also warned the diocese that injuries arising from sexual abuse might not be covered under CGL policies. But, Continental says it agreed to act on behalf of the diocese under a reservation of rights.

A casualty of Continental's decision to deny coverage is the plaintiffs' demand to reform church policy on dealing with priests accused of child abuse, observed Mr. McNamara, the plaintiffs' attorney. "No court of law will address these issues," he said.

Today, while employee misconduct coverage for dioceses and priests is available through the non-admitted market, very stringent loss prevention and risk management requirements are mandated by underwriters, said J. Patrick Gallagher Jr., president of broker Arthur J. Gallagher & Co. in Itasca, Ill., which specializes in church coverage.

The Archdiocese of Chicago, a Gallagher client, enhanced its risk management program this year, adopting a strict program to promptly investigate any allegations and assign suspected priests to "non-parish duties" pending investigation.

A group of Chicago-area priests has been the target of child molestation allegations.

The Cook County state's attorney is currently investigating charges against about 20 priests, but it has complained the archdiocese is not cooperating fully.

In fact, the attorney for the 70 claimants in the Fall River Diocese case had studied the Chicago Archdiocese's recommendations and wanted to adopt similar guidelines in Massachusetts, Mr. McNamara said.

"This is basic Risk Management 101—identifying the problem, gaining control of it to eliminate exposure, and then setting ongoing policies," Mr. Gallagher said. ■

For the Record

Maryland court widens pollution cover trigger

BALTIMORE—Liability insurers cannot deny coverage for pollution cleanups solely on the basis of the traditional date-of-discovery rule, Maryland's highest court has ruled.

In the case, *Harford County, Md., vs. Harford Mutual Insurance Co.*, the county is seeking coverage from three insurers that wrote its commercial general liability coverage from 1958 to 1983. Pollution was not discovered until 1985 and a claim was first filed in 1990.

Besides Harford Mutual, the county also is suing Home Insurance Co. and Insurance Co. of North America.

In an Aug. 19 ruling, the Maryland Court of Appeals reversed a lower court decision that coverage could be triggered only if detectable property damage manifested itself during the policy period.

However, the court did not adopt a new trigger theory. The court sent the case sent back to the lower court for a ruling on whether the pollution involved in the case is of "sufficient gravity to prove detectable property damage" within the policies' defini-

tion of the term.

The ruling could prompt other Maryland property owners that have been denied coverage based on the manifestation theory to seek coverage again, said Catherine J. Seraphin, a lawyer for Harford County. Until now, Maryland courts have applied the manifestation trigger in pollution cases, said Ms. Seraphin of Anderson, Kill, Olick & Oshinsky in Washington.

Insurer attorneys downplayed the scope of the ruling.

"It was a narrow ruling that provided general guidelines for when coverage may be triggered—if it otherwise exists under terms of the policy," said William F. Ryan Jr. of

Continued on next page

For the Record

Continued from previous page
Whiteford, Taylor & Preston in Baltimore, who represented Hartford Mutual.

"It's a limited ruling," because the court did not adopt the continuous trigger theory, said Bob Lawrence of Steptoe & Johnson in Washington, who represented Home Insurance Co.

Minnesota venture eyes electronic claims system

ST. PAUL, Minn.—Minnesota's two largest health care management companies this week will begin a six-month demonstration project aimed at cutting administrative costs by getting more doctors and hospitals to submit claims electronically.

Starting Friday, St. Paul-based Blue Cross & Blue Shield of Minnesota and Minneapolis-based Medica, a unit of United HealthCare Corp., will link their computerized claims submission networks. This will let the majority of doctors and hospitals in 11 counties file claims directly to BCBSM, Medica or to commercial insurers, with BCBSM and Medica acting as intermediaries.

The demonstration project is being coordinated by the Workgroup for Electronic Data Inter-

change, a group of public and private health care payers and providers (BI, July 27).

At the end of the project, both companies will work with WEDI to quantify savings generated by the program.

\$1.2 million award for dog burial fraud

WASHINGTON—Tort reformers are howling over a New York judge's award of \$1.2 million—\$1 million of it punitive damages—to a couple whose dog was fraudulently disposed of by Long Island Pet Cemetery.

The couple had paid about \$1,000, requesting a headstone and private burial for their sheepdog, Ruffian. Instead they found the purported grave empty. The pet cemetery now faces federal fraud charges after allegedly dumping some 250,000 dead pets in mass graves and holding mass cremations.

The award by State Supreme Court Judge Stuart Ains is "ridiculous," claimed the American Tort Reform Assn. of Washington.

"This is exactly the type of lawsuit and verdict we're barking about," commented Martin Connor, president of the business-backed lobby.

Maine commission report

Continued from page 2
treatment.

- Increase the use of mediation. This would reduce attorney involvement "significantly," said John Melrose, executive director of the Maine Council of Self-Insurers.

- Empower a new Workers' Compensation Board of Maine—headed by four labor and four management representatives—to manage the state's workers comp system.

- Establish a type of "file and use" system to help deregulate workers comp rates, using loss cost filings by the National Council on Compensation Insurance.

The NCCI estimates that the Maine residual market's deficit stands at more than \$500 million for 1988 to 1991, though one insurer contends the deficits could top \$1 billion (BI, Aug. 31; July 20).

"It appears to adopt some reforms recommended by the in-

dustry, but our preliminary reading of it is that it doesn't go far enough," said Joseph A. Di-Giovanni Jr., vp with the American Insurance Assn. in Boston.

