Hybrid pension interest waning, study finds/ **3**

Lead WTC broker testifies in coverage trial/ **3**

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Business Insurance®

March 29, 2004

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$5

Predictions of reinsurer's financial future seen as driver

Equitas settlements may signal trend

By SARAH VEYSEY

LONDON—A series of large claim settlements by Equitas Ltd. may prompt other companies to seek similar deals with the runoff reinsurer.

Concerns about the increased outflow of funds from Equitas—and how that might affect its ability to pay future claims—will likely drive the deals, observers note.

And Equitas is motivated to make the deals to ensure that it will not see further claims for unknown future liabilities, they say.

The latest high-profile settlement announced by Equitas, which is the runoff reinsurer for Lloyd's of London syndicates' pre-1993 liabilities, is a $245 million settlement deal with Hartford, Conn.-based Travelers Property Casualty Corp.

The deal, which was announced last week, applies to all current and future reinsurance claims made by Travelers against Equitas as well as all claims made by reinsured syndicates against Travelers. The agreement settles Equitas' largest outstanding reinsurance exposure, according to Glenn Brace, the company's claims director.

Under the terms of the deal, $150 million of the settlement that relates to asbestos liabilities will be held in a fund and be subject to renegotiation if the U.S. Congress this year passes asbestos liability reform that would cap the liabilities of asbestos defendants. Efforts to pass such legislation failed in 2003.

The Travelers settlement is the third large settlement that Equitas has agreed to over the past year.

Earlier this year, Equitas reached a $575 million settlement with energy company Halliburton Co., capping its largest single direct liability (*BI*, Feb. 2, 2004).

And in April 2003, another large deal—a $472 million settlement with Honeywell International Inc.—was announced.

Equitas and other Lloyd's policyholders and cedents will likely pursue more settlements in the wake of these deals, said Julian Ward, managing director of runoff specialist consulting firm JTW Reinsurance Services Ltd. in London.

The deals have several advantages for Equitas, he said. In particular, Equitas is protected from the possibility of unknown liabilities that may develop as, under the settlement agreements, the policyholders or cedents assume that risk, he said.

And the settlements bring greater certainty to Equitas' claims position, according to Kevin Willis, an analyst at Standard & Poor's Corp. in London.

But the settlement amounts are small compared with Equitas' liabilities, which were between $11 billion and $12 billion at the March

See **EQUITAS**/page 22

Rules govern nursing home coverage

HUD insurance rule leaves RRGs in cold

By MICHAEL BRADFORD

WASHINGTON—Many long-term care facilities will find their options for professional liability insurance limited if new requirements issued by the Department of Housing and Urban Development are left unchanged.

HUD in January released a notice requiring nursing homes and other long-term care facilities that apply for mortgages or other real estate loans guaranteed under a HUD program to purchase minimum limits of $1 million per occurrence and $3 million annual aggregate of professional liability insurance from insurers with at least an A rating from A.M. Best Co. The deductible cannot exceed $250,000.

The rule also requires that coverage be purchased from an insurer licensed in the state where the facility seeking financing is located. The rule does not apply to applications that were completed or pending before it was published.

Long-term care facilities are alarmed by the new HUD rule and maintain that it could close off an important source of

See **HUD**/page 15

Segal associate guilty of embezzlement

By SALLY ROBERTS

CHICAGO—In a plea agreement with federal prosecutors last week, Michael Segal's longtime bookkeeper, Daniel E. Watkins, pleaded guilty to embezzling money from Near North Insurance Brokerage Inc. and said that he regularly provided Mr. Segal and his family with cash from Near North accounts for personal use.

Mr. Watkins was added as a defendant to the government's fraud case against Mr. Segal along with Near North Insurance Brokerage last June. Mr. Segal, Near North National Group's owner, faces charges that he caused more than $20 million in insurance premiums being held in a Near North Insurance Brokerage trust account to be diverted to his own and his companies' use. Mr. Segal has pleaded not guilty to the charges. A trial date is set for April 19.

Mr. Watkins, who is expected to be a witness in the trial, pleaded guilty to embezzling between $70,000 and $120,000 in cash from Chicago-based Near North for his own use from 1997 to 2001. He faces up to 10 years in prison and fines of up to $250,000.

Under the plea agreement, Mr. Watkins said that from 1978 to 2001, under Mr. Segal's direction, he regularly provided cash to Mr. Segal and his wife from Near North's petty cash fund and falsely reported it as postage expenses.

Mr. Watkins said he prepared separate envelopes of cash each Monday for Mr. Segal containing $125 and $370 and separate envelopes of cash for him on the last Monday of each month containing

See **SEGAL**/page 6

Late News

Pension funding reform talks break down

Congressional negotiations to produce a compromise stop-gap pension reform bill broke down last week amid intense partisan disagreement about how much funding relief should be given to multiemployer pension plans. Republicans said their offer would give about 20% of multiemployer plans more time to recognize investment losses. But Democrats said only a few dozen plans would be aided by the Republican proposal. A resumption of the negotiations has not been scheduled. Both sides support the basic framework of the bill, which would allow employers in 2004 and 2005 to value pension liabilities using a long-term corporate bond index rather than one linked to the yield on the 30-year Treasury bond.

PHOTO: STEPHEN CHERNIN/GETTY

A D&O insurer must advance defense costs to former Adelphia Chairman John J. Rigas and other execs.

Adelphia D&O insurer must pay defense costs

Adelphia Communications Corp.'s directors and officers liability insurer must advance $1.5 million in defense costs to a group of former executives of the bankrupt cable television provider, regardless of recision proceedings brought by the insurer, a federal judge ruled. Judge Michael M. Baylson of the U.S. District Court for the Eastern District of Pennsylvania said Associated Electric & Gas Insurance Services Ltd.'s contention that it had unilaterally rescinded the policy

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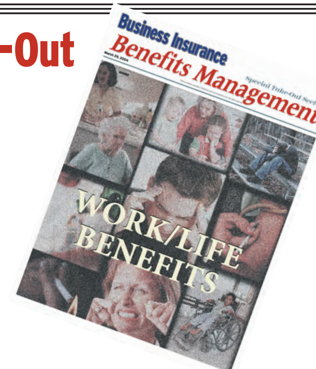
NEWSPAPER

Benefits Management Take-Out

WORK/LIFE BENEFITS



LARGEST EAP PROVIDERS

LARGEST DEPENDENT CARE PROVIDERS

Rankings on page T4, T12

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Hybrid pension plan growth has stalled: Study

By JERRY GEISEL

Amid adverse court decisions and negative publicity over hybrid pension plans, the formation of such plans has just about dried up, according to a new report.

In examining 132 conversions of traditional pension plans to hybrid plans, benefit consultant Watson Wyatt Worldwide found that only three—or just over 2%—of those conversions occurred this year and nine of the conversions took place last year.

By contrast, the report states that 22 of the conversions were done in 1998, before the plans came under intense attack in the courts and in the media.

Critics charge that converting traditional plans to hybrids—specifically, cash balance and pension-equity plans—can be devastating to the retirement income expectations of older employees. In such conversions, older employees may lose out on earning rich benefits that accrue in a traditional plan after many years of service, critics say.

But according to the Watson Wyatt report, most employers that have converted to hybrid plans are protecting longtime employees from such consequences.

"The reality is a lot different than the perception," said Eric Lofgren, global director of benefits consulting in Watson Wyatt's Philadelphia office.

Indeed, in just under 90% of conversions, employers included provisions designed to protect the benefit expectations of older employees and, in some cases, all employees. For example, one-third of employers gave all employees the choice of staying in the old plan or enrolling in the new plan, while nearly 20% allowed only older employees to remain in the traditional plan, Watson Wyatt found.

Other benefit protections included enriching benefits in the hybrid plan for older employees and allowing employees to be in the plan that generated the biggest benefit for them, according to the study. Additionally, some employers enriched other retirement plans, such as 401(k) plans.

Providing such benefit protections boosted employers' costs. On average, employers' pension plan costs rose 2.2% in the first year following the conversion, Watson Wyatt reported.

Often, "there is no immediate gain to financial earnings" after a conversion, Mr. Lofgren said. "Those who say that (there is) are flat-out wrong," he said, adding that if there were savings, they would take a long time to accrue.

Copies of the hybrid plans report will be available in mid-April at www.watsonwyatt.com.

Reinsurers to keep prices up following profitable 2003

By JUDY GREENWALD

High rates and continued pricing discipline gave U.S. reinsurers a strong 2003, and industry analysts and executives said these trends should continue at least through this year.

Although insurance buyers may be hoping for some softening, "the reinsurer segment will continue to keep rates up," said John Ward, chairman and CEO of the Cincinnati-based Ward Group.

The 29 reinsurers that reported their year-end results to the Washington-based Reinsurance Assn. of America posted a 101.2% combined ratio, compared with the 121.3% reported by a comparable group in 2002 and the 142.9% posted in 2001, which largely stemmed from the Sept. 11 terrorist attacks.

The 20 largest reinsurers based on net premiums written reported a 101% combined ratio vs. the 121.3% posted by 19 of the reinsurers for 2002. Tarrytown, N.Y.-based Endurance Reinsurance Corp. of America, which formed in late 2002, did not participate in the 2002 survey.

2003 Reinsurer RESULTS

Premiums written for the RAA reinsurers totaled $30.63 billion, a 3.8% increase from the total reported by a comparable group in 2002. Excluding Endurance, the 19 largest reinsurers reported $29.54 billion in net premiums written, a 13.2% increase.

"The common themes that we see in the results are strong pricing levels and a real trend to tighten underwriting requirements and terms and conditions," said Mr. Ward. Reinsurers are "becoming much more selective in the terms of the reinsurance" for property/casualty, he said.

"I think mostly you're just seeing continued progress and returning profitability," said Todd Bault, an

See RESULTS/page 21

WTC form switch notice debated

By DOUGLAS McLEOD

NEW YORK—The lead broker on the World Trade Center property insurance program told several insurers nearly two months before the Sept. 11, 2001, terrorist attack that the program was being moved to a policy form that the WTC's leaseholder now says should treat the attack as two occurrences, the broker testified last week.

PHOTO: AP/JOHN MARSHALL MANTEL

Larry Silverstein, principal of Silverstein Properties Inc., has been barred from attending the rest of the coverage trial.

Timothy Boyd, assistant vp at Willis Group Holdings Ltd., said he told underwriters in several conversations in mid-July 2001 that the program was being switched from a Willis form to one that the broker was negotiating with Travelers Property Casualty Corp.

Over two days of grilling by insurance company lawyers, though, Mr. Boyd conceded that he never took any notes or sent any e-mails documenting the alleged conversations, and never sent any of the insurers a Travelers policy form before the attack. Insurance company officials, in their own testimony, denied being told about a policy switch before they bound coverage.

"The only proof you ever had that such an agreement occurred was your own testimony," charged Thomas McKay, a lawyer with Cozen & O'Connor, representing Federal Insurance Co.

"That is correct," Mr. Boyd replied.

Mr. Boyd also changed his earlier testimony that it was Travelers that insisted on using its own form for the entire program. On the stand last week, he said that the form switch was a decision by Willis and WTC leaseholder Silverstein Properties Inc., and that Travelers only insisted on its form for its own participation.

"So you were mistaken when you were last here, correct?" asked Barry Ostrager, a lawyer representing Swiss Reinsurance Co. with Simpson, Thacher & Bartlett in New York.

"I could have misinterpreted that," Mr. Boyd said.

"Do you have it clear in your mind today that Travelers didn't care what form any other insurer used?" the attorney asked.

"Yes, that would be correct," the broker replied.

The testimony came in the seventh week of a trial to determine which of the two forms—a Willis form known as Wilprop

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Inside Business Insurance

Regulators continue to study RRG issues

At the recent NAIC meeting, a working group was authorized to continue to review risk retention group issues. Page 4

Interest in wellness rises with health costs

As health care costs continue to soar, wellness-based approaches are getting another look. Page 4

Strange but true benefit news

America is not alone when it comes to perplexing benefits developments, Paul Winston writes. Page 6

No logic to HUD plan that would penalize RRGs

HUD should change new long-term care financial rules that discriminate against risk retention groups, one of this week's editorials says. Page 8

Growing E.U. interest in product recall risks

The recent Dasani water recall and new E.U. laws are increasing business and insurer efforts to manage recall risks. Page 17

Online

• The **Datebook** calendar lists upcoming industry seminars and meetings and allows you to add info on your own event.

• Searchable **directories** of EAP and dependent care resource and referral service providers, as well as other *BI* directories.

• New **Opinion Poll** for readers: How do your prescription drug cost increases this year compare with last year's?

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REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS

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Ride Along Enclosed in Editions 04, 06 and 08

Opponents of RRGs get more time from NAIC

Panel to analyze regulatory issues

By MEG FLETCHER

NEW YORK—State insurance regulators who favor tightening controls on risk retention groups have won additional time to press their cause within the National Assn. of Insurance Commissioners.

At the NAIC's spring meeting in New York earlier this month, the Risk Retention Working Group—nearly evenly split between proponents and opponents of tighter oversight—obtained permission from its parent committee to analyze regulatory issues related to the federal Liability Risk Retention Act of 1986, which governs RRGs. The Property & Casualty Insurance Committee also asked its working group to review other RRG-related matters in the future, including possible revisions to the NAIC handbook on RRGs.

Proponents of tighter oversight view the working group's new mandate as an opportunity to continue to press for RRG law changes to better protect consumers. Proponents' ability to do so, however, is limited by opposing viewpoints within the group. For example, a majority of the working group recently rejected a draft letter opposing RRG expansion.

According to working group Chair Tim Wagner, insurance commissioner of Nebraska, "We don't want to oppose RRGs, but there are ways to make them safe and protect members of RRGs that have been created not under the original goal of sharing risk, but by entrepreneurs who have seized a business opportunity."

The RRG working group was formed last year to specifically review regulatory issues related to the collapse of the National Warranty Insurance Risk Retention Group (*BI*, Dec. 22, 2003). At the same time, buyers are lobbying Congress to authorize RRGs to write property coverages. The General Accounting Office is currently interviewing state regulators and others for a report requested by the U.S. House Financial Services Committee, which is expected to hold hearings on RRG expansion soon.

Under the 1986 law, RRGs are barred from funding property and workers compensation risks.

State regulators who support tighter oversight want to rein in what they see as problems in the way some RRGs operate under the act, including offering contractual liability arrangements that may insure personal lines risks and disproportional ownership structures. Also, they contend the federal act gives nondomiciliary regulators inadequate authority over RRGs, many of which operate the majority of their business outside their state of domicile.

On the other side of the issue are regulators—including ones from the District of Columbia, South Carolina and Vermont—who favor broadening the federal legislation to meet the needs of buyers and, in

See NAIC/page 22

BI to go daily for RIMS conference

CHICAGO—*Business Insurance* is expanding its coverage of the annual Risk & Insurance Management Society Inc. conference.

BI will publish a new show daily edition for attendees of RIMS' 2004 Annual Conference and Exhibition in San Diego next month. In addition to reporting on breaking risk management and industry news, a team of *BI* reporters will also cover educational sessions, the exhibit hall and special events during the conference for the show dailies.

BI's Show Daily will be available to RIMS conference attendees each morning and throughout the day on Monday April 19, Tuesday April 20, and Wednesday April 21. Copies will be available at *BI*'s booth, #1929, and at the conference publication table.

Stories appearing in the *BI* Show Daily will also be available at *www.businessinsurance.com*.

The daily coverage will be supplemented by *Business Insurance's* two post-conference issues, April 26 and May 3, which are devoted to recapping the most important news, events and sessions of the RIMS conference.

www.businessinsurance.com

Business Insurance

MONDAY

DAILY NEWS AND CONFERENCE COVERAGE

April 19

RIMS 2004

Inside

This year, for the first time since 1995, *Business Insurance's* RIMS TV will not be produced at the conference.

"Having covered the annual RIMS conference in our weekly news publication and *BI*'s RIMS TV for many years, it was only natural that we began also providing attendees with daily news coverage at this important meeting," said Editor Paul Winston. "*BI* has been providing risk managers with the industry's leading daily news coverage for several years now, so creating a show daily is long overdue for us and our readers."

For editorial queries about *BI*'s Show Daily, please contact Senior Editor Sally Roberts by telephone at 303-698-7601 or by e-mail at *sroberts@businessinsurance.com*, or Senior Editor Joanne Wojcik by telephone at 303-282-4260 or by e-mail at *jwojcik@businessinsurance.com*.

At the conference, news tips can also be delivered to *Business Insurance* by visiting booth #1929, though coverage of any item in the dailies or the weekly newsmagazine is subject to the news judgment of *BI*'s editors.

For information on advertising, please contact Advertising Sales Director Ken Luker by telephone at 212-210-0133 or by e-mail at *kluker@businessinsurance.com*.