The bill will likely reduce losses by about 12%, said commission actuary John Herzfeld of Milliman & Robertson Inc. in Boston.

Those lower losses, though, would not necessarily mean lower premiums. Rates now are 30% to 50% too low, contends Barry Llewellyn, an NCCI vp in New York.

Public hearings on the measure will be held Sept. 16 and 17. The state Legislature is expected to consider the bill during a special session Oct. 1 and 2.

Without legislative action, the primary market for workers compensation coverage in the state may dry up at year end, because all but one small insurer intend to cease writing new business rather than face liability for deficits.

Fraud indictments

Continued from page 2

The Washington Insurance Department revoked the licenses of Labor Management Services and Mr. Gallup in 1989. It also issued cease and desist orders against Arizona Life Reinsurance and a related company, Arizona Group Reinsurance Co. Inc., charging that they were operating illegally as primary insurers in Washington.

After the order, though, Mr. Gallup opened a new bank account in Arizona and directed third-party administrators who had been sending premiums to Seattle to instead send them to the Arizona account, the indictment says.

Arizona Life Reinsurance, licensed only as a reinsurer in Arizona, is currently being liquid-

ated by regulators there.

The indictment also charges the three defendants with embezzling \$275,000 from welfare benefit plans set up for employees of Happy Steak Inc. of Fresno, Calif., and Patton Vending Co. Inc. of Modesto, Calif.

If convicted on all 44 charges against him, Mr. Gallup faces a maximum of 285 years in prison. Mr. Lyon and Mr. O'Brien, if convicted on 43 counts against them, face a maximum of 280 years each.

The defendants are scheduled to be arraigned Sept. 11. Mr. Lyon and Mr. O'Brien will enter not guilty pleas, according to their lawyers. Mr. Gallup and his attorney could not be reached for comment.

Elgin 401(k) funds

Continued from page 2

to transfer the funds to the Harris general account despite Elgin's dubious financial status.

Normally, the funds would go into a separate disbursement account from which either the employer or trustee would issue a check to the employee, said Howard Golden, a consultant with Kwasha Lipton in Fort Lee, N.J.

In the same lawsuit, Mr. Sliwa seeks coverage from his fiduciary

Hurricane Andrew

Continued from page 1

damages in Florida and \$500 million of insured damages in Louisiana.

However, those estimates do not include insured marine and utility equipment losses, which could amount to \$500 million.

Also not factored into the AISG's estimates are losses to government and public property—including roads and bridges—and an estimated \$50 million of losses that will be covered by the federal government's National Flood Insurance Program.

In the Bahamas, the hurricane caused between \$250 million and \$300 million in damages, estimated Tommy Turnquest, chairman of the Bahamian government's Hurricane Relief Committee.

One Lloyd's of London underwriter estimated that non-marine storm losses could be as high as \$9.4 billion, but he added that less than \$800 million of that will be paid by London underwriters both under direct policies and reinsurance contracts.

"When you put that up against the total business written in London, we could obviously do without it, but it's not going to kill us," he said.

Energy insurers in London have escaped without any large losses so far, said Richard Youell, underwriter for syndicate 79, managed by Janson Green Management Ltd.

The biggest chunk of insured damages not counted in the AISG's estimate was sustained by Florida Power & Light Co., London sources say. They estimate the utility suffered between \$150 million and \$400 million of insured damages.

The utility reported that 150,000 customers remained without power at the end of last week.

Florida Power & Light's property insurance was led in the United States by Arkwright Mutual Insurance Co. of Waltham, Mass., but was largely reinsured. London reinsurance coverage was placed by broker Lloyd Thompson Ltd.

"Arkwright's net losses will not exceed \$30 million," a spokeswoman said.

Sources in London say Arkwright carries several layers of reinsurance in London.

The first layer is \$10 million excess of \$1 million, led by Lloyd's of London syndicate 15, managed by Stewart & Hughman Ltd.

Another layer is understood to be led by syndicate 1113, managed by S.J.O. Catlin Underwriting Agencies Ltd. That layer pays out on losses exceeding \$50 million and up to \$200 million.

Arkwright carries another layer of catastrophe coverage excess of \$250 million, led by syndicate 1068, managed by Merrett Underwriting Agency Management Ltd. However, 1068 does not expect to pay large claims on this layer.

Other sources say Arkwright carries a total of \$350 million of property catastrophe reinsurance.

"It's hard to know what kind of loss it will be, but the estimates seem to be going down all the time,"

liability insurer—Federal Insurance Co., a Chubb Corp. unit in Warren, N.J. Mr. Sliwa's policy carried a \$200,000 limit per loss and aggregate with a \$2,500 deductible.

According to the suit, the Department of Labor has made a claim against Mr. Sliwa for failing to disburse the retirement funds. He then filed a claim with Chubb, which he says denied coverage.

Mr. Sliwa also claims that former Elgin employees have threatened legal action against him.

Chubb notified Elgin on March 18, 1991, that it had canceled the policy for failure to pay the premium.

The suit seeks immediate return of the retirement funds; coverage from Chubb; and a total of \$3.5 million from CIGNA for alleged breach of fiduciary liability, professional malpractice and willful and wanton misconduct, as well as court and attorneys' fees.

CIGNA had not yet received the suit and could not comment, a spokesman said.

said Gerry Oijslager, deputy underwriter for syndicate 1068. He noted that loss estimates have dropped to \$150 million from \$250 million initially.

Hurricane Andrew also damaged 166 of the nearly 4,000 natural gas and oil platforms in the Gulf of Mexico, including at least 13 platforms that were toppled, according to the U.S. Minerals Management Service, an arm of the U.S. Interior Department.

Gulf operations south of Morgan City, La., were the hardest hit, the agency said. Property damage alone could amount to \$100 million, according to MMS.

MMS also estimates that 5% of the nation's daily natural gas production and one-third of the gulf region's daily oil production—or between 240,000 and 270,000 barrels—has been shut down.

Chevron Corp. of San Francisco estimates its offshore property damage at \$35 million. "Three platforms were lost and one is tilting," said Ed Kettle, assistant treasurer.

Chevron will not know for a few weeks the amount of damage to onshore operations, but it expects only limited damage.

Chevron has \$370 million of insurance to cover property damage to offshore operations, with a \$25 million deductible. It has \$815 million of coverage for damage to onshore operations, with a \$15 million deductible.

The company also has business interruption limits of \$815 million, with a 30-day waiting period before that coverage kicks in, he said.

Many other oil producers in the gulf had not estimated their losses, some of which are self-insured.

Thousands of other companies in Florida and Louisiana also continue to assess their damages.

For example, telephone company BellSouth Corp. of Atlanta has reported a loss of about \$100 million, London sources say. The risk was placed by C.T. Bowring Co. Ltd., according to sources.

Syndicate 1068 leads BellSouth's property insurance program, which is placed entirely in the London market. Initial loss estimates for BellSouth are about \$100 million, Mr. Oijslager said.

Another large loss, reported by

real estate company VMS, is expected to hit the London market.

The company's primary coverage of \$25 million has been exhausted, and claims are expected on excess layers, sources say.

The London portion of the primary coverage is led by syndicate 529, managed by Sterling Underwriting Agencies Ltd., sources say.

The syndicate has "adequate reinsurance" for all storm-related losses, said syndicate 529 underwriter Tony Underwood.

Burger King Corp. estimated that its Miami headquarters sustained \$10 million of insured damages. About 30 Burger King restaurants also were damaged, 10 of them extensively, a spokeswoman said.

Pizza Hut Inc. said the storm caused approximately \$3 million in insured damage to about 100 stores in south Florida.

"About 95% suffered only moderate landscape or structural damage, but five stores are either half or almost entirely totaled," said a spokeswoman, who noted that all damage will be covered by the company's blanket property policy underwritten by Aetna Casualty & Surety Co.

Many retail stores also reported huge storm damage.

Federated Department Stores Inc. of Cincinnati, which owns Bloomingdales, Burdines and other department stores, was one of Andrew's worst victims among major retailers.

The Bloomingdales at The Falls Mall in South Miami was clobbered by the hurricane, a corporate spokeswoman said. Two separate Burdines stores at a mall in Cutler Ridge, just south of Miami, also were damaged.

The storm caused "about \$40 million in damage to the three stores, all of which are closed indefinitely. The worst hit was Bloomingdales, which suffered about \$25 million in damage," she said.

Federated has a blanket property insurance policy for all its stores, which carries a \$100,000 per occurrence deductible.

"Our limits are well in excess of the estimated damage," she said.

"It's likely that the most common type of business insurance

Continued on next page

Suit amended after Andrew damage

KENDALL, Fla.—Homeowners in a housing development in Kendall, Fla., amended a lawsuit early last week to charge that hurricane damage to their homes was exacerbated by shoddy construction.

The suit was originally filed in the Circuit Court of Dade County in May 1991, alleging that the homes built by Lennar Homes Inc. of Miami were poorly constructed and failed to meet building code standards.

After Hurricane Andrew damaged or destroyed approximately 100 homes in the development, the suit was amended "to allege that damage caused to the units was effectively caused by shoddy construction," said Louis Robles of the law firm Robles & Gonzalez in Miami. Mr. Robles is representing the homeowners, who are seeking compensatory damages, costs and other relief.

Lennar could not be reached for comment.

—By Sara J. Hartly



Update

TWA cleared in security case

Continued from page 2
for Athens en route to Rome.

A federal court jury in Brooklyn last year found TWA guilty of willful misconduct for not providing adequate security to prevent the explosion (BI, June 10, 1991). The jury awarded \$2.8 million to the family of a Connecticut man who died in the explosion and \$250,000 to a Washington man who was injured.

In overturning the ruling, the 2nd U.S. Circuit Court of Appeals in New York ruled 2-1 that now-bankrupt TWA complied with all Federal Aviation Administration safety procedures and regulations as well as the safety rules of Egypt, Greece and Italy.

State taxes cross-border care

MINNEAPOLIS—Minnesota's newly passed HealthRight health insurance law is raising blood pressures in neighboring states.

The law, signed by Republican Gov. Arne Carlson earlier this year, will require all hospitals to pay a new 2% revenue tax beginning in 1993. The money will fund a statewide pool to provide health care coverage to about 40% of the state's estimated 400,000 uninsured (BI, April 27).

To discourage hospitals in Minnesota's border communities from establishing their legal addresses in neighboring states, the law also taxes out-of-state hospitals that provide care to more than 20 Minnesotans per year. But hospitals in Wisconsin, Iowa and South and North Dakota will likely refuse to pay the Minnesota tax.