CICA international conference

Some offshore captives feel pull of relocating to U.S. domiciles

By SALLY ROBERTS

SCOTTSDALE, Ariz.—To stay or to redomesticate: That is the question many offshore captive owners are faced with today as the U.S. captive market continues to grow and better compete with other well-established domiciles around the world.

Whether the consideration to move jurisdictions is brought on by regulatory changes, market conditions or for political or economic reasons, captive owners have a number of onshore domicile options to choose from today. But there are several issues captive owners need to consider before making such a move, a panel of captive experts said at the recent Captive Insurance Companies Assn.'s annual international conference held in Scottsdale, Ariz.

"In the last couple of years there's been a significant increase in the number of onshore jurisdictions that allow for the formation of captives," said Robert W. Stocker, a member of the law firm of Dickinson Wright P.L.C. in Lansing, Mich.

Significant developments in the employee benefit market where several companies received regulatory approval to fund employee benefit risks through their captives is just one of the trends that is creating more opportunities and growth in the onshore captive market, he said.

Additional CICA coverage reports on page 14

"With this competition that has occurred among jurisdictions onshore, you now have the opportunity to revisit the issue of the cost of operation," Mr. Stocker said. "Will it be more cost effective to have an onshore domicile or an offshore domicile?"

Scott Spencer, an attorney with Stevens & Lee in Lancaster, Pa., gave attendees two "real world" examples of where redomestication might come into play in today's marketplace.

In one situation, an offshore captive of a U.S.-based tax-exempt organization may be having problems finding a fronting carrier and is beginning to ask, "Is my front going to be here tomorrow?" Mr. Spencer said. In this situation the captive owner may look at redomesticating

See CICA/page 14

Healthy baby programs are one of the wellness programs employers offer.

National Business Group on Health's Business Health Agenda 2004

Wellness in favor as employers aim to lower costs

By JOANNE WOJCIK

"Wellness," a concept once considered too "New Age" for many employee benefits specialists to take seriously, is becoming the new health care cost control mantra.

This new emphasis is not occurring because health promotion advocates have finally produced much-sought-after statistics that prove significant returns from investing in such preventive health care measures as fitness, smoking cessation or weight control programs. Rather, it's because corporate America, foiled by its futile attempts to rein in health care costs with traditional approaches, is now willing to try just about anything.

According to the 1999 National Worksite Health Promotion Survey published by St. Louis-based Mosby-Yearbook Inc., approximately 90% of employers with 50 or more employees offered health promotion programs in 1999. This compares with just 66% in 1985.

"Unfortunately, there are a declining number of strategies that you can use and (wellness is) probably one of the last available frontiers," said Michael Citelli, chief executive officer of Pitney Bowes, during an interview following his keynote address at the National Business Group on Health's Business Health Agenda 2004, held March 17-19 in Washington.

But while Mr. Citelli may already be a convert to wellness programs, a significant number of other U.S. employers have yet to see the light.

"That's disappointing," said Andrew Scibelli, manager-health promotion at Florida Power & Light Co., in response to a poll of the audience indicating that only a scant number of business group members either had or planned to implement wellness programs in the coming year.

Juno Beach-based Florida Power & Light is considered a pioneer in the field, having had a wellness program in place since 1991.

"If you look at health care costs, and you look at what's

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Segal: Near North bookkeeper

Continued from page 1

$150, $250 and $500, according to court papers. Mr. Watkins also said that "from time-to-time" he placed hundreds of dollars of cash in envelopes addressed to a "Mr. Johnson" for Mr. Segal's use.

In addition, for a number of years up to 2001, Mr. Watkins said he took up to $3,000 from petty cash each month for Mr. Segal's wife. He also said he often paid for expenses of Mr. Segal's family out of company petty cash and that he reimbursed a company Mr. Segal held an interest in and took cash from, with money from Near North.

Near North pooled all of its money into one premium fund trust account and then transferred money from the account to Near North's operating and payroll accounts as needed, according to prosecutors.

Illinois law requires licensed insurance agents to maintain trust accounts for all premiums collected from policyholders. The balance in the trust, if maintained correctly, should equal the amount of premium and non-premium funds deposited into the trust minus lawful withdraws, like premium remittances and agent commissions. It is illegal to use the fund as a general operating account or claim payment account, under Illinois law.

In August 2001, Near North notified the Illinois Department of Insurance about deficits in its premium fund trust account and said it was working to correct the problem. Mr. Segal was arrested in January 2002 and later indicted by federal prosecutors on seven counts of insurance fraud, seven counts of mail fraud, one count of wire fraud and one count of racketeering.

By using the premium fund trust account "as his personal piggy bank," Mr. Segal "was able to expand his business, toy with business ventures with virtually no fear of risking financial failure, and gain access to large sums of cash for personal expenses for himself, his family and others," prosecutors charged early last week.

Prosecutors also allege that Mr. Segal spent "hundreds of thousands of dollars" on escort services over a 15-year period using Near North funds. The escort service arranged appointments with "very expensive call girls" for Mr. Segal approximately twice a month for about seven months each year, over the 15-year period, according to court papers. The call girls were paid anywhere from $250 per hour in the 1980s to $400 per hour in the late 1990s until Mr. Segal's arrest, according to prosecutors.

Revelations of Mr. Segal's alleged usage of the escort services were contained in pretrial motions filed by prosecutors to exclude anticipated objectionable evidence by the defense.

A spokeswoman for Mr. Segal was unable to provide comment on the recent court filings and plea agreement.

Mr. Segal, however, has maintained that Near North was subject to "a campaign of extortion" by three former employees who left Near North to work for competitor Aon Corp.

In a lawsuit filed against Tim Gallagher, Matthew Wash and Dana Berry, Near North alleges the former senior managers tried to gain control and part ownership of Near North, but were unsuccessful. Near North also alleges that the three former employees subsequently engaged in "blackmail" to lure Near North's clients to Aon by spreading "tales of improper conduct on the part of Near North and its CEO," including alleging accounting irregularities in Near North's premium trust fund, according to court papers.

Spencer/Gallagher Golf Tournament

The **Spencer Educational Foundation and Arthur J. Gallagher** would like to offer this special acknowledgement and thanks to the many loyal sponsors of the Spencer/Gallagher Golf Tournament held each year preceding the opening of the annual RIMS conference. Without your loyal support and that of the many participating players each year this most vital fund raising event for the Spencer Foundation could not succeed.

We thank the following sponsors and invite everyone to participate this year at the San Diego event and we welcome any new sponsors that desire to join this elite group.

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Go to the website www.ajg.com/spencergolf. SIGN UP TODAY!!

Paul Winston

U.S. employers are not alone

As Americans, it's easy to be myopic and perceive that ours is the only country with such problems as workers compensation fiascoes and crippling pension funding problems. But two developments elsewhere in the world last week should help assure U.S. employers that, at the very least, they are not alone.

Shoulder bone connected ...to the nose bone?

A New Zealand woman who was seeking treatment and rehabilitation from the government's Accident Compensation Corp. for her shoulder injury found it strange when she was prescribed a "nasal enema," in which salt water is poured up the nostrils.

So did lawmaker Winston Peters, who brought the matter up last week in Parliament, criticizing the government's spending on this and other unorthodox treatments that injured workers are required to undergo or allegedly risk losing compensation payment. The treatment is one of several alternative therapies the ACC says are part of a six-week course designed to get people physically and mentally prepared to return to work.

Paul Winston

The ACC is a no-fault government program created to compensate victims of personal and occupational injury and to provide rehabilitation to return them to work or independence. It is funded by a levy on employers and employees, as well as by various taxes for nonoccupational injury.

The nasal enema or irrigation therapy was halted by the ACC after it came to light, but only because it said the contractor it uses for the program is not authorized to perform such medical procedures. Other strange elements of the rehabilitation course, however, continue. These include a yoga exercise that requires participants to sit on the floor, cross-legged, stick their thumbs in their ears and hum. Another involves placing two people in a room and requiring them to laugh at each other. Participants also watched the movies "Patch Adams" and "One Flew Over the Cuckoo's Nest."

Liz Hamilton, the New Zealand woman seeking rehabilitation of her shoulder following surgery, was directed to obtain rehab services from a yoga instructor named Kailash, who contracts with the ACC to treat claimants. When he prescribed the nasal irrigation, she complained to Mr. Peters.

"All she has asked for is physical rehabilitation so she can go back to work, and she is deeply upset that she is being treated like an idiot," Mr. Peters said in a statement.

"I'm not ridiculing his beliefs, but why do I need to do that? How is that rehabilitating my shoulder? And sitting down meditating with my thumbs in my ears and humming, how is that helping my shoulder?" Ms. Hamilton was quoted in the New Zealand Herald.

The head of the ACC, Ruth Dyson, while saying the contractor was not authorized to perform the procedure, defended it as a legitimate treatment of sinus irritation and headaches. No word on how it is a legitimate treatment of a shoulder injury.

The ACC also said the treatments were voluntary and that several of the participants enjoyed them so much that they have acquired the equipment to self-irrigate their noses at home.

Do as I say, not as I do

Japanese pension officials are red-faced after an ad campaign designed to prompt deadbeats to make their voluntary contributions to the country's pension system brought to light that their spokeswoman has not made contributions in years.

The state pension plan, which provides a retirement benefit at age 60, is funded by government payments and payroll deductions, but individuals are also required to make contributions if self-employed or unemployed. According to a Reuters report, many young people are skeptical that the program, which is struggling under the burdens of generous benefits and an aging population, will be around to compensate them at retirement (sound familiar?) and are therefore balking at making the payments.

The government's Social Insurance Agency hired popular actress Makiko Esumi, star of such films as "Power Office Girls" and "Pistol Opera," to deliver the stern message "Pay Now or Cry Later," through posters and television ads as part of a multimillion dollar campaign to shore up the shortfall.

But apparently a quick check of the pension rolls was in order, after it was revealed that the 37-year-old actress had neglected to make payments to the scheme.

Ms. Esumi, who has been asked to appear before Parliament to explain herself, reportedly quickly paid up last week.

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Editorial

No reason for HUD to oppose RRGs

IF THERE IS LOGIC behind the federal government's decision to discriminate against long-term care facilities that use risk retention groups and other alternative risk financing vehicles to fund professional liability exposures, it certainly escapes us.

As we report on page 1, the Department of Housing and Urban Development has proposed rules that would effectively deny federal guarantees of mortgages or other real estate loans for long-term care facilities that fund liability coverages through RRGs.

In order to get the federal loan guarantees, long-term care facilities would have to purchase professional liability insurance from insurers with an A.M. Best Co. rating of A or better. Additionally, the facilities' insurers would have to be licensed in the states where the facilities are located.

While the requirements may, on the surface, seem reasonable, they would effectively eliminate RRGs as an insurance funding vehicle for long-term care facilities seeking the federal loan guarantees.

That is because A.M. Best does not give a full rating to any entity—RRG or otherwise—until it has been operating for several years.

In addition, under federal law, an RRG can provide coverage in any state in which it has members after meeting the licensing requirements of one state. Congress designed this one-state licensing feature to reduce barriers and costs, such as the need to use a fronting insurer, that prevent buyers from setting up captive insurance programs.

Through its rating and licensing requirements, the HUD proposal would eliminate RRGs—no matter how soundly capitalized and designed—as a funding option for many LTC facilities.

And the timing could not be worse: Long-term care facilities are setting up RRGs at a fast clip because of the scarcity and extremely high cost of commercial insurance coverage.

For years, RRGs have battled states that tried to set conditions that prevented buyers from funding coverages through risk retention groups. Amid court rulings that those actions were clearly pre-empted by the Risk Retention Act, states have backed off.

While we think the actions of some state insurance regulators against RRGs were deliberate and not well-intentioned, we believe that HUD regulators simply did not fully understand how risk retention groups operate, much less the ramifications of the rules.

We hope that once HUD regulators gain a better understanding of the issue they will rescind or substantially modify the rules so risk retention groups can continue to be a viable insurance vehicle for the long-term care industry.

Reform needed to save DB plans

IT IS HARD TO BE optimistic about the future of defined benefit pension plans.

As government statistics show, employers by the thousands have been abandoning the plans. As recently as 1985, there were more than 100,000 defined benefit plans. Today, the number is about 30,000, according to the Pension Benefit Guaranty Corp.

Until recently, much of the decline was concentrated among small employers, many of whom found the administrative burden—caused in part by ever changing government rules—too high.

But now, as we have reported recently, major employers, including Sears, Roebuck & Co. and Aon Corp., are phasing out defined benefit plans and putting more emphasis on defined contribution plans.

Some of the corporate dissatisfaction with defined benefit plans is for reasons beyond the control of the government, such as the battering the equities market has taken in the last few years. Many companies just don't want to be exposed to the financial risk that comes with defined benefit plan sponsorship.

But we believe that the shift to defined contribution plans also has been driven, at least in part, by government action.

Many employers have concluded that traditional final-average-pay pension plans don't make much sense when an ever-dwindling number of employees spend their careers at one organization.

Until recently, employers looking to move away from traditional plans—but still wanting to stay in the defined benefit plan system—converted those plans to hybrids, such as cash balance plans. Those hybrids skew benefits in favor of shorter-service employees, but retain features of traditional plans, such as guaranteed monthly lifetime annuity payments at retirement, that are so valuable to participants.

But the failure of the government to set rules for hybrids, coupled with several adverse court rulings, has raised considerable uncertainty about the plans. In response, hybrid plan formation has just about dried up, according to a new report by Watson Wyatt Worldwide.

If the hybrid option is walled off, it seems inevitable that more employers will simply exit the defined benefit system altogether, which would be a blow to the security of retirement income for millions of employees.

We hope federal legislators and regulators do not let that happen and can agree on hybrid plan rules that will allow those employers who still want to offer defined benefit plans to do so.

Schillerstrom

Make the connection

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If you are searching for risk management or employee benefits management information, this is a great place to start.

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Special treatment needed on comp costs

By Shelley Boyce

Almost 30% of workers compensation medical expense is related to physical medicine, meaning the treatment of musculoskeletal injuries. In fact, about half of all workers comp claimants who are off the job because of their injury receive physical medicine treatments. According to the National Council on Compensation Insurance, this component of the total medical expenditure has more than doubled in the past 10 years and is one of the key drivers of workers comp medical costs.

Employers are justifiably concerned and dissatisfied with their physical medicine results. They have felt powerless in the face of these rising costs as their managed care partners employ techniques that have only limited application to the specialized issues of physical medicine.

Most medical expenditures are "one and done"; i.e., the patient has the service once, such as an inpatient hospitalization, a surgery or magnetic resonance imaging. For these types of services, effective managed care techniques often include utilization review to evaluate medical appropriateness and network discounts to lower the unit cost of services. The cost-effectiveness of these techniques is greatly impacted by the size of the expense. The larger the expense, the more important it is to manage its delivery and to acquire it at a deep discount.

Physical medicine does not fit this model. It is an aggregation of low-cost services that takes place over a period of weeks or months. It is not unit cost-driven. It is utilization-driven, dependent on how many services are delivered across the entire episode of treatment.

Additionally, the efficacy of the physical medicine treatment—the ability to successfully restore functionality and return an employee to the worksite—is highly influenced by which combination of services is delivered

in what sequence across what period of time.

If the managed care strategies of the past have not worked, what should employers be looking for when they realize that managing their physical medicine expenditures is an important priority that they are not addressing?

Key characteristics of a physical medicine managed care strategy that will effectively control utilization include the following:

- **Comprehensiveness of scope.** A strategy that incorporates a multitiered set of services and touches each claim—directed, managed, undirected and unmanaged—will give an employer superior results to a traditional managed care strategy that only impacts part of their exposure.

Employers would be able to direct the majority of their employees' physical medicine consumption to an elite group of providers who, through selection, education and financial incentives, deliver best practice treatment. In cases where direction is not possible, the multitiered set of services would capture additional savings, controlling utilization and cost at every level and eliminating exposure on all fronts.

- **Clinical and analytical grounding.** In order for a managed physical medicine strategy to be judged "effective," it must be both cost-effective and clinically effective and must control utilization while maximizing return-to-work results. This can only be accomplished through an in-depth understanding of best practices.

Nothing less than data-driven, expert-based, outcomes-validated and literature-supported guidelines are required to deliver truly effective managed physical management strategies that will hold up to both regulatory and provider scrutiny.

- **Stakeholder alignment of objectives.** It is important in any managed care strategy to align the objectives of all of the participants, including the providers. Physical medicine alignment opportunities are diverse and can be achieved in a variety of ways, depending on the defined relationship with the service provider. What must be common to each individual alignment strategy is that it be built on the best practices as defined in the prior characteristic.

Again, if utilization management is the goal, educating the practitioner on the most effective treatment protocol for the given situation is the means to change behavior and optimize practice patterns.

See COMP/next page

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Comp: New tack needed on costs

Continued from previous page

- **Continuous improvement feedback.** The best strategy will lose effectiveness over time if it is not kept updated and current. Physical medicine, like much in the medical arena, continues to evolve. Best practices must be continually evaluated, validated and adjusted. Literature must be continuously mined to identify leading trends. Operational processes must be built into each program to allow for this data capture and periodic evaluation.