"We advised our members that Minnesota has no authority to collect a tax from providers in Wisconsin," said a spokesman for the Wisconsin Hospital Assn. in Madison.

"We think it is unconstitutional," said Jeanine Freeman, senior vp and legal counsel for the Iowa Hospital Assn. in Des Moines.

Curt Johnson, senior adviser to Gov. Carlson, said the state knew the provision would be contested. But, "We think we have a reasonable chance of prevailing," he said.

Arizona comp rate hike is small

PHOENIX—Employers' extensive use of medical cost containment procedures and loss control measures is holding down the workers compensation insurance rate hike in Arizona to a scant 1.6%.

The rate hike, approved Aug. 28 by the state Insurance Department, will go into effect Oct. 1 for employers in the state. The department approved a 9.9% rate hike last year.

The use of a variety of managed care techniques helped keep workers comp costs under control for Arizona employers, said a spokesman for the National Council on Compensation Insurance.

"At a time when increases of 25% to 30% or more are distressingly common, this outcome is a real tribute to the diligence of Arizona's employers, insurers, regulators and legislators," he said.

OSHA lowers cadmium limit

WASHINGTON—The federal Occupational Safety and Health Administration has ordered a drastic reduction in the allowable workplace exposure to cadmium, a toxic substance used to coat metal.

OSHA estimates that the new standard, published in the Federal Register last week, would cost employers \$187 million annually.

The standard, set to take effect in December, sets an eight-hour average permissible exposure limit of five micrograms of cadmium dust or fumes per cubic meter of air. The current standard allows exposures of 100 micrograms of fumes per cubic meter of air and 200 micrograms of dust per cubic meter of air.

The lower standard should prevent 27 lung cancer deaths and about 270 cases of kidney disease annually, OSHA says.

Briefly noted

The Florida Supreme Court ruled Thursday that the **pollution exclusion clause** in comprehensive general liability insurance policies does not preclude coverage for gradual pollution that was neither intended nor expected. . . . Employers that buy insurance from the **California State Workers Compensation Fund** can seek punitive damages for improper claims handling, the state appeals court ruled, making permanent an earlier tentative opinion (BI, Aug. 10). . . . **Kemper Corp.**, named Stephen B. Timbers president and chief operating officer, posts held by Chairman and Chief Executive Officer David B. Mathis. Mr. Timbers also remains chief investment officer for both Kemper and its Kemper Financial Services unit. . . . **IDS Financial Corp.** agreed to pay \$35 million to settle a nationwide age discrimination class-action lawsuit filed in 1989 by 32 former division managers and the Equal Employment Opportunity Commission. . . . Liability insurers for plastic pipe manufacturer **Eljer Industries Inc.** have filed separate motions asking the 7th U.S. Circuit Court of Appeals to reconsider its Aug. 14 coverage dispute ruling that property damage occurred when a defective product was installed, not when harm from that product later manifested (BI, Aug. 24). . . . Louisiana regulators have placed New Orleans-based **Pelican State Mutual Insurance Co.** and subsidiary **Magnolia Fire & Casualty** into rehabilitation. Pelican has an estimated deficiency of \$23.9 million for future claims. . . . No hearing has been scheduled yet on the North Carolina Rate Bureau's Sept. 1 request for an average **58.4% increase in workers compensation rates**. The bureau also is seeking to increase the current 8% surcharge paid by participants in the assigned risk pool to 20%. . . . **Kevin Maxwell**, who has failed to comply with a British court order to pay liquidators of pension fund manager **Bishopsgate Investment Management** 406 million pounds (\$805.1 million at current exchange rate), has been declared bankrupt by that record amount.

Hurricane Andrew

Continued from previous page
claim filed as the result of Hurricane Andrew will be for loss of business income," said Hugh Strawn, director of catastrophe services for the Property Loss Research Bureau, an affiliate of the Alliance of American Insurers in Schaumburg, Ill.

Business interruption losses from Hurricane Andrew will total hundreds of millions of dollars, brokers say, with some estimates as high as \$2 billion.

But, brokers and insurers disagree over whether business interruption claims will exceed those resulting from Hurricane Hugo.

While Andrew struck a more confined area in Florida, it hit with greater intensity, said Mike Riney, senior vp of claims at Continental Insurance Co. in Cranbury, N.J.

"It will take longer to get back in business" in Florida than it took many business owners hit by Hugo, he said.

"Major accounts and major locations sustained sizable damage down there," said William Foley Jr., senior vp and manager of national property claims for Johnson & Higgins.

But others do not expect that business interruption losses will match those that Hugo caused.

Businesses in the area of Florida struck by the storm were mostly service-oriented operations, like hotels, restaurants and supermarkets, said Tom Kaiser, senior vp at Arkwright. "Service businesses don't generate the interruption-type losses that manufacturing businesses generate," he said.

"The big difference is we don't have the big manufacturing losses" the industry faced after Hurricane Hugo, Mr. Kaiser said.

Business interruption costs to relocate and operate in temporary facilities do not usually climb as high for smaller service companies as they do for manufacturers, he noted.

Mr. Kaiser also said that some of the businesses hit by Hurricane Andrew in Florida may have coverage to pay losses as a result of power outages, but generally "retail outlets don't buy as broad of coverages as manufacturers."

Brokers already are receiving coverage denials from insurers for business interruption claims filed by policyholders that did not sustain property damage but cannot open because of problems like no electricity.