Effective physical therapy strategies must be comprehensive in scope, deeply grounded in physical medicine clinical expertise and analysis, and must employ creative reimbursement techniques and technological tools.

- **Technological sophistication.** Technological expertise and execution are critical to bringing together the first four characteristics and crafting an operational model that meets the stated objectives. The ability to continuously capture and aggregate data, to analyze outcomes, to validate expert consensus, to develop reimbursement methodologies and guidelines that reflect best practices, to streamline certification processes and to instantly disseminate current research and protocols to treating clinicians can only be accomplished through the successful use of technology.

Effective physical therapy strategies, then, must be comprehensive in scope, deeply grounded in physical medicine clinical expertise and analysis, and must employ creative reimbursement techniques and technological tools to align provider incentives where possible and educate non-network providers at critical treatment junctures.

Employers that pursue these strategies will be able to lower their workers compensation costs as well as reduce employee lost time, which will help employers to compete in their chosen marketplace.

Shelley Boyce is chief executive officer and founder of MedRisk Inc., a King of Prussia, Pa.-based provider of specialty workers compensation managed care services.

How to submit an article proposal for *Business Insurance*'s Perspectives

Business Insurance accepts articles from experts in commercial insurance, risk management and employee benefit management for publication in its Perspectives section.

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CICA: Redomestication

Continued from page 4

owner may look at redomesticating onshore.

"The real reason for a program like this to come onshore is to position themselves into becoming a (risk retention group)," he said.

In another example, an offshore segregated cell company writing workers compensation risks might find that prospective employer clients may be reluctant use an offshore vehicle to cover their workers comp exposures, Mr. Spencer said. It might raise concerns that they are attempting to avoid paying U.S. taxes, he said. By moving onshore, the captive may avoid those types of issues, he said.

For James Landis, a principal with Opes Group L.L.C., a Denver-based wealth and tax advisory firm that manages six small physician-owned captives, the decision to redomesticate to Montana from Arizona last year was a regulatory one.

In December 2002, the Internal Revenue Service issued new rules, Revenue Ruling 2002-89, that allow premium tax deductions for captive owners whose premiums and risks are less than 50% of the captive's total premiums and risks.

Although the Opes Group captives were licensed in Montana at the end of December, 'we have not yet been released by Arizona. Sometimes, the domiciles that you're leaving really don't want to let you go.'

James Landis
Opes Group L.L.C.

After the ruling, "we decided to get all of our captives to join into a risk sharing pool, which is nothing more than a reinsurance pool where the captive also receives ceded premiums and risk from the other captives in the pool—thus giving third party risks to each captive," Mr. Landis explained.

While legislation in nearly all of the domestic jurisdictions allows captives to reinsure and accept third party risks, Arizona does not, Mr. Landis said. And without the third-party risks, the captives would lose their tax benefits, he said. "So we went domicile shopping."

"We ended up moving all of the captives to Montana initially because it's physically close" to Denver, he said. The Montana insurance regulators also were "very friendly" and "professional," he noted.

Although the captives were licensed in Montana at the end of December, "we have not yet been released by Arizona," Mr. Landis said, noting specifically that the captives' assets and letters of credit are still tied up.

"Sometimes the domiciles that you're leaving really don't want to let you go," he said.

"I don't think ultimately it will be a problem," Mr. Landis said, "but it has been a little bit of a struggle to get Arizona to let go."

Indeed, closing down a captive is just one of the issues captive owners need to take into consideration if they want to redomesticate, Mr. Stocker said.

In addition to the ease, cost and regulatory environment that must be considered, captive owners also need to get fronting carrier and reinsurer approval to redomesticate, he said. Policyholders need to be notified and third-party contracts, like those with captive managers, need to be terminated. Mr. Landis said that with those third-party contracts it is important to pay attention to contract language because there might be a longer lead-time to terminate the contract than one would think.

CICA international conference

400 attend annual CICA meeting

SCOTTSDALE, Ariz.—About 400 people took a break from winter and soaked up 90-degree heat while attending the Captive Insurance Cos. Assn.'s annual international conference, held in Scottsdale, Ariz., March 14-16.

In addition to networking at a variety of receptions and on the golf course, conference goers attended sessions on topics that ranged from captive tax strategies to captive ratings to reinsurance purchases.

CICA will hold its annual fall meeting in Burlington, Vt., Oct. 11, 2004, and next year's annual international conference will be held in Carlsbad, Calif., March 6-8, 2005.

More information can be found on CICA's Web site, at *www.cicaworld.com.*

—By Sally Roberts

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CICA international conference

Hospitals examine segregated cells

By SALLY ROBERTS

SCOTTSDALE, Ariz.—Hospital systems are increasingly looking into using segregated cell captives to cover medical malpractice risks, but there are several issues that they should consider before they decide to make the move, several experts said.

The degree to which the cells are truly separate, their general affect on risk management procedures and control over exposures are all factors that need to be discussed before segregated cell or separate account captives are utilized by hospital systems, they said.

The remarks were made during a session at the recent Captive Insurance Cos. Assn.'s annual international conference, held in Scottsdale, Ariz.

'While we hope to use a larger reinsurance program for the captive as a whole, we don't want to end up having these other entities just pass on trying to control their own exposures and thinking that we will pick up the bill for them.'

Jay B. Waters
University Hospital Health System

Most captive insurance company domiciles that have passed legislation allowing segregated cell companies are seeing significant growth in that area.

With these type of captives, there is one legal entity and one board of directors and each of the segregated cells' assets and liabilities are shielded from each other.

But a captive adviser noted that many questions exist with these types of captives, including whether they really work.

"Will these Chinese walls that are created be impervious, or will they leak?" asked Thomas M. Jones, a partner in the Chicago-based law firm of McDermott, Will & Emery. "No one knows," he said. "It's a novel concept that hasn't gone to court anywhere."

To maximize the chances of making segregated cell companies "air tight," Mr. Jones suggests making sure all the legal documents are structured to say that the governing law and choice of forum for any disputes be in the location with the cell legislation. "You've got to get in front of a judge or arbitrator in that place," he said. U.S. judges in states without cell legislation are not going to be knowledgeable about these type of companies, he added.

Secondly, Mr. Jones suggests having the cell company's financial assets custodialized with a bank based in the same location as the cell legislation. "You don't want to get in a situation where you're in a lawsuit in a particular state and the judge thinks he or she has jurisdiction over the assets because they're located in the States," he said.

Jay B. Waters, vp-insurance and risk management for University Hospital Health System in Cleveland, noted that his company this month indicated a willingness to look at restructuring its existing captive into a cell company.

"We are looking at it from the standpoint of making sure we don't have subsidiary companies or joint venture companies that have a direct impact on our costs for our parent company," Mr. Waters said.

"While we hope to use a larger reinsurance program for the captive as a whole, we don't want to end up having these other entities just pass on trying to control their own exposures and thinking that we will pick up the bill for them," he said.

Michael B. Evans, senior vp and chief risk officer of Sacramento, Calif.-based Sutter Health, said he has looked at segregated cell companies but opted to continue with operating two separate captives for its physician risks and institutional risks.

"One of the big issues you have to be aware of when you begin to insure physicians with a hospital-based program is the subsidy and anti-kickback issues" relating to tax exempt companies providing services for taxable individuals, he said. "You want to avoid getting into any questions of that."

Furthermore, Sutter Health uses a captive in the Cayman Islands to fund professional liability risks of physicians affiliated with the hospital system only. It does not provide coverage for nonemployed or volunteer physicians, he said.

"When you do include all physicians, you're really starting to look like a normal (physician insurance company)," he said. "You're starting to take on third-party risks that you have no control over the quality of risk management," he said.

Mr. Jones noted that there are "quite a few legal and regulatory obstacles" when a hospital system begins to cover voluntary medical staff or nonemployed physicians in a risk pool.

In order to influence the risk management of the physicians being insured, he suggests implementing a minimum percentage eligibility requirement. For example, in order for a physician to join the program, the physician would have to have 75% of his or her procedures or admissions done at one of the sponsoring hospitals, he said.

By doing so, though, it "brings to bear all of the anti-kickback rules," Mr. Jones said. "It has to be done very carefully. There can be no subsidies from a 501(c)(3) tax-exempt organization to a taxable person like physicians," he said.

HUD: Long-term care facility liability coverage

Continued from page 1

coverage provided through risk retention groups and other captive arrangements. Many long-term care facilities use alternative risk financing arrangements such as RRGs because of difficulty obtaining adequate liability coverage in the commercial market.

HUD's insurer rating requirement is especially problematic because many newer RRGs and captives lack ratings from A.M. Best. The Oldwick, N.J.-based rating agency does issue ratings on captives and other alternative risk financing entities but generally requires, among other factors, a financial track record. Additionally, RRGs, under federal law, only have to be licensed in one state and then can operate in any state where they have policyholder-owners without having to meet the licensing requirements outside their domiciles.

If the HUD rating and licensing requirements are allowed to stand, they will have a devastating impact on long-term care facilities.

Scott Moore
Lancaster Pollard Mortgage Co.

Congress enacted this one-stop licensing requirement to expedite the ability of the groups to operate nationwide and to eliminate the need for RRGs to use commercial insurers to front coverage, which can considerably boost costs.

HUD, though, is asking for public comment on its rule by March 31. The federal agency has indicated it may modify its regulation after considering the feedback it receives.

If the HUD rating and licensing requirements are allowed to stand, they will have a devastating impact on long-term care facilities, said Scott Moore, president of Lancaster Pollard Mortgage Co., a Columbus, Ohio, firm that provides financial services to nursing homes and other facilities. "From our perspective, there will be very few facilities that will be able to comply with this notice in the 18 states that we market in."

There are around 300 loan applications filed by long-term care facilities each year for financing under HUD's Section 232 program, Mr. Moore estimated. The Section 232 program provides financing for nursing homes, intermediate care and assisted living facilities. Some applications have been filed with HUD since the notice was published in January, but he said he expects many would be withdrawn if the rule is left alone.

Risk retention groups and other alternative risk financing vehicles make up most of the insurance market for long-term care facilities, Mr. Moore explained. He said more than half of the facilities in Ohio obtain coverage in the alternative market, and that number will soon reach 70%.

Even if RRGs and captives were willing to seek a rating from Best, "you can't get a rating overnight," said Kevin Brobson, an attorney with Buchanan Ingersoll P.C. in Harrisburg, Pa., and chairman of the government affairs committee of the National Risk Retention Assn. He said 13 risk retention groups were set up last year to provide coverage to nursing homes. "None are rated by A.M. Best," he said. NRRA plans to submit its comments on the HUD rule by the deadline.

And even if RRGs do get a rating from Best, the HUD rule would cause problems for RRGs and other alternative risk financing facilities by requiring them to either be licensed in additional states or find a fronting insurer that is. Mr. Brobson said insurers willing to front such arrangements are scarce.

The Captive Insurance Cos. Assn. said in a notice posted on its Web site that despite the authority of the Liability Risk Retention Act to establish licensing requirements for risk retention groups, "HUD is stating, in effect, they do not recognize it."

A spokesman for the agency could not provide details on the issues HUD considered when drafting the rule.

Mr. Moore said he believes HUD officials were unaware of the problems the notice would cause and they will make changes so that nursing homes and other facilities don't face further problems in what already is a tough insurance market.

"I think it was just not well thought out," Mr. Moore noted. "I think the industry will help them understand and it will be resolved."

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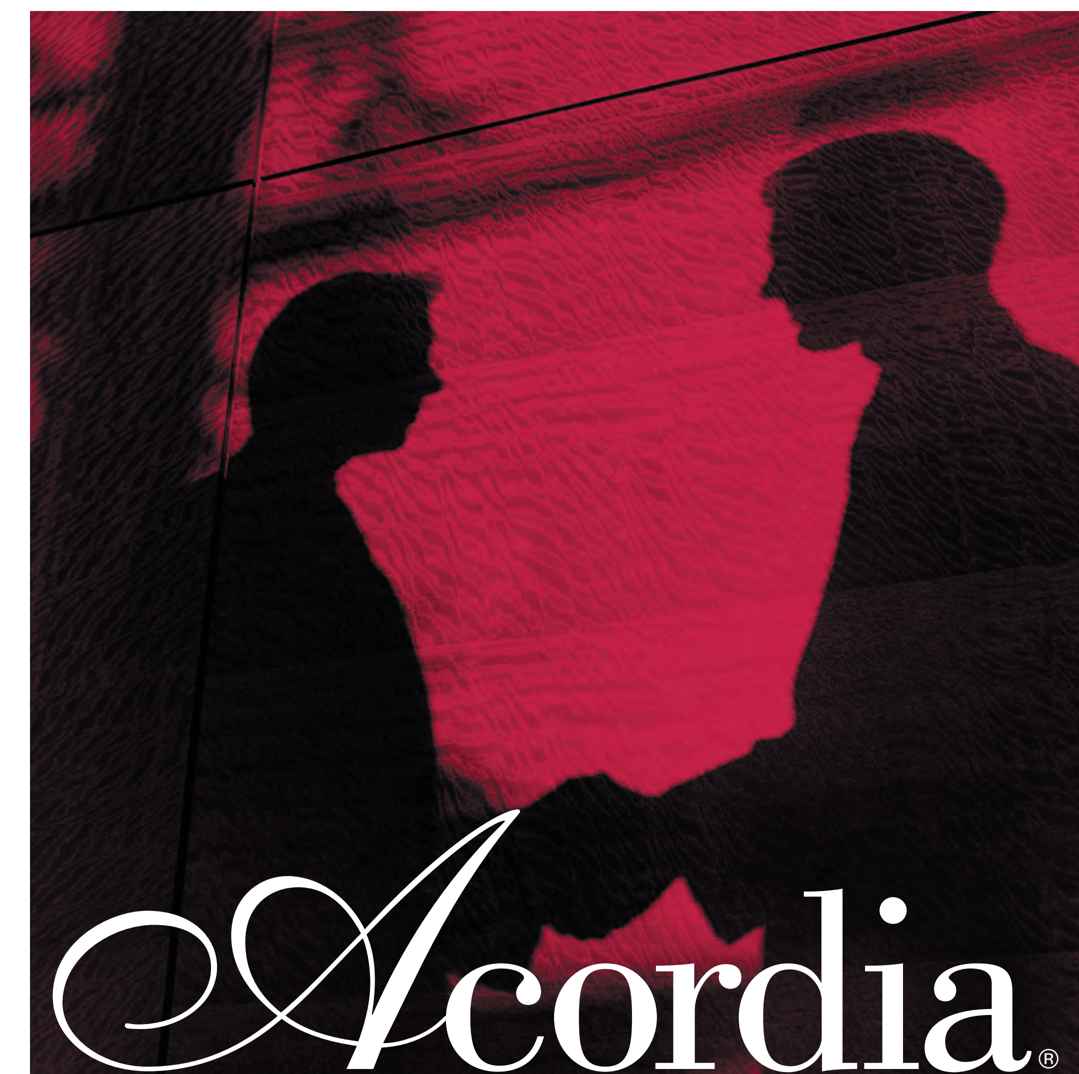

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16 Business Insurance March 29, 2004

Commentary

Election reform is what's needed

A couple of weeks ago, Sen. John Ensign, R-Nevada, outlined an ambitious tort reform agenda to risk managers attending the Risk & Insurance Management Society's annual RIMS on the Hill Washington visit. After telling his audience how critical all these issues were, he warned that not much is likely to happen this year, because of the "toxic" and "partisan" atmosphere on Capitol Hill.

That inaction is made even worse by the fact that this is a presidential election year. Even if comity ruled the Hill—and it doesn't—getting anything done would still be difficult in an election year. It's not like holding elections should come as a surprise, either—we have had presidential elections every four years for better than 200 years. And although it only seems like half of Congress is either running or considering a run for president at any given time, the sad truth is that even with the bulk of Congress in place, little gets done. Unfortunately, the period in which little is getting done is getting longer and longer. We're paying these folks for work that's often left unfinished or, worse, untouched.

Mark A. Hofmann

So, I offer a modest proposal. In a year in which a major campaign issue looks like it will be the export of U.S. jobs, I suggest that we consider importing a foreign idea: Shortening political campaigns.

After all, the British, the Canadians and the citizens of numerous other nations with parliamentary governments manage to call and hold elections in a matter of a few months. The French, with a more complicated system, also manage to get through the electoral process with admirable dispatch. The United States, which prides itself on efficiency, has allowed itself to sink into the slough of the perpetual campaign.

It wasn't always this way. Would-be presidents used to consider actually seeking the job to be beneath their dignity. Their supporters had to ask them to run, and it was considered bad form to start running too early. Despite the fact that back when William McKinley rode such a campaign into the White House communications weren't anything like they are today, the system worked pretty well.