Policies that would provide such coverage to those locations are rare, brokers say.

The off-premises power endorsement is difficult to obtain along the Florida coast due to the windstorm threat, said Tom Patrick, executive vp of Sedgwick James Ltd. in Fort Lauderdale.

"It may take a year to determine what losses actually occurred," said Bob LaRoue, deputy managing director in Alexander & Alexander Services Inc.'s Miami office.

Whatever business interruption losses amount to, it would have been a lot worse if the storm's eye had hit the major business and industrial areas, Mr. LaRoue said.

Insurers also continue to tally their losses from the storm.

American International Group Inc. said net losses from Hurricane Andrew and Typhoon Omar, which just struck Guam, will have a pretax impact of \$75 million to \$100 million on third-quarter results.

Reliance Group Holdings Inc. is estimating a third-quarter aftertax loss of approximately \$20 million as a result of claims from the hurricane.

The Travelers Corp. is estimating the net impact of Andrew to

reach about \$70 million. The insurer had received around 11,000 claims from Florida and Louisiana last week.

Royal Insurance Group estimated that claims from both states would total \$30 million to \$35 million before reinsurance.

"We know we have a net loss that won't exceed \$30 million," said Arkwright's Mr. Kaiser. The insurer had received 50 claims by the middle of last week.

USF&G Corp. estimated its total net loss after reinsurance at approximately \$40 million—mostly in Florida.

USF&G's losses would have been about \$15 million higher had it not stopped writing business in Louisiana in 1991, according to Norman P. Blake Jr., president and chief executive officer.

GEICO Corp.'s gross losses are expected to reach around \$50 million, with a net figure of around \$13 million to \$14 million, said Chairman William B. Snyder.

Allstate Insurance Co., which is the second-largest writer of homeowners coverage in both Florida and Louisiana, expects a \$700 million net aftertax charge due to Andrew losses. That announcement last week prompted Standard & Poor's Corp. to place Allstate's AA+ claims-paying rating on CreditWatch, though S&P said if the rating is lowered it will remain in

'The fact of the matter is (insurers) can swallow this with hardly a hiccup,' says Shearson's Mr. Smith.

the AA range.

Cash outlays for storm losses may wipe out all or part of third-quarter profits for many large insurers but probably will not spark a market turn, observers say.

The estimated \$7.8 billion of insured losses in Florida and Louisiana surpass the industry's \$7.7 billion net income for the first half of 1992, according to figures released last week by the Insurance Information Institute and the National Assn. of Independent Insurers (see Update, page 1).

But, "I don't think it's going to have a tremendous impact on large companies that are geographically diversified," observed Fred Dopfel, executive vp and managing director of investment banking firm Russell Miller Inc. in San Francisco.

"The fact of the matter is the industry can swallow this with hardly a hiccup," said Michael A. Smith, an analyst with Shearson Lehman Bros. in New York.

Andrew is likely to wipe out between 2.5 and 3 percentage points of the industry's estimated 7% to 7.5% return on equity this year, he said. So it would take another two or three losses of Andrew's magnitude to completely wipe out returns for the year, he observed.

"We are one-third of the way there," Mr. Smith said.

If estimates of insured damage hold at or near the current number, "I wouldn't be too optimistic about the market turning around," said Michael McIntyre, senior vp at Allendale Mutual Insurance Co. in Johnston, R.I.

But, if insured damages were to climb to the \$20 billion estimate advanced by Dade County's emergency management director (BI, Aug. 31), "I would think some change has to take place," Mr. McIntyre noted.

Only insurance buyers in the areas hit by the hurricane can ex-

pect to pay more for property coverage at their next renewal.

Rates for commercial and homeowners property insurance were expected to rise about 3% to 4% next year in the areas the storm struck. But, rates now are likely to jump by around 10% there, according to Sean Mooney, senior vp and chief economist at the III.

Mr. Mooney also does not foresee storm losses causing any major insurer insolvencies.

The insurance industry's \$160.9 billion surplus means that companies still have plenty of cash to pay storm losses, he said.

James Taylor, southeast regional manager of the National Assn. of Independent Insurers, said: "Our companies are financially healthy and able to meet their obligations."

Mr. Mooney noted that while claims from Hurricane Hugo forced a handful of small insurers to close shop, the policies they wrote were assumed by larger insurers, which paid storm claims. While such a procedure is not normal, "since it worked well, you could anticipate they would do the same thing" if insurers failed because of Andrew-related claims, Mr. Mooney observed.

The Florida Insurance Department said five small insurers it would not identify would be severely strained by hurricane losses.

But questions about the short-term future solvency of insurers were taking a back seat to insurers' ability to service claimants, a spokeswoman said.

If the insurers are unable to pay claims, the Florida Guaranty Assn. would be able to make the payments, said Herb Clark, chief of staff at the Insurance Department.

Hurricane-related losses will not push Lloyd's into the red for 1992, according to Colin Murray, chairman of Lloyd's underwriting agency R.J. Kiln & Co. Ltd.

"The loss will take out most of the catastrophe premium for the U.S. book, but it will be an acceptable loss" for most Lloyd's syndicates, he said.

Alan Lee, underwriter for syndicate 210, managed by Sturge Non-marine Syndicate Management Ltd., agreed. "It's too early to say, but I suspect that the overall rating improvements that we now have in the non-marine market will . . . keep 1992 from being a loss-making year at Lloyd's," he said.

"It is the U.S. market that so far has remained the last place in the world where rates have not risen," he said.

But, property catastrophe reinsurance rates will increase as a result of losses from Hurricane Andrew, Mr. Murray said.

Catastrophe underwriters will raise the price of lower-layer catastrophe coverages to levels that will make it unattractive to cedants, forcing them to retain more of their net exposures, said Philip Marcell, chairman of Continental Reinsurance (U.K.) Ltd.

Storm losses, though, may still hurt Lloyd's: They may encourage more members to leave Lloyd's, said Charles Sturge, a syndicate analyst at Chatset Ltd.

"It is the worst thing that could have happened to Lloyd's at this time, and it will make people more nervous," he said.

The loss from Hurricane Andrew will add to the cumulative weight of problems Lloyd's members face, Mr. Sturge said.

This article was based on reports by Associate Editors Michael Bradford, Gavin Souter, Michael Shachner and Sara J. Harty; Staff Reporter Sara Marley; and Senior Editor Douglas McLeod. It was written by News Editor Dave Lenckus.

Federal, state relief programs offer loans, assistance after storm

Federal and state relief programs have swung into action in Florida and Louisiana to assist victims of Hurricane Andrew.



In Florida, the Federal Emergency Management Agency has set up disaster assistance centers, where residents stricken by the hurricane may apply for financial assistance, said a FEMA spokesman in Washington.

Small Business Administration representatives will be available at the centers

to offer low-interest loans to cover businesses with property losses up to a maximum of \$500,000.

FEMA offers loans to help affected businesses meet working capital needs and to aid farmers and ranchers whose operations have sustained damage. Loans are limited to 80% of the actual production loss, up to \$500,000.

FEMA also provides free legal services, federal tax assistance for victims who wish to deduct uninsured losses, and weekly benefit payments for people who are unemployed because of the disaster

and have no entitlement to regular state unemployment insurance programs.

Florida does not have a Fair Access to Insurance Requirements plan, which insurers operate to make property insurance available to those who cannot obtain coverage because of excessive exposures.

However, the state does maintain a fund to cover uninsured physical damage from hail and windstorms in 24 coastal counties where insurance is generally unavailable, said David Backus, assistant manager of underwriting claims for the Florida Windstorm Underwriting Assn. in Jacksonville, Fla.

The fund is financed by assessments on property/casualty insurers licensed in the state.

Coverage limits are \$500,000 on residential and \$1 million on commercial property. Business interruption and other coverages are not included in the program.

Mr. Backus estimates that the program may cover damages from Hurricane Andrew totaling between \$60 million and \$80 million.

The Office of Emergency Preparedness in Baton Rouge, La., began working with FEMA 12 hours before Andrew hit, said Brett Kriger, deputy assistant director of the state agency.

Because the state was officially declared a disaster area by President Bush, the Louisiana agency will match all federal assistance funds provided by FEMA, Mr. Kriger said. Late last week, FEMA was working with Louisiana state officials to set up disaster assistance center sites, the FEMA spokesman said.

Louisiana has two residual markets for property risks that insurers will not write: the state FAIR plan and a plan specifically designed for coastal property with an especially high exposure to storm damage, said Jack Manifold, secretary/manager of the Louisiana Joint Reinsurance Plan in Metairie, La. Coverage limits are \$150,000 for residential property and \$1 million for commercial under both.

The plans have assigned adjusters and alerted the servicing insurer for the FAIR and coastal plans, Mr. Manifold said.

Audubon Insurance Co., an American International Group Inc. unit, is the servicing insurer for both plans.

EXEL buys stake in catastrophe reinsurance startup

HAMILTON, Bermuda—Prospects for a property catastrophe reinsurer being organized in Bermuda have brightened with the Aug. 31 announcement that EXEL Ltd. has won shareholder approval to invest \$100 million in the planned entity.

Though no official information has been released, it is expected Mid Ocean Reinsurance Co. Ltd. could get off the ground yet this year.

There had been speculation that Mid Ocean was having trouble hitting a \$300 million capitalization target set by its organizers, Marsh & McLennan Cos. Inc. and J.P. Morgan & Co. Inc., both of which have remained tight-lipped about the project (BI, Aug. 10; June 22).

With the investment of EXEL, the Cayman-based parent of Bermuda excess liability insurer X.L. Insurance Co., and existing commitments from Marsh and J.P. Morgan, which are each buying a 10% equity stake in the proposed company, Mid Ocean can already count on \$160 million of startup capital.

And though Marsh & McLennan steadfastly refuses to discuss Mid Ocean Re, insurance industry sources in Bermuda say the remaining capital should not be too difficult to raise, if it hasn't been secured already.

Said EXEL Vice Chairman Brian O'Hara: "From what I understand, Mid Ocean Re's chances of getting off the ground are looking very good at this stage."

Mr. O'Hara said that well over 80% of EXEL's shareholders voted in favor of the investment at an extraordinary general meeting in Bermuda last week.

The investment will give EXEL a 32.3% shareholding in Mid Ocean and seats on its board, including the chief executive's post, which is expected to be filled by EXEL Chair-

man Ian Heap. Mr. Heap will also serve on the Mid Ocean board under the chairmanship of Marsh & McLennan's retired vice chairman, Robert Newhouse.

A particularly high level of subscriptions for Mid Ocean Re stock could restrict the ultimate size of EXEL's stake.