Given all the improvements to life, liberty and the pursuit of happiness we've achieved since McKinley first ran in 1896, there's no reason to have a campaign that lasts more than a year, and a lot of reasons not to. First, it keeps our elected officials from taking the time to do their jobs; time that's already eaten into by the demands of fund-raising. Second, it costs a lot of money, both public and private. Third, we're already bored beyond tears with these people before Memorial Day and by Election Day, we simply want to get it over with, fully cognizant of the fact that the perpetual campaign will kick off yet again before the last vote's counted.

So, let's reconsider how we do this. First, no candidate shall announce his or her intention to seek the presidency before Jan. 1 of the year in which said election shall take place. No primary shall occur in a month that contains the letter "R." We prefer our March madness to involve college basketball rather than political hardball, and March madness extends into April. No political convention shall convene before Labor Day, which is of course the first Monday of the first month containing an "R" after our new primary calendar.

In fact, maybe we should rethink that whole idea of nominating conventions. In an age where primaries rather than party bosses choose presidential nominees, conventions don't serve much practical purpose other than to pump some cash into the city in which they're held and to serve as a stage for unveiling the vice presidential nominee.

Would there be downsides to such a change? Sure. Purists will hold that a truncated calendar won't allow us to get to know the nominees. I hold that after 12-plus months of campaigning, we know them all too well and often wish they'd go away.

Congress has more than enough to do. For risk managers alone, there's class action reform, asbestos liability reform and the need to assure that some sort of federal terrorism insurance backstop is in place before the Terrorism Risk Insurance Act sunsets. Even though it's too late to impose some real campaign reform this time around, maybe a shortened campaign season will work in the not too distant future. It won't guarantee that necessary legislative work will be done, but there will be one less excuse for not doing so.

Senior Editor Mark A. Hofmann can be reached at mhofmann@businessinsurance.com.

Comings & Goings-Industry

Mr. Ballardie

Ms. Scampas

Ms. Nylund

Mr. Whiteley

Insurers:

Adrian Ballardie has been named chief risk officer of Hamilton, Bermuda-based Aspen Insurance Holdings Ltd., where he will be responsible for managing underwriting risk at the strategic and operational level. Before joining Aspen, Mr. Ballardie was joint chief executive officer of AXA Re U.K.'s Corporate Solution Services.

Philadelphia-based ACE USA, a division of Bermuda-based ACE Ltd., has appointed **Kathleen Muedder** as senior vp-emerging issues. Previously, Ms. Muedder was worldwide practice leader for workers compensation and risk office executive at Royal & SunAlliance USA Inc.

Brad Williams has joined Dallas-based Sovereign Insurance Group Inc. as chief operating officer. Before joining Sovereign, he was a regional vp with Acadia Insurance Co.

Reinsurance:

Endurance Specialty Holdings Ltd. of Pembroke, Bermuda, has named **Daniel Izard** head of its reinsurance operations. Mr. Izard will continue to serve as executive vp of the company's aerospace division.

Agents/Brokers:

Richard M. Colton has joined Kansas City, Mo.-based Lockton Cos. as chairman of the mergers and acquisitions group. Previously, Mr. Colton was chairman of Aon Corp.'s Global Mergers & Acquisitions Practice.

London-based Willis Group Holdings Ltd. has made two senior-level appointments in New York.

• **Jeanette Scampas** has been named executive vp and will be responsible for global information systems and global operations. She will also be a member of the Partners Group, Willis' global management team. Previously, Ms. Scampas was senior vp/chief operations officer and senior vp/chief information officer at New York-based American International Group Inc.'s domestic brokerage group.

• **Leslie Nylund** has been named New York regional executive officer/executive vp. Before joining Willis, Ms. Nylund was a managing director with Guy Carpenter & Co. Inc., the reinsurance intermediary unit of Marsh & McLennan Cos. Inc.

New York-based Marsh & McLennan Cos. Inc. has named **Steven Spiegel** as director of corporate development. Previously, he was vice chairman of MMC's asset management subsidiary, Putnam Investments Inc.

Surplus lines:

Anne Scavone has been named chief financial officer of Pro Financial Services Inc., a Schaumburg, Ill.-based managing general agency. Before joining the company, Ms. Scavone was vp and CFO at Spa Capital L.L.C.

Other suppliers:

Carl Warren & Co., a liability claims management company based in Orange, Calif., has named **Caryn Brenna Siebert** as president and chief executive officer. Previously, Ms. Siebert was vp and national director of claims operations with Safeco Insurance Co. She replaces Roy George, who retired.

Andrew Whiteley has been named managing director of Heath Lambert Consulting, a pensions and employee benefits subsidiary of Heath Lambert Group in London. Before joining Heath Lambert, Mr. Whiteley was a director on the executive management board of Marsh Employee Benefits Services.

ESIS Inc., the risk management services unit of ACE USA, has named **Robert Kulbick** as senior vp of product, service and delivery development and enhancement. Previously, Mr. Kulbick was chief executive officer of RSKCo.

Business Insurance would like to report on senior-level changes at commercial insurance companies and service providers. Please send news of recently promoted, hired or appointed senior-level executives to: Joe Walker, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; jwalker@businessinsurance.com.

Send photos to: Kathy Barnes, Business Insurance, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; kbarnes@businessinsurance.com

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Coming laws highlight E.U. product recall risks

Tough rules to govern recalls expected

By CAROLYN ALDRED

A high-profile U.K. recall of a bottled water product and the anticipation of new recall-related laws in E.U. member states are drawing European companies' attention to product-recall risks and are boosting interest in specialty coverage.

Earlier this month, The Coca-Cola Co. recalled 500,000 bottles of its Dasani bottled water in the United Kingdom after high levels of bromate, a potential carcinogen, were discovered in some samples. Atlanta-based Coca-Cola and its broker, Marsh Inc., would not discuss the company's insurance arrangements, but market sources say it has excess product-recall insurance that is written mainly in Bermuda and Dublin. In addition, some of the bottling and distribution companies used by Coca-Cola carry product-recall coverage, sources note.

The recall comes at a time when E.U. countries are implementing the revised General Product Safety Directive, which tightens up requirements related to announcing and conducting product recalls.

Recent recalls, growing litigation, and product-safety legislation are increasing manufacturers' interest in product-recall risk management, said Chris Flint, an advisor with Special Contingency Risks Ltd., a London-based subsidiary of Willis Group Ltd.

The directive is "clearly going to have an impact on companies in Europe," Mr. Flint said. Gone will be so-called "silent recalls," in which companies discretely remove their products from shelves, he said.

Meanwhile, product-recall insurance remains expensive in Europe, though some brokers say the directive could create a more-favorable market for buyers.

The revised General Product Safety Directive, which the European Union passed in 2001, was due to be implemented in all E.U. member states by Jan. 15, 2004. So far, only two countries have enacted the directive, but others are expected to do so by the end of the year, according to an E.U. spokeswoman. The 10 countries joining the European Union are expected to enact the legislation by May.

The new directive broadens the scope of existing product liability legislation to include suppliers and increases the liabilities associated with the recall of potentially dangerous products.

Under the directive, producers and distributors must:

- Notify authorities about dangerous products as soon as they learn of a possible risk.
- Cooperate with authorities on measures to prevent risks to consumers. Authorities must make public any information they receive.
- Have effective systems to monitor and assess product risks and to trace products.
- Recall any dangerous product or face a recall imposed and directed by authorities.

In a statement, the London-based law firm Lovells said that "the new regime brings the general product safety in the E.U. much closer to the style of regulation that has existed in the U.S. for many years under the Consumer Product Safety

See RECALL/page 20

Earlier in March, The Coca-Cola Co. called back 500,000 bottles of its Dasani water from distribution in the United Kingdom.

Gerling unit faces losses over soccer leasing deals

LEEDS, England—This month's sale of financially troubled soccer club Leeds United will result in Gerling Insurance Co. Ltd. recouping only a portion of the £21 million ($38.9 million) shortfall in player-leasing payments that it insured on Leeds United players.

The Leeds, England-based club was sold March 19 for an undisclosed sum to Adulant Force Ltd., which is also based in Leeds. The same day, the club's previous parent, Leeds United P.L.C., was placed in administration with debts of about £100 million ($184.9 million), including the amount it owes under player-leasing contracts. The club's creditors approved the sale.

Leeds United soccer club was sold this month to Adulant Force Ltd., also of Leeds.

Gerling declined to comment on how much of the payment shortfall would be paid by administrators of the parent company. But sources familiar with Leeds United's situation say that the insurer will likely recoup less than 20 pence on the pound. However, Gerling likely has reinsurance coverage, they note.

Gerling's involvement stems from insurance it wrote for player-leasing deals that Leeds had entered into with Guernsey-based Registered European Football Finance Ltd. Under the arrangements, players' contracts were bought by REFF, and the soccer club then leased the players from the offshore vehicle, with Gerling guaranteeing the lease payments. However, the value of the players' contracts subsequently fell in line with a general slump in transfer values, and several Leeds player contracts were sold for significantly less than their previous value.

—By Peta Miller

Lack of asbestos indemnity cover slows removal push

By PETA MILLER

U.K. risk managers preparing for new obligations in May to identify and manage asbestos in commercial and public sector buildings are concerned that the surveyors needed to carry out the work have inadequate and inconsistent professional indemnity insurance.

The Royal Institution of Chartered Surveyors, an organization of construction and property professionals, has confirmed it is in negotiations with insurers to develop a specialty affinity professional indemnity policy that would cover members wishing to carry out asbestos survey work. But talks between RICS and insurers have reached a critical stage as they attempt to agree on terms and conditions.

Beginning May 21, building owners and occupiers will be legally bound to manage asbestos under the Control of Asbestos at Work Regulations. The obligations would include determining whether asbestos is present in buildings and recording the location of any asbestos. If no asbestos is found, owners would have to produce evidence of its absence.

The CAWR—a U.K. initiative not driven by the European Union—has been in place since 1987. A 2002 update mandated addressing the risk to maintenance workers, such as plumbers and electricians, who are employed in buildings contaminated with asbestos.

The London-based Health and Safety Executive estimates that about 500,000 commercial and public buildings may contain asbestos.

Under the scope of the CAWR, duty holders could be landlords, owners of properties, tenants, sublessors, managing agents, or surveyors.

There is a big issue with asbestos and insurance as a result of the regulations, said Kevin Goodwin, chairman of the construction special-interest group at the London-based Assn. of Insurance & Risk Managers.

"It all depends on the relationship the (asbestos surveyor) has with its own insurers; that is the biggest problem for the duty holder:" employing the correct people to do asbestos surveys.

Mr. Goodwin, who is also a risk manager for a property development company, said that risk managers must check what insurance every consultant has in place because the market has not taken a consistent approach to providing coverage.

And he expressed concern that not every property owner will be aware of the need to check whether companies they are employing have asbestos exclusions under their professional indemnity policies.

"If you are a smaller property owner and don't fully appreciate that you are meant to be employing a specialized asbestos remover and people are injured, the unfortunate thing is that this injury will take years to manifest; how will the injured parties be able to seek redress?" he asked.

Local authorities vet the insurance of any contractor they employ, said Carolyn Halpin, speaking for the London-based Assn. of Local Authority Risk Managers in her role as chairwoman-elect.

But Ms. Halpin, who is also risk manager for Middlesborough Council, echoed Mr. Goodwin's concerns. "The problem will be whether (surveyors) can get insurance that doesn't exclude asbestos," she said.

Katherine Campbell, an associate in the Coventry office of Pittsburgh-based law firm Reed Smith, also echoed concerns about asbestos liabilities at a seminar on the CAWR

See ASBESTOS/next page

World Updates

Swiss Re returns to profit in 2003

Swiss Reinsurance Co. posted net income of 1.7 billion Swiss francs ($1.37 billion) in 2003, up from a loss of 91 million Swiss francs ($73.4 million) a year earlier. The 2002 loss stemmed largely from impairment charges of 3.9 billion Swiss francs ($3.15 billion), primarily related to equity investments, according to Swiss Re. The Zurich-based reinsurer's net premiums grew 5.5% in 2003 to 30.7 billion Swiss francs ($24.78 billion).

Aon forms U.K.-based capital consulting unit

Aon Ltd. has launched a capital consulting unit, Aon Capital Advisory, in London. The new unit will help underwriting and insurance entities to raise capital and will give advice on mergers, acquisitions and regulatory applications, among other things, Aon said in a statement. A team of five people who formerly made up Heath Lambert Capital Markets, a division of Heath Lambert Group P.L.C., have transferred to the new Aon unit. Heading the team is Managing Director Alastair Rodger.

Hiscox profits, premiums rise

Hiscox P.L.C. recorded a £83.4 million ($148.5 million) pretax profit for 2003, up around 303% over 2002. London-based Hiscox attributed the increase to continued hard market conditions and to improved investment performance. Hiscox's investment income grew 50.5% to £32.2 million ($57.3 million) in 2003. The company's gross written premiums increased 17.9% to £797.4 million ($1.42 billion) in 2003.

Beazley posts profit after 2002 loss

Steep growth in gross written premiums and relatively light claims contributed to Beazley Group P.L.C.'s profits for 2003. Beazley, which manages Lloyd's of London syndicates 623 and 2623, posted a pretax profit of £17.1 million ($27.9 million) for 2003, compared with a loss of £1.2 million ($1.8 million) in 2002. That loss stemmed largely from costs associated with an initial public offering of the company in late 2002, explained Andrew Horton, finance director. In 2003, Beazley's Lloyd's syndicates generated combined gross written premiums of £708 million ($1.16 billion), up 61.6% over the previous year.

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Asbestos: Indemnity cover scarce

Continued from previous page

regulations that was sponsored by her firm earlier this month.

"Insurance is becoming a critical issue in respect of those issues we face in making sure surveyors are responsible," she said.

Insurers are increasingly reluctant to provide coverage for asbestos, whether for surveyors or removal contractors, she said.

Just London-based Smith Insurance Brokers will place coverage for asbestos workers, and premiums for a midsize surveying firm have risen from £35,000 to £75,000 ($64,000 to $137,000) in the last year and are expected to rise further to more than £250,000 ($458,000) in the coming year, Ms. Campbell added.

RICS' insurance adviser, Mark Southwell, declined to comment in detail on a potential solution to the lack of coverage, saying negotiations with insurers are still underway.

But he explained that the professional indemnity coverage under consideration would be part of a training program set up by RICS and the Asbestos Removal Contractors Assn. to equip individuals with the skills to undertake asbestos inspections.

The coverage would be for asbestos inspections and the liabilities arising out of that work. It would be separate from wider professional indemnity coverage that includes asbestos, which is already available to members of RICS, and provides a £250,000 annual aggregate limit for asbestos.

It is not yet clear, Mr. Southwell said, whether members opting to do asbestos surveys will have to buy the specialty policy separately or whether it will be possible to wrap it into the broader coverage.

"The initial response from insurers has been quite good because we are able to be very specific about the scope of insurance to be offered," he said.

Asked which insurers are involved, he said it is a mixture of firms from the London insurance company market and Lloyd's and declined to comment further.

"It is a very high priority, because the regulations come in so soon," he added.

Matthew Reed at Howden Insurance Brokers, which is coordinating the negotiations between RICS and the insurance industry, declined to comment on the product under development.

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CLAIM FILING DEADLINE: June 13, 2004

The Home Insurance Company ("The Home") and US International Reinsurance Company ("USI Re") are in liquidation. The Insurance Commissioner of the State of New Hampshire was appointed Liquidator by orders of the Superior Court for Merrimack County, New Hampshire.

All persons having claims now or in the future against The Home or USI Re, whether or not the amount of the claim is presently known, **MUST** file a Proof of Claim form with the Liquidator on or before the claim filing deadline of June 13, 2004. ***Proofs of Claim filed after the claim filing deadline will likely not be paid.***

The liquidation of The Home includes the liquidation of other companies that were previously merged into The Home: The Home Indemnity Company, The Home Insurance Company of Indiana, City Insurance Company, Home Lloyds Insurance Company of Texas, The Home Insurance Company of Illinois, and The Home Insurance Company of Wisconsin.

Proof of Claim forms may be obtained by downloading the form from the New Hampshire Insurance Department website: **www.state.nh.us/insurance**, or by calling **1-800-347-0014** during regular business hours (Monday-Friday, 8-5 EDT), or by writing to:

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IN THE HIGH COURT OF JUSTICE
No 1904 of 2004
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IN THE MATTER OF
PEARL ASSURANCE PLC
- and -
IN THE MATTER OF
PRUDENTIAL ASSURANCE COMPANY LIMITED
- and -
IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000
TRANSFERS OF BUSINESS

Notice is hereby given that by application dated 18 March 2004 Aviation & General Insurance Company Limited ("A&G"), applied to the High Court of Justice of England and Wales on 26 March 2004, for (amongst other things) an order under section 111(1) of the Financial Services and Markets Act 2000 (the "Act") sanctioning a scheme (the "Scheme") providing for the transfer of the insurance business written by Prudential Assurance Company Limited ("Prudential") and Pearl Assurance Plc ("Pearl") both using A&G as underwriting manager and subsequently in their capacity as participants in the Aviation & General Insurance Group pool (the "AGI Group Pool") and for the transfer to A&G of the business written by Pearl in its capacity as a participant in the British Aviation Insurance Group pool, and for an order making provision under section 112 of the Act.