"Our shareholders have given the board the authority to invest up to \$100 million in Mid Ocean," Mr. O'Hara said last week. "We'd like to put in the full amount, but it's possible that we may not be allowed to do that. If Mid Ocean Re is oversubscribed, we've been told we will not be able to invest the full \$100 million, but that we can expect to put in at least \$75 million."

Walter Scott, chief executive officer of high-layer liability insurer ACE Ltd., shares Mr. O'Hara's confidence that Bermuda is about to win a major addition to its insurance register. But he's not backing his bullish view of Mid Ocean's prospects with ACE's investment dollars.

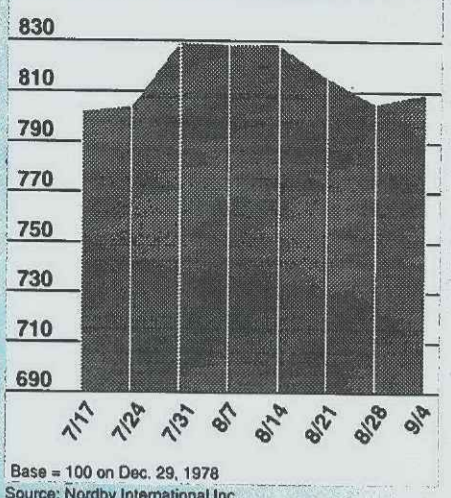
One of four Bermuda-based entities invited to invest in the planned reinsurance facility, ACE has declined the offer.

"We looked at Mid Ocean quite closely but just decided that, because we already have a significant investment commitment to Centre Re, we would not be investing in it," said Mr. Scott. Last year he announced a \$50 million ACE investment in Centre Reinsurance Ltd. (BI, Nov. 4, 1991).

Mr. Scott was quick to add that he has no doubts about the viability of the proposed reinsurer, which is being formed at a time of declining capacity and increased demand for property catastrophe coverage.

—By Roger Scotton

BI Insurance Index



Insurance industry stocks made a modest revival last week, as the *Business Insurance Index* rose 4.3 points to 809.3 on Sept. 4 from 805.0 on Aug. 28. Advancing issues for the week were led by Seibels Bruce Group, up 27.8%; Poe & Associates, up 12.0%; and Safeguard Health Enterprises, up 10.3%. Declining issues for the week followed Navigators Group, down 6.2%; RLI Insurance Corp., down 6.0%; and Phoenix RE, down 5.9%. The most active issue was U.S. Healthcare, with 2.9 million shares traded. The BI index was up 0.5%; the NYSE Composite was up 0.6%; the Standard & Poor's 500 was up 0.5%; and the Dow Jones 30 Industrials rose 0.4%.

British Issues

Sept. 3 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comm Union	471	N/M	31.5	6.7	471-446	N/A
Genl Accident	427	N/M	35.7	8.4	427-409	N/A
Gdn Royal Exch	131	N/M	10.0	7.6	131-124	N/A
Royal	155	N/M	7.0	4.5	155-151	N/A
Sun Alliance	253	N/M	19.0	7.5	253-222	N/A

Brokers	Price	P/E	Div.	Yield	High	Low
Bradstock	86	9.6	6.3	7.3	86-86	86-86
CE Heath	238	13.8	34.5	14.5	238-226	238-226
Hogg Group	109	6.6	10.9	10.0	109-109	109-109
JIB Group	107	7.9	10.0	9.3	107-106	107-106
Lloyd Thompson	163	16.3	6.0	3.7	163-163	163-163
Lowndes Lmbt	229	8.9	16.8	7.3	229-229	229-229
PWS Holdings	32	3.7	5.3	16.6	32-32	32-32
Sedgwick Grp	119	9.3	8.0	6.7	119-116	119-116
Steel Brll Jones	173	8.6	17.7	10.2	173-172	173-172
Willis Corroon	159	10.0	17.6	11.1	159-155	159-155