Copies of a report on the terms of the Scheme prepared by an independent expert in accordance with section 109 of the Act (the "Scheme Report") and a statement setting out the terms of the Scheme and containing a summary of the Scheme Report may be obtained, free of charge, from Richard Murphy at A&G, c/o Ruxley Ventures Limited, Second Floor, Bankside House, 107/112 Leadenhall Street, London EC3A 4DD, during normal office hours (telephone 020 7283 2646); fax 020 7623 7246; e-mail: richard.murphy@spectrumins.com.

The application will to be heard on 14 May 2004, before the Applications Judge at the Royal Courts of Justice, Strand, London WC2A 2LL. Any person (including an employee of A&G or Prudential or Pearl) who alleges that he or she would be adversely affected by the carrying out of the Scheme may appear at the time of the hearing in person or by Counsel. Any person who intends so to appear and any policyholder who dissents from the Scheme but does not intend to appear should give written notice not less than 2 clear business days prior to the hearing of such intention or dissent and of the reasons for it to the Solicitors named below.

DLA, 3 Noble Street London EC2V 7EE.

Solicitors to A&G (Ref: MMK/73363.120004).

LEGAL NOTICE

ADVERTISEMENT OF THE CREDITORS' MEETING
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LAKEWOOD INSURANCE COMPANY LIMITED
(FORMERLY SAMPO INSURANCE COMPANY (UK) LIMITED)
AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that, by an order dated 19 March 2004 made in the above matter the Court has directed that a meeting ("Creditors' Meeting") of the Scheme Creditors (as defined in the scheme of arrangement hereinafter mentioned) of the above named company ("Company") be held on 14 May 2004 at the offices of PricewaterhouseCoopers LLP ("PwC"), Plumtree Court, London, EC4A 4HT, United Kingdom, commencing at 11 a.m. (London time). All Scheme Creditors are requested to attend at such place and time either in person or by proxy.

The purpose of the Creditors' Meeting will be to consider, and if thought fit, to approve (with or without modification) a scheme of arrangement proposed to be made between the Company and the Scheme Creditors pursuant to Section 425 of the Companies Act 1985 ("Scheme").

Scheme Creditors may vote in person at the Creditors' Meeting or may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.

The proposed Scheme and the statement required to be provided to creditors pursuant to Section 426 of the Companies Act 1985, together with voting forms for use at the Creditors' Meeting, have been circulated to known Scheme Creditors as well as brokers and other intermediaries. Copies of these documents, as well as blank voting forms, may be obtained by attending at, or on written application to, the offices of PwC at 31 Great George Street, Bristol, BS1 5QD, United Kingdom, marked for the attention of Simon Hawkins or the offices of Charles Russell Solicitors, 8-10 New Fetter Lane, London, EC4A 1RS marked for the attention of Tobey Butcher.

Scheme Creditors are requested to lodge the voting form with PwC at the above Bristol address, marked for the attention of Simon Hawkins, by 4 p.m. London time on 13th May 2004. Voting forms may also be handed in at the registration desk prior to the Creditors' Meeting. A faxed copy of the voting form will be accepted if legible but Scheme Creditors are requested to send the originals, to be received by PwC at the above Bristol address by 9.30a.m. London time on 14th May 2004, or to hand them in at the registration desk prior to the Creditors' Meeting.

The Court has appointed Mark Charles Batten or, failing him, Dan Yoram Schwarzmann both of PwC, to act as chairman of the Creditors' Meeting and has directed the chairman of the Creditors' Meeting to report the result of the Creditors' Meeting to the Court.

If approved by the requisite majority of Scheme Creditors, the Scheme will be subject to the subsequent approval of the Court.

DATED THIS 22 March 2004.

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Recall: Tough new rules expected

Continued from page 17

Act."

Risk managers and other experts say the directive's biggest impact will be on small and midsize companies.

Jason Bright, a lawyer with the London-based law firm of Barlow Lyde & Gilbert, said he believes most large European manufacturers already take recall risks seriously and, thus, the directive will have little effect on them.

Multinational risk managers agree.

Unilever P.L.C., which manufactures consumer products across several sectors, sees product recall as a major business risk, said Roger Timms, the company's London-based risk and insurance manager.

Unilever, he noted, does not buy product-recall insurance and deals with recalls at an operational level.

"Our brands are so diverse. Recalls are managed by each operational company rather than centrally, as a recall for an ice cream product would not likely impact sales for one of our household cleaning products, for example," he explained.

Most large companies already have sophisticated product-recall strategies in place, and many do not buy coverage for such risks, because the market has tightened dramatically in the past decade, said Richard Reddaway, risk and insurance manager for London-based SmithKline Beecham P.L.C. Mr. Reddaway noted that product recalls have long been a major issue for the pharmaceutical industry.

But the new safety directive will have a significant impact on small to midsize companies and on those outside the food and beverage, pharmaceutical and automotive sectors, said Tom Battell, director of forensic services for PricewaterhouseCoopers L.L.P. in London.

In addition, the directive's impact will be greater in the 10 countries due to join the European Union later this year, he said. They are Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

The introduction of strict product liability and tough product-recall laws in countries such as Poland and the Czech Republic likely will push product liability premiums up for manufacturers in that region, brokers point out.

But Mr. Battell said that increased demand for product-recall coverage could encourage growth of that market. Product-recall insurers in Europe have been plagued by adverse selection, with mainly high-risk companies seeking the coverage, he said.

"The insurance industry needs to increase its capacity, as we are seeing a big increase in demand for product-recall insurance," said David Palmer, a director of product risk management for Aon Corp. in London.

Product-recall insurance—known as contaminated-product insurance in food and drink, pharmaceutical and cosmetic sectors—provides policyholders with access to risk management advice and services as well as cover for costs associated with recalls, he said.

The insurance generally covers costs incurred in a recall—such as transportation, warehousing and staff time—as well as business interruption losses and costs associated restoring customer confidence, including marketing and publicity, Mr. Palmer explained.

However, since the market for recall insurance is limited, the rates have remained high, he said.

Tina Kirby, product recall underwriter for Lloyd's of London syndicates 623 and 2623, managed by Beazley Group P.L.C., said that few food manufacturers currently buy product-recall insurance.

Most buyers of primary recall coverage are small and midsize manufacturers that do not have in-house risk management teams and are particularly exposed if forced to conduct a recall, she said. Larger, multinational companies, which are better able to absorb recall losses and reputational damage, often opt to buy high-level catastrophe recall insurance, Ms. Kirby said.

Wellness: Cost control fuels new interest

Continued from page 4

driving those costs, 50% to 75% of those costs are driven by lifestyle, yet if you look at where we're spending our money, over 95% of the money we're spending is on treatment and diagnosis," Mr. Scibelli asserted.

This makes the $66 per employee per year that FP&L spends on health promotion and health management "money well spent," he said. "We've changed a lot of lives along the way, we've probably saved some lives."

And while some might say that the programs tend to attract healthy individuals more than those with existing chronic health conditions, "I think that's absolutely what you want to do. You want your healthy people to stay healthy," Mr. Scibelli said.

It's a much bigger challenge to win over those who truly need such programs, said Sandra Morris, senior manager of health and benefits at Proctor & Gamble, who spoke during a session on wellness strategies during the National Business Group on Health conference.

Ms. Morris was hired "to turn the cost around" in P&G's large paper plant in Albany, Ga., which was experiencing yearly health care cost increases of 25% per employee.

"We've got a lot of good old boys, they've all got big bellies, they like the sausage and all that, so impacting that environment was an interesting approach," she said.

She often drew from her personal experience to encourage these employees to get off the road to ruin.

During her one-on-one counseling sessions she shared with employees a photo of herself pushing 250 pounds with a cigarette in her hand. Her obesity had made her severely hypertensive, and she was on the verge of kidney failure.

But lecturing doesn't work with these employees, Ms. Morris said.

"We take what is known about that person and make the point concerning how the long-term effects of their continued high-risk status will impact their ability to enjoy what makes them tick," she said.

For example, "for the young, just-married male who has diabetes and is out of control, we don't lecture a lot about the medical stuff. We talk very clearly to those young men and say, 'The road that you are on is a road that even Viagra will not cure.'"

"The first step in the readiness to change is the realization of the need," she said.

To foster that realization, P&G uses financial and other incentives.

The company provides a health insurance premium credit to employees who participate in the annual health risk assessment and for each risk value that is not high risk.

P&G also hosts "Team of the Month" parties for the groups of employees that achieve the highest wellness scores; gives baby monitors, car seats and cases of Pampers to new mothers who complete a healthy pregnancy program; and awards blood glucose monitors or a credit on diabetic supplies for completion of diabetes education class.

To keep the message fresh, P&G employees are exposed to programming on different health topics each day on widescreen TVs positioned throughout the company's dining facilities, Ms. Morris said.

"It is a resource-intensive program, but we found it to be quite effective," she said.

P&G's Albany, Ga., paper plant now has a health care trend of just 1%, compared with large employers' national average of 10%, according to Ms. Morris.

"We have found that incentives need to exist to encourage our employees and families first to take that step toward realization of what their actual health status is, and then follow through with therapeutic lifestyle behavioral changes," she said.

National Business Group on Health's Business Health Agenda 2004

HSA rules may impact EAPs

By JOANNE WOJCIK

WASHINGTON—There is growing concern among employers that tax rules now being developed to govern health savings accounts could adversely impact employee assistance programs.

A provision in the new Medicare prescription drug benefit law that took effect Jan. 1, 2004, establishes the new savings accounts, which replace medical savings accounts. Unlike MSAs, which could be offered only by small employers, HSAs can be made available by any employer. Both employees and employers can make tax-deductible contributions to the accounts, and plan participants can withdraw funds from HSAs tax-free to pay for eligible out-of-pocket costs not covered under their health plans, such as deductible expenses (*BI*, Dec. 22, 2003).

Under the new law, HSAs must be linked to health care plans with a minimum annual deductible of $1,000 for individual coverage and $2,000 for family coverage. Additionally, the health care plan must cap total annual out-of-pocket expenses—excluding charges incurred outside a plan's provider network—at $5,000 for individual coverage and $10,000 for family coverage. The maximum contribution to an HSA is equal to the plan's deductible, which cannot exceed $2,600 for individual policies and $5,150 for family coverage.

Preventive health care services, which the Internal Revenue Service is working to define, are exempt from these high deductibles, allowing employers to offer them to employees on a first-dollar basis.

But there is a question as to whether EAPs—which provide such services as wellness and health promotion programs and mental health counseling, usually on a first-dollar or low-copayment basis—would qualify as "preventive" health care services under the eventual IRS rules.

Kevin Knopf, attorney-adviser in the Office of Tax Policy at the U.S. Department of Treasury, reviewed health care benefit-related tax issues at the National Business Group on Health's Business Health Agenda 2004 conference, held March 17-19 in Washington.

Following his address, the topic of the rules' impact on EAPs was addressed during a heated discussion between Mr. Knopf and employee benefit experts.

Ron Goetzel, vp of Ann Arbor, Mich.-based health care information company The Medstat Group, suggested the IRS turn for guidance to already-established definitions of "preventive care" used by the Agency for Healthcare Research and Quality, the U.S. Preventive Services Task Force or the Centers for Disease Control and Prevention's Community Guide for Preventive Services.

"Those criteria, those recommendations, have been worked out over many years in terms of what works and what doesn't," he said during a question-and-answer session following Mr. Knopf's address.

Mr. Knopf appeared nonplussed for a moment, then asked: "Are you suggesting that we provide by guidance just a cross-reference to go check with those?"

"Well, that's an approach," Mr. Goetzel replied, as laughter swelled in the audience.

On one hand, using those agencies' guidance might be easier, because it recognizes the evolution of preventive care services, Mr. Knopf said. On the other hand, it would mean the IRS relinquishing control, an approach he did not endorse.

Mr. Knopf explained that the IRS is concerned about loopholes that might occur in the tax code should those agencies add to their lists of preventive care services procedures that the IRS does not agree are preventive, such as open heart surgery.

"If we felt that something really wasn't preventive and they started putting stuff in there that was," such as deciding open heart surgery is preventive "because it prevents death…," he said.

"They're very, very conservative, and they make recommendations only on the evidence," objected Mr. Goetzel. "And basically the literature that they compile, and there's a group of experts who come from…."

"I'm very familiar with what they do," Mr. Knopf interrupted. "We've looked at that a lot when we're looking at what we think should be

See EAPS/next page

Over 550 at NBGH event

WASHINGTON—The National Business Group on Health's Business Health Agenda 2004 annual conference earlier this month drew more than 550 employee benefit experts to the District of Columbia.

The conference theme was "Employer Solutions for Today: Controlling Health Care Costs and Improving Quality." Formerly known as the Washington Business Group on Health, the Washington-based nonprofit National Business Group on Health has more than 180 members, mostly large employers.

Next year's conference is scheduled for March 16-18 in Washington, though a site has not yet been determined. Both members and nonmembers are welcome to attend. Information about the 2005 annual conference will be posted online in the near future.

For more information on the National Business Group on Health, visit *www.businessgrouphealth.org*.

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EAP: Employers watch tax rules

Continued from previous page

preventive care and, unfortunately, we haven't issued our guidance so you can't decide whether we did a good thing or a bad thing. Like I said, there's not a lot I can say about preventive care because we're very close on that."

In response to a request from Helen Darling, president of the National Business Group on Health, to address how the rules would impact EAPs, Mr. Knopf said that "one of the questions that comes up...is are employee assistance programs preventive? Sometimes they are, and sometimes they aren't."

To determine whether an EAP is considered a health plan, the Department of Labor draws the line between whether it provides strictly referral services or whether it provides clinical services, he said.

"If it's one visit or more, then it's a health plan, (and) now you've got to provide COBRA and whatever," he said. "I think that for purposes of HSAs, we don't have to be that strict," he added.

However, Mr. Knopf qualified that statement by continuing: "I've heard people say there's an employee assistance program for firefighters that, because of the high stress level, they basically have unlimited visits. If you have unlimited visits, it's much more like a group health plan. At the same time, I have no interest in disqualifying an employee from having an HSA because four times a year they get a newsletter that says, 'Here are 10 signs of depression; maybe you should see a psychiatrist.' "

"So I guess what I need to know is, how many visits do most EAPs have? What sort of services vs. referrals? What's the extent of those services so that maybe we could draw the line somewhere? If someone came in and told me, 95%, 97%, 80% of EAPs only provide two visits or three visits or four visits, I'm comfortable with that, that's really not a health care program. So, for preventive care purposes, the EAP is preventive care as long as it only provides X number of visits," Mr. Knopf said.

"Drawing that line is difficult, and wherever we draw it is arbitrary, so the more information we have about EAPs and the type of benefits they provide, it makes it easier for us to draw that line," he said.

Mr. Knopf then reiterated his concern about unclear rules being exploited. He suggested, for example, that some progressive employers might use a too-liberal definition of "preventive care" to transform their prescription drug program into an EAP "because we find that prescription drugs really do assist the employees."

In response to his remarks, Ms. Darling said the business group is conducting a survey of its members to gauge the extent of EAP services, which it will share with the IRS. She also encouraged employers to come forward and provide the information Mr. Knopf was requesting.

RAA: Pricing discipline continues

Continued from page 3

analyst with Sanford Bernstein & Co. in New York.

Cliff Gallant, an analyst with Keefe Bruyette & Woods in New York, said also helping results was that few catastrophes reached the reinsurance level. "It seems like a lot of the weather we had in the quarter didn't hit into the reinsurance levels," he said.

However, Jack Snyder, senior vp at Princeton, N.J.-based American Re-Insurance Co., said that while results were much improved, "for the most part, the industry's still not where it needs to be to generate adequate returns." Many companies "still have reserving issues that they have to deal with."

The outlook is for more of the same, say some observers.

"Primary prices are holding up well, so I think that's a positive indication for the reinsurance business for the coming year," said William O'Donnell, president and chief executive officer of Overland Park, Kan.-based Employers Reinsurance Corp.'s Americas direct business unit.

He noted that ERC's $740.7 million statutory loss largely reflects the sale of its life business. Statutory accounting required the reinsurer to report a $1.7 billion capital loss on the deal. ERC had $656 million in net income on a generally accepted accounting principles basis last year, he noted.

Others disagree as to how this year's results will compare with 2003.

Robert DeRose, senior financial analyst with Oldwick, N.J.-based A.M. Best Co., said, "We think '04 is going to be a better year than '03 because the rate increases are going to continue to earn out. And while we anticipate there's going to be some adverse development, we don't think (there's) going to be as much adverse development in '04 as in '03," though there will be some additional need for asbestos reserve increases.