Source: Philip Olsen, London * Estimated

BI Industry Stock Report

AUGUST 31, 1992 THROUGH SEPTEMBER 4, 1992

BROKERS	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value			
				High	Low										High	Low									
Alexander & Alexander	NYS	25.00	0.00	21.95	25.50	18.00	584	1.00	4.00	104	13.10	1.91	NAC Re Corp.	OTC	30.00	-1.64	-4.76	33.00	21.75	164	0.16	0.53	13	18.90	1.59
Gallagher Arthur J. & Co.	NYS	27.25	4.81	21.79	27.25	19.00	190	0.64	2.35	21	5.88	4.63	National Re Corp.	NYS	-20.75	2.47	N/A	23.63	17.00	79	0.12	0.58	11	N/A	N/A
Frank B. Hall	NYS	3.38	3.85	-20.59	5.50	3.25	567	0.00	0.00	-3	1.95	1.73	Navigators Group	OTC	28.63	-6.15	-30.18	48.25	28.63	74	0.00	0.00	16	13.52	2.12
Hiltz, Rogal & Hamilton	NYS	14.13	0.00	6.60	15.25	11.00	34	0.40	2.83	22	3.56	3.97	Nobel Insurance LTD.	OTC	4.75	5.56	18.75	6.00	3.38	186	0.00	0.00	3	7.76	0.61
Marsh & McLennan	NYS	84.38	1.81	3.69	85.50	70.00	769	2.68	3.18	20	28.00	3.01	NWNL Companies	NYS	40.50	-1.52	30.12	43.75	25.25	47	1.48	3.65	12	62.65	0.65
Poe & Associates	OTC	12.88	11.96	7.29	16.00	11.25	16	0.40	3.11	17	2.82	4.57	Ohio Casualty Corp.	OTC	62.75	-0.79	26.77	63.50	43.50	90	2.68	4.27	10	18.00	3.49
AVERAGE			3.7	6.8					2.2	26			Old Republic Int'l	NYS	21.88	6.06	23.24	22.50	15.13	263	0.40	1.83	8	33.09	0.66
													Orion Capital Corp.	NYS	37.63	4.15	18.97	39.50	27.38	84	0.92	2.45	6	43.50	0.86
													Phoenix RE Corp.	OTC	10.00	-5.88	-4.76	12.25	8.50	249	0.20	2.00	20	13.30	0.75
													Provident Life	NYS	26.25	3.96	12.90	28.00	18.00	42	1.00	3.81	12	39.50	0.66
													Re Capital Corp.	ASE	12.75	2.00	-11.30	16.38	12.25	5	0.24	1.88	16	16.07	0.79
													Reliance Group Holdings	NYS	5.88	6.82	42.42	5.88	3.50	446	0.32	5.45	3	6.40	0.92
													RLI Insurance Corp.	NYS	19.50	-6.02	18.18	21.38	14.63	112	0.52	2.67	8	14.41	1.35
													St. Paul Companies	NYS	71.75	-1.20	-1.54	80.75	57.13	309	2.72	3.79	7	86.60	0.83
													SAFECO Corp.	OTC	51.38	-0.96	5.38	53.38	36.13	628	1.64	3.19	13	51.65	0.99
													SCOR U.S. Corp.	NYS	14.38	-4.17	-6.50	18.88	13.13	12	0.28	1.95	8	11.19	1.28
													Seibels Bruce Group	OTC	2.88	27.78	-47.73	8.75	2.13	318	0.36	12.52	-1	10.60	0.27
													Selective Ins. Group	OTC	21.75	2.35	29.85	23.50	15.25	68	1.12	5.15	9	30.75	0.71
													Statesman Group Inc.	OTC	6.88	1.85	19.57	8.13	4.38	185	0.00	0.00	3	2.48	2.77
													Tokio Marine & Fire	OTC	51.88	4.01	0.73	55.25	32.25	36	0.00	0.00	-	70.93	0.73
													Torchmark Corp.	NYS	48.25	3.76	25.05	50.50	32.75	470	1.04	2.16	14	40.95	1.18
													Transamerica	NYS	42.00	-0.59	5.33	46.75	35.63	242	2.00	4.76	21	55.00	0.76
													Transatlantic Holdings	NYS	36.25	1.75	-6.75	39.63	29.00	654	0.24	0.66	11	18.38	1.97
													Travelers Corp.	NYS	20.00	-2.44	-7.51	23.75	17.25	1399	1.60	8.00	8	59.00	0.34
													Trenwick Group Inc.	OTC	30.25	3.42	6.14	30.75	23.00	86	0.80	2.64	11	21.71	1.39
													United Fire & Casualty	OTC	-39.50	0.00	31.67	42.25	28.66	0	1.00	2.53	8	35.39	1.12
													Uninur	OTC	36.50	2.10	2.10	38.50	31.00	318	1.20	3.29	13	37.23	0.98
													UNUM Corp.	NYS	42.13	-2.60	4.01	45.00	28.81	388	0.64	1.52	13	37.70	1.12
													US Facilities Corp.	OTC	9.00	-5.26	-39.50	19.00	8.25	184	0.00	0.00	7	9.58	0.94
													USFG Corp.	NYS	11.00	-5.38	51.72	15.00	5.63	1426	0.20	1.82	-13	12.30	0.89
													USLICO Corp.	NYS	17.75	0.71	-4.05	20.38	17.00	24	1.00	5.63	-19	33.15	0.54
													USLIFE Corp.	NYS	47.75	-2.30	-0.26	52.50	38.50	70	1.72	3.60	9	84.55	0.56
													Washington National	NYS	22.00	0.57	38.58	23.13	14.00	24	1.08	4.91	-55	33.50	0.66
													Zenith National Ins.	NYS	17.50	-0.71	3.70	19.50	13.75	59	1.00	5.71	8	13.14	1.33
													AVERAGE			0.8	7.5			3.4	11.0				

HEALTH MAINTENANCE ORGANIZATIONS	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	
				High	Low							
FHP International	OTC	17.25	-2.82	21.05	20.00	9.88	689	0.00	0.00	15	15.50	1.11
HMO America Inc.	OTC	15.88	2.42	-5.22	24.88	9.63	179	0.00	0.00	16	0.61	26.02
Pacificare Health Sys.	OTC	34.00	-0.73	-13.92	36.00	10.75	152	0.00	0.00	20	28.25	1.20
Safeguard Health Enter.	OTC	8.00	10.34	-14.67	14.75	6.38	177	0.00	0.00	11	3.53	2.27
Sierra Health Services	ASE	25.50	3.03	37.84	27.50	12.38	51	0.00	0.00	13	1.78	14.33
United Healthcare Corp.	NYS	88.50	1.43	18.79	95.25	40.25	616	0.03	0.03	31	43.60	2.03
United Medical Corp.	ASE	7.50	0.00	7.14	8.75	5.88	4	0.20	2.67	42	8.79	0

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