However, Mark Rouck, director at Chicago-based Fitch Ratings, said he believes results this year will not be as good as in 2003. Last year's strong results are going to be difficult to duplicate, "given the fact that pricing has moderated, given that catastrophes did not have that large an impact on '03's results" and given the need for reserve increases, he said.

"The stars were aligned pretty positively in 2003 and I think that in '04 it's going to be difficult to hit those same benchmarks," said Mr. Rouck.

"The term 'soft landing' is being bandied about," said American Re's Mr. Snyder. "We are clearly seeing the competition heating up in the more profitable lines of business. We're just hoping that people catch themselves" and recognize that "for the most part, the industry's barely achieving adequate returns, so to give back and to lose some discipline at this point would clearly be way too premature for a robust recovery and a sustainable recovery for this business."

Reinsurers are continuing to retain more business because of the higher rates, say observers.

"That's probably putting some pressure on the reinsurers," said Mr. Gallant.

"We see some desire on the part of companies to retain more," ERC's Mr. O'Donnell said. "It depends on the customer's comfort level with their own financial situation, their volatility appetite and their confidence in the pricing and underwriting of their underlying portfolio," he said.

At American Re, however, "we're beginning to see it level off," said Mr. Snyder. "There will still be some companies that continue to increase" their retentions for certain lines, but some companies are now running into balance sheet and rating constraints, and have taken on more volatility. There is a point when even the larger primary insurers need to lay off some of the volatility in order "to run a sound, stable business," he said.

At the end of the day, reinsurers "will have the upper hand on pricing and underwriting criteria," Mr. Ward said.

Meanwhile, some observers say the industry's reserve situation may have improved.

"They're certainly better off than they were a year ago," said Chris Winans, a senior property/casualty analyst with Lehman Bros. in New York. He added, though, "My sense is that they have more to 'fess up to than the primary companies do."

He said one area of concern is asbestos. While many primary insurers "put up big numbers from asbestos reserves over the past year and a half, I haven't really seen the other shoe drop on the reinsurance side. Yet every one of these companies that have put up large asbestos reserve additions claims to have 50% or better related recoverables," said Mr. Winans.

LARGEST U.S. REINSURERS' 2003 RESULTS

Ranked by net reinsurance premiums written. All amounts in thousands of dollars.

Reinsurer	Net reinsurance premiums written 2003	Net reinsurance premiums written 2002	Policyholder surplus (reinsurers only)	Net income (loss) 2003	Loss & loss-adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 2003	Combined ratio 2002
Employers Reinsurance Corp. Group[1]	$4,621,766	$4,644,272	$6,427,723	$(740,720)	$3,754,412	82.7%	$1,307,962	28.3%	111.0%	163.8%
General Re Group[2]	3,440,123	3,974,851	5,452,115	33,033	2,364,635	66.6	1,118,910	32.5	99.1	125.6
Transatlantic/Putnam Reinsurance Co.	3,100,365	2,336,650	1,851,187	1,164,318	2,049,873	70.1	813,122	26.2	96.3	102.1
Everest Reinsurance Co.	2,964,501	2,119,175	1,715,518	164,575	1,927,508	72.7	723,814	24.4	97.2	98.8
National Indemnity Co.	2,740,860	2,666,259	23,096,319	2,195,693	1,094,180	38.5	393,636	14.4	52.9	54.0
Swiss Reinsurance America Corp.[3]	1,988,501	1,283,006	2,504,705	(385,035)	2,061,464	109.8	571,863	28.8	138.5	113.3
Odyssey America Re/Odyssey Reinsurance Corp.[4]	1,911,168	1,493,119	1,553,067	110,471	1,188,891	68.1	549,921	28.8	96.9	98.3
American Re-Insurance Corp.[5]	1,583,531	1,207,463	3,344,008	461,569	1,354,842	84.6	302,446	19.0	103.7	291.5
Berkley Insurance Co.	1,396,715	940,484	1,174,543	74,854	819,260	66.6	359,916	25.8	92.4	100.3
Partner Re U.S.[6]	1,040,578	755,317	545,672	(33,587)	742,914	76.7	316,740	30.5	107.2	105.3
Folksamerica Reinsurance Co.	889,177	678,728	912,793	33,033	570,750	67.6	248,108	27.9	95.5	99.2
Converium Reinsurance (North America) Inc.	763,897	1,064,112	742,852	92,880	518,641	71.6	235,260	30.8	102.4	112.6
Platinum Underwriters Reinsurance Inc.	667,516	298,114	372,922	50,646	385,632	55.1	285,625	42.8	97.9	84.6
PMA Capital Insurance Co.	494,629	636,400	500,617	(49,587)	456,859	87.2	170,869	34.5	121.7	108.3
American Agricultural Insurance Co.	492,791	389,400	314,250	25,929	355,771	75.8	106,284	21.6	97.3	104.7
XL Reinsurance America Inc.[7]	427,045	411,084	1,636,913	(103,003)	559,152	137.0	61,137	14.3	151.3	112.0
Endurance Reinsurance Corp. of America[8]	423,688	0	395,966	(82,886)	152,774	68.8	162,076	38.3	107.1	N/A
QBE Reinsurance Corp.	389,652	330,172	354,292	11,722	258,258	68.8	122,394	31.4	100.0	97.5
SCOR U.S. Group/SCOR Reinsurance Co.	347,854	636,725	425,925	(273,197)	594,243	144.1	111,927	32.2	176.3	111.4
The Toa Reinsurance Co. of America,	278,673	229,789	306,677	20,105	222,181	81.9	67,944	24.4	106.3	102.6
Totals for Top 20	$29,963,030	$26,095,120	$53,628,064	$2,770,813	$21,432,240	74.2%	$8,029,954	26.8%	101.0%	121.3%
Totals for all companies	$30,630,787	$29,503,920[9]	$55,915,577	$3,079,364	$22,042,033	74.0%	$8,319,785	27.2%	101.2%	121.3%

1. Includes the combined results of Employers Reinsurance Corp., CORE Insurance Co., First Specialty Insurance Corp., Westport Insurance Corp., The Medical Protective Co. Corp., First Specialty Insurance Corp., The Medical Protective Co. and GE Reinsurance Corp. 2. All data presented for the North American property/casualty segment of the General Re Group. Includes certain intercompany and other adjustments. Excludes other affiliates of the Berkshire Hathaway Group.t Insurance Corp., First Specialty Insurance Corp., The Medical Protective Co. and GE Reinsurance Corp. 3. Represents only part of Swiss Re Group's business and includes a number of impacts including cessions to the parent. 4. Includes the combined results of Odyssey America Re Corp., Clearwater Insurance Co., Hudson Insurance Co., and Hudson Specialty Insurance Co. Reinsurance Corp. 5. Includes the combined results of American Re-Insurance Co., American Alternative Insurance Corp., and The Princeton Excess & Surplus Lines Insurance Co.
6. Includes the combined results of Partner Reinsurance Co. of the US and its subsidiary PartnerRe Insurance Co. of New York. 7. XL Reinsurance America's net underwriting results consist of the net pooled share of the combined underwriting results of the XL America Group Pool. All Pool members are wholly-owned subsidiaries of XL Reinsurance America Inc. 8. Net commissions and brokerage has been significantly affected by the substantial growth in 2003. It has also been materially affected by those expenses related to the acquisition of in-force business and renewal rights to the majority of the reinsurance business of HartRe. Premiums include all of those premiums associated with the acquisition of HartRe. 9. Total premiums written shown for December 2002 as those reported in the December 2002 Reinsurance Underwriting Report.
Source: Reinsurance Assn. of America

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Equitas: More deals expected

Continued from page 1

31, 2003, year-end, he added.

The policyholders and cedents also benefit from the settlements, they say.

The Travelers settlement "brings to resolution an open issue for us," a Travelers spokeswoman said.

The $10 million difference between the $255 million of net claims Travelers estimates it has with Equitas and the $245 million the company will receive is because the liabilities of some Travelers subsidiaries have been pooled and therefore are not part of the deal, she said.

According to Michael Lewis, an analyst at UBS Warburg in New York, the deal enables Travelers to settle its liabilities at reasonable terms.

"It makes sense for Travelers to get these asbestos issues out of the way before the merger" with The St. Paul Cos. Inc., he noted. That merger is expected to be completed in April.

While Travelers has said that the deal will likely have no impact on its financial results, "it is always good to take some of the uncertainty out," said John L. Ward, chairman and chief executive officer of the Cincinnati-based Ward Group.

Such global deals are generally beneficial to policyholders, as "they get a fixed sum now," said Leslie-Ann Giovnilli, head of AMS (Reinsurance) Services Ltd. and secretary of the London-based Assn. of Run-Off Companies.

"In the runoff market, it is always sensible to deal with the companies early on, as time never improves a runoff company's books," she said.

There are frequent market rumors about the long-term financial viability of Equitas, and fears about the company's future may prompt some companies to seek settlements with Equitas sooner rather than later.

However, a spokesman for Equitas rebutted those fears and said that the runoff reinsurer's solvency ratio is higher now than it was when Equitas was originally set up a decade ago.

Nevertheless, one London market legal source said that there was a feeling in the market that Equitas is now entering "an endgame phase."

"When you see settlements like the Halliburton payment, it does give rise to increased concern as to whether the more dire predictions (about Equitas' survival) may be …on the mark," said Laurence Eisenstein, a policyholder attorney at Washington-based Eisenstein Malanchuk.

Some clients are moving quickly to seek settlements with Equitas because of "fears as to whether the Equitas money will last," he said.

"And there is no question that is a motivator for many companies to be pressing toward closure of their London market claims now, rather than sitting on them until later," Mr. Eisenstein said.

Part of the consideration that goes into calculating settlement deals with Equitas is a discount for the risk of Equitas becoming insolvent, noted John Sylvester, a partner at Kirkpatrick & Lockhart L.L.P. in Pittsburgh.

"Everybody understands that Equitas is keen to settle, (but) not everyone will be prepared to accept the amount that Equitas is willing to pay," he said.

The settlements are usually for an amount that is significantly less than the estimated liabilities, said Marc Mayerson, a partner at Spriggs & Hollingsworth in Washington.

Policyholders entering into such deals are effectively giving Equitas a "credit-risk discount" in order "to get something rather than nothing," he said.

But Mr. Mayerson believes that, should Equitas ever become insolvent, policyholders would have recourse to Lloyd's funds, including the trust funds that Lloyd's holds in the United States. Therefore, he said, policyholders should not necessarily base their settlement decisions only on concerns about the strength of the runoff reinsurer's balance sheet.

The Equitas spokesman would not comment on how the settlement amounts compare with estimated liabilities.

NAIC: Panel to eye RRG regs

Continued from page 4

part, for the economic benefits of RRG growth.

Meanwhile, in other developments at the NAIC meeting, regulators:

- Tabled a proposed white paper that sought to reclassify temperature-related weather risk derivatives as insurance products rather than as securities (*BI*, Feb. 9).

The NAIC's Crop Insurance Working Group, which had initially proposed adoption of the white paper, withdrew its support and the P&C Insurance Committee voted to table the matter, pending the receipt of additional information.

The proposed reclassification of weather derivatives generated a lot of opposition from other regulators as well as industry groups, including the Washington-based Weather Risk Management Assn.

- Learned that more than 20 states are considering adopting the NAIC's Interstate Insurance Product Regulation Compact, which creates uniform national product standards for primarily life and disability-type products and centralizes insurer filing requirements. As of late last week, the governors of Colorado and Utah had signed enabling legislation and similar bills were awaiting signatures in Virginia and West Virginia.

Collateral talks to be informal

By MEG FLETCHER

NEW YORK—State insurance regulators hope that a change in approach will hasten the resolution of a controversial request to reduce U.S. collateral requirements on so-called "unauthorized" reinsurers, most of which are non-U.S. companies.

During the National Assn. of Insurance Commissioners' recent meeting in New York, the NAIC's Reinsurance Task Force unanimously voted to table its formal consideration of the collateral requirement issue. The task force then adopted a resolution calling for interested persons to meet informally, discuss the issue in a broader context and develop alternatives for U.S. regulators to consider at an unspecified time in the future.

The resolution states that the task force now will defer further consideration "of any proposals to amend the NAIC Model Law on Credit for Reinsurance," though it will continue discussions on other topics pertaining to non-U.S. reinsurers, such as the enforceability of U.S. court judgments as well as proposals to standardize accounting guidelines worldwide.

For more than two years, the task force has been deliberating a proposal advanced by primarily non-U.S. reinsurers to reduce collateralization requirements for an approved list of financially stable reinsurers (*BI*, Sept. 1, 2003). Proponents of the plan say that U.S. law, which requires most unauthorized reinsurers to post collateral in U.S. trust accounts equal to 100% of the gross liabilities they assume for U.S. cedents, is excessive for secure reinsurers, explained David Matcham, director of operations for the London-based International Underwriting Assn.

Mr. Matcham said he considers the NAIC's new approach "positive," and understands that "there is a commitment to get things done," perhaps by year-end. In part, he welcomed the task force's decision to eliminate a moratorium on discussing the issue until March 2009.

While some U.S. reinsurers and ceding insurers said that timeframe might be unrealistic, they acknowledged that advances may be made by broadening the discussion to consider other options, such as parental guarantees, a new trust mechanism or credit for qualifying retrocessions.

The task force resolution is significant because "it is the first time the NAIC has put in writing its goals and principles for evaluating collateral requirement alternatives," said Bradley Kading, senior vp and director of state relations for the Washington-based Reinsurance Assn. of America.

Those goals are consumer protection, enhanced solvency and security of insurers and equitable treatment for both authorized and unauthorized insurers, according to the resolution.

Also at the meeting, Maine Insurance Superintendent Alessandro Iuppa took over as Reinsurance Task Force chair, replacing Georgia Insurance Commissioner John Oxendine. Mr. Oxendine—who has assumed new responsibilities as the NAIC's new liaison to the Hague Conference, a body devoted to harmonizing international laws—will continue to serve on the task force as vice chair.

WTC: Which form?

Continued from page 3

or the Travelers form—governs the participations of about a dozen insurers on the $3.55 billion WTC property program.

Insurers contend they bound coverage on the Wilprop form, which was included with Willis' original underwriting submission, and which courts have ruled would treat the WTC's destruction as one event.

Silverstein argues that the program was being shifted to the Travelers form and that insurers either knew that or waived agreement to the policy wording. Silverstein contends that the Travelers form would treat the loss as two events, entitling it to two policy limits.

The insurers rested their case last Tuesday after several weeks of testimony. Silverstein then launched its own case, calling Larry Silverstein as its first witness.

Apart from giving testimony, Mr. Silverstein has been banned from the courtroom by Judge Michael B. Mukasey, who found last week that the developer violated a court order against public comment on the dispute (see story, page 23).

Mr. Silverstein testified briefly that he pushed his employees to complete the insurance placement in time for the July 24, 2001 closing on the WTC lease. He also said he contacted insurance coverage lawyers within two days of the Sept. 11 attack at the urging of a friend, who warned him that he was "facing a major problem" with the WTC program.

Mr. Boyd—whom insurers had called as a hostile witness last month—testified next for Silverstein.

Mr. Boyd told jurors he notified several underwriters on the WTC risk in phone conversations and meetings in mid-July 2001 of the switch to the Travelers form. They included officials of Federal Insurance Co., Lexington Insurance Co., Employers Insurance of Wausau, Zurich American Insurance Co. and Royal Indemnity Co., he testified.

While admitting that the form switch was a "material" change, Mr. Boyd also conceded that he made no written record of the conversations or insurers' alleged agreement to the form. He said he didn't have time to exchange e-mails on the subject and that the form "just wasn't a big issue with underwriters."

Several underwriters who testified that they were never told about the form switch were not recalling the conversations correctly, Mr. Boyd said. He also testified that he never sent the Travelers form to any of the insurers before Sept. 11 because Willis was still negotiating its terms.

Lawyers for the insurers zeroed in on the lack of written evidence of the form discussions.

Christopher Finazzo, a lawyer for Employers of Wausau, noted that Mr. Boyd mistakenly believed he had also told a Bermuda-based Willis colleague, David Holmes, of the form switch. Mr. Holmes, who said he was not told of the switch, used the Wilprop form in binding coverage with ACE Ltd. and XL Capital Ltd., which later settled on a one-occurrence basis.

"So it's possible that you forgot to tell David Holmes with whom you were placing this program, but not possible that you forgot to tell any of the underwriters?" asked Mr. Finazzo, who is with Budd Larner in Short Hills, N.J.

"That's correct," Mr. Boyd said.

Mr. Boyd conceded that on July 16, 2001—several days after he said the program had been switched to the Travelers form—he e-mailed the Wilprop form in a last minute submission to an underwriter he hoped to use on the program, with a note saying that the final form would either be a modified version of Wilprop or possibly a Travelers form.

Wilprop was "in fact an option that you were keeping open on July 16th, was it not?" Mr. Finazzo asked.

"That's not correct," Mr. Boyd said.

"Then if it wasn't, why did you say this, sir?"

"Because I made a mistake."

Mr. Boyd said he later told the underwriter in a phone call that the Travelers form would be used.

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Late News

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based on allegedly fraudulent coverage applications does not absolve AEGIS from its obligation to pay the defense costs of John J. Rigas, the former chairman of Adelphia, and other former directors and officers of the company.

Pennsylvania governor proposes med mal reforms

Pennsylvania Gov. Edward G. Rendell has unveiled a package of medical malpractice liability reform initiatives that he says should bring stability to an already improving malpractice climate in the state. The proposals include basing attorney and referral fees in medical malpractice cases on the size of the award, creating a mediation program involving hospitals and health systems, and giving judges greater powers to limit what the governor called "runaway" awards.

Autoliv boosts 401(k), phases out DB plan

The U.S. unit of a Swedish manufacturer of automotive safety equipment is beefing up its 401(k) plan for new employees and winding down its traditional defined benefit pension plan. Autoliv Inc. will provide an automatic contribution equal to 2% of salary to its 401(k) plan for employees hired as of Jan. 1. That contribution is in addition to Autoliv's 50% match of employees' salary deferrals, up to 6% of pay. Employees hired as of Jan. 1 will not be covered by Autoliv's defined benefit plan.

Bill promotes mitigation of windstorm losses

The federal government should take a more active role in mitigating windstorm losses, according to some members of Congress. The National Windstorm Impact Reduction Act—H.R. 3980—calls for the creation of a new federal interagency program to reduce windstorm losses. The bill, introduced earlier this month by Reps. Randy Neugebauer, R-Texas, and Dennis Moore, D-Kan., calls for developing a better understanding of how high winds affect structures, enhancing collection of data and analysis of windstorm damage, and implementing mitigation strategies.

Multiemployer plan funding declines

Battered by poor equity returns and mandated low interest rate assumptions, the funding level of multiemployer pension plans has slipped significantly in the past two years, a survey concludes. In a survey of multiemployer plans conducted by The Segal Co. of New York, the average funding level was 87%. The survey was based on the 2002—or, in some cases, 2001—plan years. That compares with an average funding level of 95% in Segal's prior survey, which covered the 2001 and 2000 plan years.

N.Y. comp reform plan seeks cost reductions

Gov. George Pataki announced a workers compensation reform plan that he said would reduce employer costs by 15% while increasing maximum weekly indemnity benefits to $500 from $400. The proposed legislation would create employer savings by expanding an existing permanent partial disability benefits schedule to include more injury types, the governor said in a statement.

PHOTO: AP WIDE WORLD

Gov. Pataki

Senate may revisit malpractice reform

The Senate is likely to consider another medical malpractice liability reform bill before its spring recess next month. The bill, the Pregnancy and Trauma Care Access Protection Act—S. 2207—would, among other things, limit the malpractice liability of emergency room personnel and medical professionals providing obstetric and gynecological services. It would cap noneconomic damages at $250,000 and cap punitive damages at the greater of $250,000 or twice economic damages.

Medicare trustees warn of funding shortage

The employer- and employee-funded trust that pays for hospital expenditures covered by the Medicare program is projected to go broke by 2019, seven years sooner than was earlier projected, Medicare trustees reported last week. The trustees attributed Medicare's deteriorating financial state to greater-than-expected hospital costs and lower-than-expected revenues from payroll taxes, which stemmed from a recession-related decline in the number of people working. The Medicare hospital trust fund is funded through a 1.45% tax paid on wages by both employers and employees.

Group seeks to reduce global forum shopping

The United States is fast becoming the world's legal venue of choice, according to the U.S. Chamber of Commerce. In response to that trend, the Chamber's Institute of Legal Reform has established the Coalition to Curb Global Forum Shopping. The coalition will push for adoption of an international agreement on jurisdiction to keep out of U.S. courts those suits that have only a tangential tie to U.S. interests.

OPRA issues first fine over pension-access law

The United Kingdom's pensions regulator has imposed the first-ever fine on an employer for failing to provide employees access to a stakeholder pension plan or better alternative. The Occupational Pensions Regulatory Authority levied a one-time fine of £10,000 ($18,320) on fruit and vegetable processing company Flowfood Ltd. for failing to comply with the stakeholder law, the regulator said in a statement.

Briefly noted

The Occupational Safety and Health Administration has issued new safety and health guidelines to help prevent employees from contracting the **avian flu** virus, which can spread from contaminated soil or dust. OSHA is urging frequent hand washing and respiratory protection for those who work with infected animals, among others. The guidelines are available at *www.osha.gov*....The court-appointed bankruptcy monitor of **Air Canada Inc.** has asked a judge to approve an extension of the company's bankruptcy protection until April 30. The request was made in part because several issues related to the company's funding and structure of its pension plans remain unresolved. Air Canada is scheduled to emerge from bankruptcy protection on April 1....Giorgio Balzer, chairman and chief executive officer of **Generali USA Life Reassurance Co.**, has assumed the additional title of president of the life reinsurer. He replaces Gordon Jardin, who is leaving the company.

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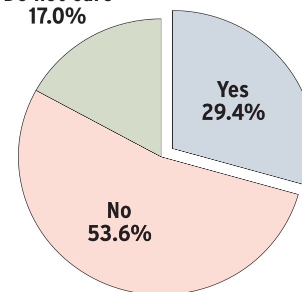
Items in the Late News column originally appeared in *BI*'s Daily News feature on *www.businessinsurance.com.* Visit the *BI* Web site to sign up to receive *BI*'s Daily News by e-mail.

Online Poll

[3/22-3/26]

Should Congress reauthorize the Terrorism Risk Insurance Act?



BI Stock Index

[3/22 - 3/26]

Up-to-the-minute data for all 87 companies that comprise the *BI* Stock Index can be found at *www.businessinsurance.com.*

Percentage change of *BI* Stock Index vs. key indicators

Index	Value	Change
BI Stock Index	2270.41	-0.84
Dow Jones	10213.00	0.26
S&P 500	1108.06	-0.15

Largest gains

Company	Change
Vesta Insurance Co.	15.18%
Penn-America Group Inc.	5.24%
Baldwin & Lyons Inc.	5.22%
Hub International	4.83%
Gainsco Inc.	4.71%

Largest losses

Company	Change
ESG Re Ltd.	-13.79%
EMC Insurance Group Inc.	-10.04%
Humana Inc.	-7.94%
SCPIE Holdings Inc.	-7.19%
American Safety Insurance	-6.69%

Weekly change by market segment

Segment	Change
Brokers	0.61%
Insurers/Reinsurers	-0.69%
Managed Care Organizations	-1.14%

Source: FinancialContent Inc. (*http://financialcontent.com)*

WTC trial judge rules Silverstein not in contempt of court

NEW YORK—A federal judge has declined to find World Trade Center leaseholder Larry Silverstein in contempt of court despite concluding that Mr. Silverstein violated a court order by publicly criticizing insurers for failing to agree to a double payout of the WTC's $3.55 billion policy limit.

U.S. District Judge Michael B. Mukasey decided last week that branding Mr. Silverstein with a contempt ruling would have a "highly prejudicial" effect on the ongoing insurance coverage case. The jury in the case is not likely to be "thrown off stride" by Mr. Silverstein's remarks and may be reminded in instructions to disregard such comments or even take them as an indication that the party making them believes its own case to be weak, Judge Mukasey found.

London insurers sought a contempt ruling after Mr. Silverstein said at a March 15 press event that he is fighting with insurers "to achieve the money that's going to be necessary for the rebuilding of downtown." Mr. Silverstein said he expects to recover $7 billion of the rebuilding effort's projected $12 billion cost from insurers, and that "instead of getting insurance, we got ourselves a massive amount of litigation."

At a March 18 hearing on the contempt motion, Mr. Silverstein testified that he was told in a conference call that the judge had lifted an order barring public statements on the case. He said that he could not remember who told him this, though, and that he did not attempt to confirm the status of the order himself.

Mr. Silverstein also testified that he spoke about the insurers out of frustration with the progress of the dispute and that he nevertheless understood he was not to make statements that might influence jurors.

Ruling on the contempt motion March 22, Judge Mukasey labeled Mr. Silverstein's explanations "contradictory" and said they "strained credulity." The judge found that Mr. Silverstein had violated his order barring public comments but decided that a contempt ruling could be more damaging to a fair trial than Mr. Silverstein's comments themselves had been.

Judge Mukasey also suggested he would revisit the contempt issue if any of the parties violates the order again.

The trial, now entering its seventh week, will determine whether WTC property insurers bound coverage on a Willis Group Holdings Ltd. manuscript form that defines the Sept. 11, 2001, terrorist attack as a single event, or on a Travelers Property Casualty Corp. form. Silverstein Properties Inc. contends the coverage was shifted to the Travelers form, which the developer says would treat the loss as two events, entitling it to two policy limits.

—Douglas McLeod

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Business Insurance

Special Take-Out Section

Benefits Management

March 29, 2004

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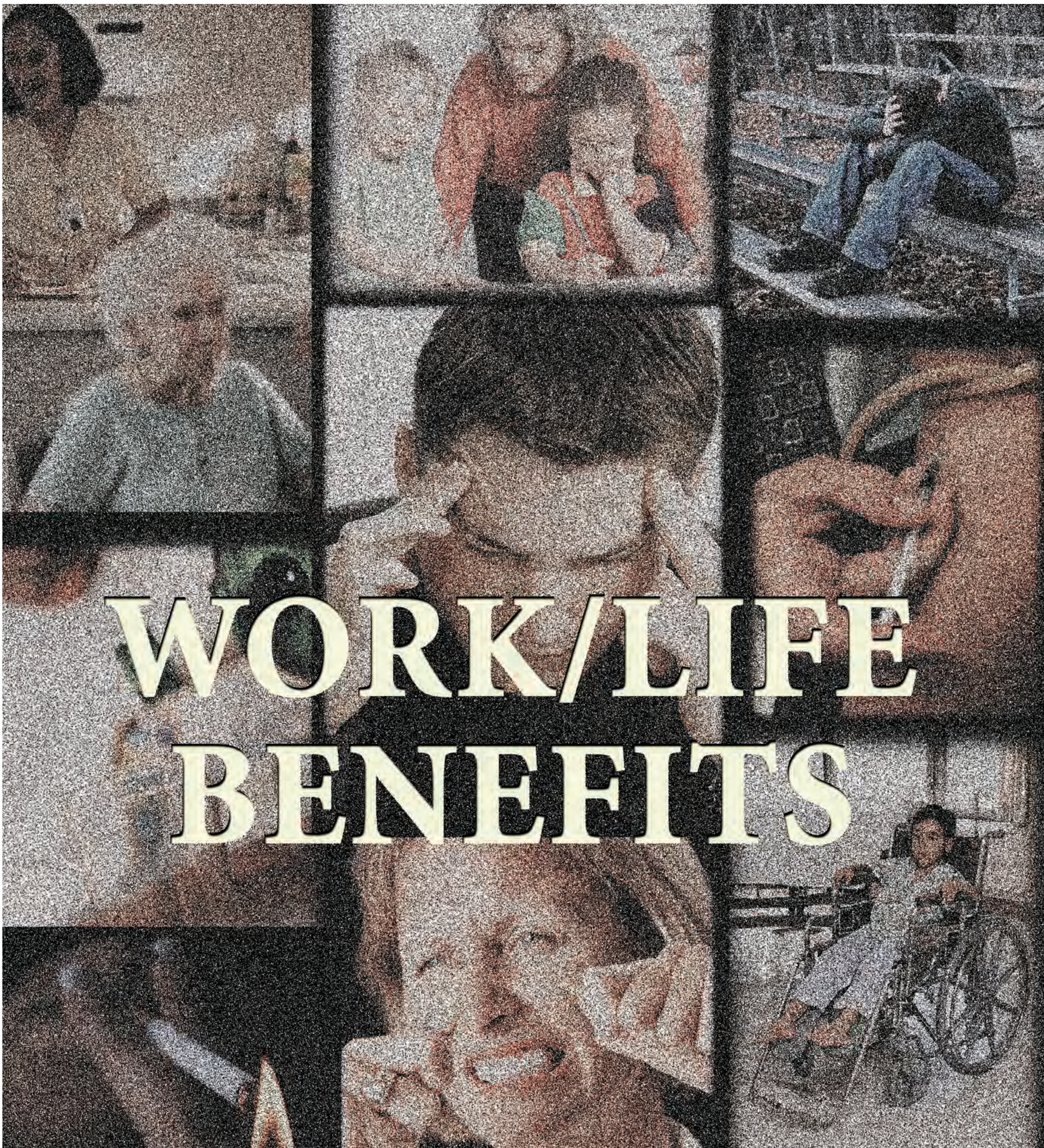

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Business Insurance

Special Take-Out Section

Benefits Management

March 29, 2004

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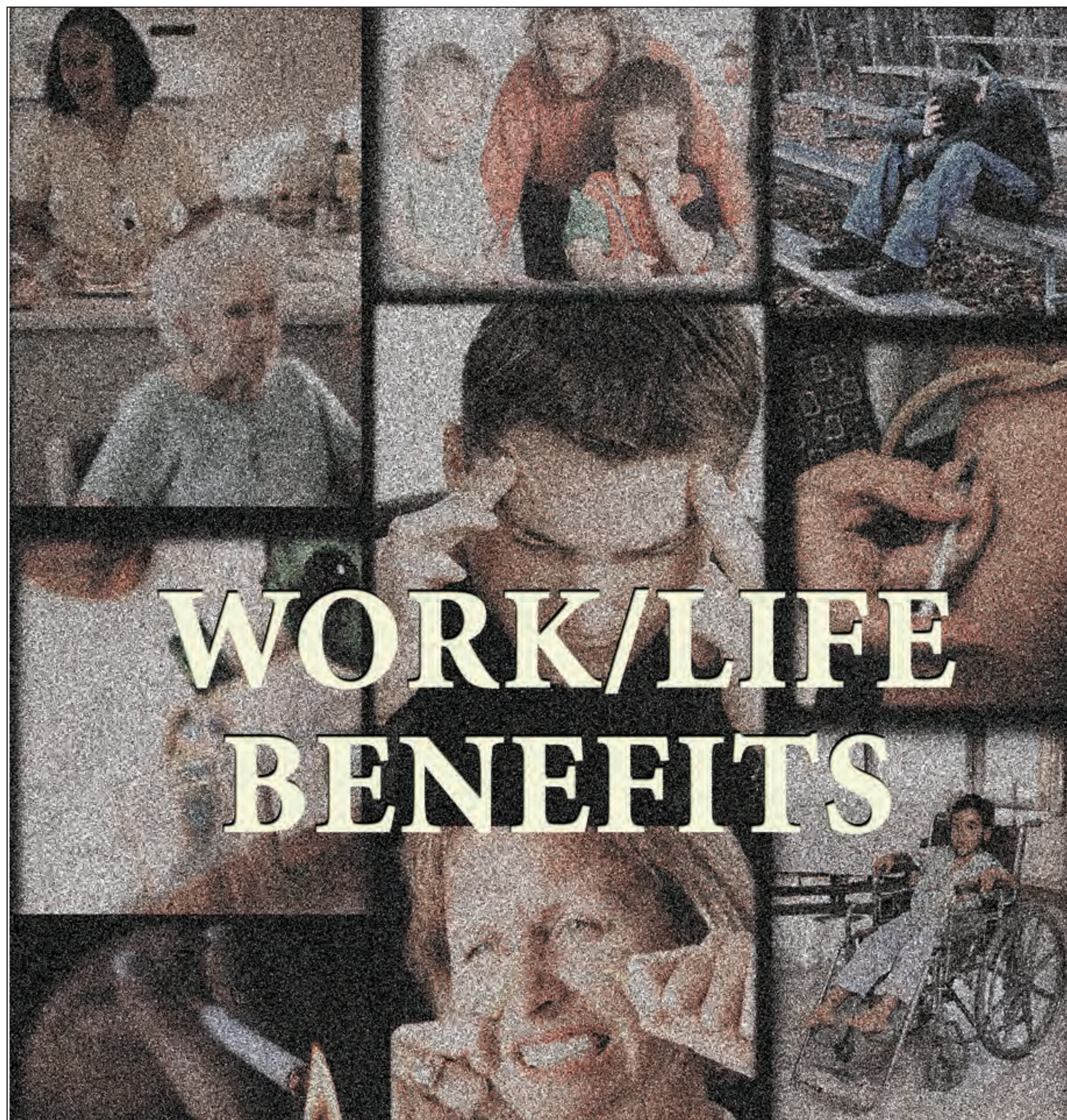
The full Directories of Employee Assistance Program Providers and Dependent Care Resource and Referral Service Providers are available online, in the directory area of *www.businessinsurance.com*. The searchable directories allows registered subscribers to find information on providers by using various search criteria, including company name, number of covered lives, revenue, number of clients, among other information. PDF copies of this and other *BI* directories can be purchased by e-mailing the Crain Information Center at *biorders@crain.com*.



Depression's impact on costs spurs changes in treatment

By JOANNE WOJCIK

Though employers increasingly acknowledge that depression is among their biggest drivers of health care expense, efforts so far to treat the problem are achieving only minor success.

Because most medical care of this disease is administered by primary care physicians—not mental health specialists such as psychiatrists and psychologists—and the most popular treatment is antidepressant drugs, also prescribed by PCPs, previous carveout programs that address depression independently haven't made much headway, mental health experts say.

Moreover, despite the avalanche of advertising promoting the use of antidepressant drugs, the condition still carries a stigma, which is why many people seek treatment from PCPs rather than going directly to mental health professionals. In fact, most depression is discovered only after a patient has been treated for another, seemingly unrelated, condition such as low-back pain, heart disease or asthma, experts say.

But because of the increased recognition of depression's impact on health care costs, health plans are beginning to integrate treatment for the condition into disease and disability management programs that could, ultimately, lead to better outcomes and lower costs for employers.

While most mental health experts usually point to a 1990 RAND Corp. study that found depression costs employers $44 billion annually as a benchmark for the extent of the problem, more recent studies and empirical evidence show this estimate to be low.

For each two depressed workers who receive treatment, an additional three remain untreated, according to a study published last year in the Journal of Clinical Psychiatry. And while one American in six will suffer a bout of major depression at some point in his or her lifetime, only about a fifth of those people will receive appropriate treatment, the study found.

The study also found that, in 2000, the annual cost of depression was $83 billion, including $51.5 billion incurred by employers as a result of absenteeism and reduced productivity of depressed workers, $26.1 billion spent on direct treatment costs and $5.4 billion in lost income due to depression-related suicides.

Depression "is probably the leading cause of disability. It is certainly the leading cause of presenteeism and a significant contributor to absenteeism," said Dr. David J.M. Whitehouse, corporate medical director for quality and account services for CIGNA Behavioral Health

See DEPRESSION/page T6

Joint EAP, work/life programs cut costs

By JUDY GREENWALD

A growing number of employers are moving toward integrated work/life and employee assistance programs, spurred by cost savings, ease of use for employees and higher utilization rates.

Employers, consultants and vendors say these combined programs offer a "one-stop" option that permit companies to effectively help their employees with complex personal problems while cutting costs and eliminating administrative duplication.

More employers are turning to these joint programs, say many observers. "The trend is definitely towards integration," said Mary Ann Gornick, senior adviser on work/life issues for Raleigh, N.C.-based Workplace Options Inc. "We're seeing more and more companies who are looking at blending the two services."

Deerfield, Ill.-based Baxter International Inc. plans to launch its combined program in April, said Alice Campbell, director of work/life benefits. "It's clearer and cleaner in terms of communicating" the program to employees and costs less, she said. Ms. Campbell estimates the move to one vendor for both EAP and work/life referral programs will cut costs by a third.

"You can offer more services for the same or less money," said Sandra Turner, Cleveland-based director of Ernst & Young's EY/Assist integrated program. The firm introduced its program in 1995, after its new vice chairman for human resources asked, "'Why do we have two different services? Why can't these two be done together?' and we said, 'That's a good question. We'll get back to you.' It was one of those blinding flashes of the obvious."

Furthermore, "there's a logical and natural continuum that these services suggest," said John Dillon Riley, San Ramon, Calif.-based manager of employee assistance, work/life and health and productivity services for ChevronTexaco Corp., which integrated its EAP and work/life programs in 1998.

See INTEGRATED/page T8

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LARGEST EAP PROVIDERS BY EMPLOYER CLIENTS

Ranked by employer clients of EAP services

Company	Employer clients
ComPsych Corp.	5,600
Magellan Health Services	1,805
Claremont Partners Inc.	1,215
Horizon Behavioral Services Inc.	1,185
Ceridian	1,150

Source: *BI* survey

LARGEST EAP PROVIDERS BY REVENUE

Ranked by revenue derived from EAP services

Company	Revenue
Magellan Health Services	$197,000,000.00
ComPsych Corp.	$70,400,000.00
Managed Health Network Inc. dba MHN	$66,813,346.00
CIGNA Behavioral Health	$46,300,000.00
ValueOptions Inc.	$36,000,000.00

Source: *BI* survey

Largest EAP providers

Ranked by number of lives covered at year-end 2003

Rank	Company/Address	Phone/Fax/Web site	Lives covered	Employer clients	Salaried employees	Contracted employees	Principal officer
1	ComPsych Corp. NBC Tower, 455 Cityfront Plaza Drive, 13th Floor Chicago, Ill. 60611	800-851-1714 Fax: 312-595-3125 *www.compsych.com*	21,700,000	5,600	327	23,074	Richard A. Chaifetz, chairman/CEO
2	Magellan Health Services 6950 Columbia Gateway Drive Columbia, Md. 21046	410-458-2740 Fax: 410-953-5200 *www.magellanhealth.com*	14,300,000	1,805	4,522	57,000	Steven Shulman, chairman/CEO
3	Ceridian 3311 E. Old Shakopee Road Minneapolis, Minn. 55425-1640	800-729-7655 Fax: 314-872-8805 *www.myceridian.com*	8,600,000	1,150	450	4,061	Robert H. Ewald, president-human resource solutions
4	CIGNA Behavioral Health 11095 Viking Drive Eden Prairie, Minn. 55346	952-996-2000 Fax: 952-996-2659 *www.cignabehavioral.com*	5,600,000	895	941	14,435	Keith Dixon, president/CEO
5	VMC Behavioral Healthcare Services 100 S. Greenleaf Gurnee, Ill. 60031	847-625-3500 Fax: 847-249-2772 *www.vmceap.com*	4,250,000	303	228	17,520	Mary Vasquez, president/CEO
6	ValueOptions Inc. 240 Corporate Blvd. Norfolk, Va. 23502	757-459-5200 Fax: 757-459-5219 *www.valueoptions.com*	3,774,527	627	4,000	61,496	Ronald I. Dozoretz, chairman/president/CEO
7	Claremont Partners Inc. 1050 Marina Village Parkway, Suite 203 Alameda, Calif. 94501	800-834-3773 Fax: 510-337-8833 *www.claremonteap.com, www.claremontpartners.net*	3,152,100	1,215	200 [1]	18,215	Tom Bjornson, CEO
8	Managed Health Network Inc. dba MHN 503 Canal Blvd. Port Richmond, Calif. 94804	800-488-8449 Fax: 510-620-6400 *www.mhn.com*	3,145,036	532	917	35,463	Jerry V. Coil, president/CEO
9	Optum 6300 Olson Memorial Highway Golden Valley, Minn. 55427	800-884-8458 Fax: 763-797-2532 *www.optumanswers.com*	3,134,677	275	861	3,000 [1]	Jeannine M. Rivet, president/CEO
10	Horizon Behavioral Services Inc. 1500 Waters Ridge Drive Lewisville, Texas 75057	877-232-8172 Fax: 972-420-8247 *www.horizoncare.net*	2,547,370	1,185	271	23,122	Jackie L. James, president

1 estimated

Source: *BI* survey

Visit *www.businessinsurance.com* for more information and to access the full, searchable Directory of Employee Assistance Programs Providers.

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Depression: Treatment efforts

Continued from page T3

in Waterbury, Conn.

"Depression is huge," agreed Gary Earl, vp-benefits at Caesars Entertainment Inc. in Las Vegas. "After pregnancy and childbirth, depression is our second-highest utilization for hospital stays among our women."

Caesars' experience mirrors data published by the Agency for Healthcare Research & Quality in "Care of Women in U.S. Hospitals: 2000." That report found depression to be the second-most-common reason for hospitalization for women age 18-44, after pregnancy and childbirth.

Furthermore, the incidence of depression among casino employees is about 20.3%, compared with the U.S. average of 8%, "so we're high-stress, high-depression," he said.

But even beyond that, Mr. Earl said, he believes that "75% of all health-related issues have an emotional or behavioral root."

"Seventy-five percent of all health claims are lifestyle-related and could stem from behavioral health problems like depression that could put a significant dent in the health costs employers are facing," said Tom Bjornson, chief executive officer and founder of Alameda, Calif.-based Claremont Partners Inc. employee assistance plan.

Obesity, fast becoming America's No. 1 health issue, could also stem from depression, said Mary Beth Chalk, chief operating officer of Resources for Living, an EAP in Austin, Texas, that was launched in 1988 by Sam Walton, the founder of American retailer Wal-Mart Stores Inc., as a behavioral wellness company.

"We're collecting data on co-morbidity of depression with obesity," Ms. Chalk said. "We have found that it's very interrelated."

Pharmacy data can indicate the prevalence of depression in a workforce, according to David Campbell, vp of quality management at ComPsych, an EAP provider in Chicago.

If antidepressants come in second or third in pharmaceutical cost and usage, but claims experience doesn't show a high incidence of depression diagnoses, "there's a disconnect" that can be partly blamed on patients seeking help from PCPs rather than mental health professionals, Mr. Campbell said.

"People go into their primary care physician and talk about feeling tired. First they look for a medical condition, and if there is none, the doctor treats it with medication, but no talk therapy is prescribed," he said.

In some cases, physicians miscode treatment for depression because they don't think they will be compensated, despite federal legislation mandating parity for mental health treatment, according to research conducted by the Mid-America Coalition on Health Care, which in 1998 launched an initiative to destigmatize depression (*BI*, Jan. 1, 2002).

"PCPs are concerned they may not get reimbursement from the health plan, and the plans think employers don't want them to pay," said William Bruning, president and CEO of the Kansas City, Mo.-based employer coalition.

To combat this, the coalition has organized a task force to design interventions aimed at improving the diagnosis and coding of and ensuring consistent reimbursement for the treatment of depression, he said.

But depression is not always the first diagnosis when a patient seeks treatment, according to Dr. Barton Margoshes, chief medical officer at CIGNA Group Insurance in Philadelphia, who recently completed a study that examined the role of behavioral issues in disability.

The study found that 45% of those receiving treatment for depression and other mental health conditions received those treatments resulting from nonmental health disabilities. In particular, CIGNA's study found depression to be prevalent in 7% of cardiac patients, 11% of patients with asthma and 37% of those with low-back pain.

"A back is not necessarily a back. A back is a person who has the usual life stressors that everyone else has but also has to deal with a chronic condition, which adds to the stress on the individual," Dr. Margoshes said.

"Depression is one of the most common co-morbid conditions," said Alex Jung, senior health care consultant at Watson Wyatt Worldwide Inc. in Chicago. "You see it as a before or after another condition. For example, depression and obesity are very common. Also, people being treated for cancer get depressed. Cardiac patients also can suffer from depression. Or diabetes."

Still, "there are a lot of undiagnosed people who aren't getting necessary treatment. Just like those with cholesterol problems," Ms. Jung said.

Resources for Living's Ms. Chalk estimates that while just 10% of those who have heart disease go undiagnosed, as many as 20% to 25% of the population that suffers from depression receives no diagnosis of its depression.

But even those who are diagnosed may not be effectively treated if they are receiving antidepressants without being referred to psychotherapists, mental health experts warn.

"Research shows that psychotropic drugs are only effective in 40% of the cases if administered alone," said Ms. Chalk.

To ensure that patients diagnosed with depression receive proper treatment, health plans and EAPs are creating disease management programs that integrate treatment of the disease with other employee health benefit programs.

"We are truly integrating behavioral health into everything we do," said Mr. Earl of Caesars, whose EAP, called LifeStrides, closely monitors employees for signs of depression, beginning with their first encounter.

Depression treatment is also "being added to many of the regular disease management programs—diabetes, back pain and so on," said Dr. Whitehouse.

"Employers have made huge strides in trying to address it in the workplace by introducing EAP programs and integrating it into medical and short-term disability benefits," said Ms. Jung of Watson Wyatt.

And, "because of the parity act, it's being treated like any disease, so coverage is more available," she said, adding that the results of such interventions have been heartening. "In more than 80% of the cases where it's been identified and it's been treated, the treatment is very effective. So we know the treatment works—a combination of medication and talk therapy," she said.

"Disease management in depression has been very slow in coming," said Dr. Whitehouse. "That's one of the sad things."

But "we have treatments, and we know the treatments are effective, so it's crazy that people suffer and employers suffer through lost productivity and so on when the treatments are helpful," he said.

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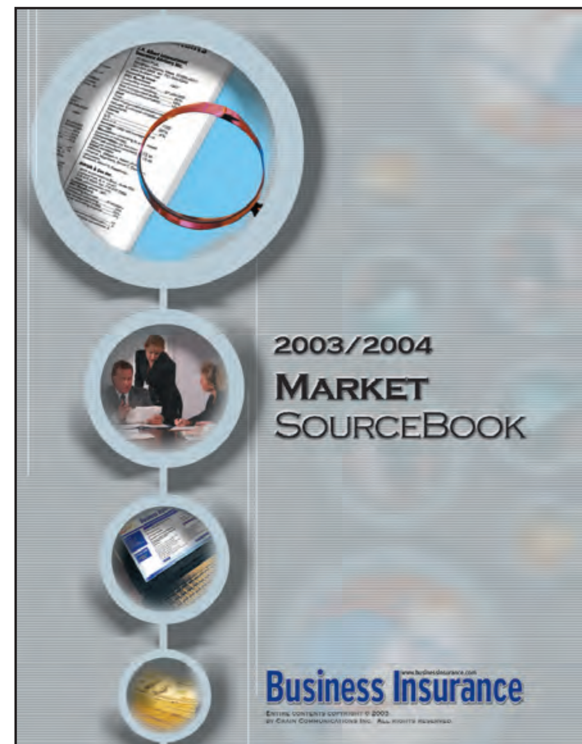

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Integrated: More are mixing EAP, work/life programs

Continued from page T3

The move to integrated programs is "consistent with a trend towards consolidation and reducing the number of vendors that a company has to work with, which is increasingly common," said Joan Pearson, a principal with Towers Perrin in Seattle. There is usually a reduction in cost by having one vendor in place of two, she said.

Integrated programs are easier to administer, say observers. Employers "now have one account executive, one IT platform to deal with, one set of integrated reports, one invoice" as well as one communication plan, said Jean Holbrook, Boston-based director of product management for Ceridian Corp., which provides these programs.

Separate programs can also be cumbersome, said Alan Youngblood, Warren, N.J.-based assistant vp with Aon Human Capital Services. If there is an earthquake in California, to which Web site do you refer employees? he asked.

Observers say integrated programs can resolve such a dilemma as to which program to call. "I think employees appreciate its simplicity," said Ms. Pearson. "It is not unusual for people to have an issue that the EAP as well as the work/life company can address."

For instance, parents who have just learned their child is autistic commonly try "to get some help understanding the condition, some help knowing what child care resources are available. It may be helpful for the family to get some therapy in terms of how to most effectively deal with an autistic child. It may be necessary to refer someone to a community support group for parents," said Ms. Pearson.

"Some of those resources come from an EAP, and some come from a work/life program, so having one call to make, or one Web site to visit, I think, increases the chances that people get all the resources they need," she said. "The more serious the problem, the more likely it is, in my opinion, that both EAP and work/life have a contribution to make."

Furthermore, "there's really some value to that single point of entry" because people "don't always present the real issue," said Ms. Holbrook. In one case, she said, a mother called to say she needed afterschool care the following week for her child. When she made the same request again just a few weeks later, she was questioned.

As it turned out, "her child was setting fires in the afterschool program, and another whole kind of clinical support" was needed. Without an integrated program, where the right questions were asked, "she would never probably have been able to say, 'I'm worried about my child's emotional well-being,'" Ms. Holbrook said.

With EAP and work/life programs' integration, "you also have a destigmatization of the traditional mental health components that were tied more specifically to an EAP," said Richard A. Chaifetz, chairman and CEO of Chicago-based ComPsych Corp.

Combining EAP and work/life can make sense. 'Having one call to make, or one Web site to visit, I think, increases the chances that people get all the resources they need.'

Joan Pearson
Towers Perrin

Observers note the integration between EAP and work/life programs follows a wave of consolidation that occurred several years ago when it became increasingly common to merge EAP and managed behavioral health care services.

In fact, there are signs of yet another impending wave of consolidation, with health and fitness programs being added to the EAP and work/life elements as well. Chevron's Mr. Riley said his company is now in the process of rolling out such a combined program.

Meanwhile, the decision as to whether the EAP program is rolled into the work/life program or vice versa depends on the situation, say observers. "It really depends on what has been in place within a particular company," said Aon's Mr. Youngblood.

However, Jon Van Cleve, a work/life consultant with Lincolnshire, Ill.-based Hewitt Associates Inc., said work/life programs are more frequently becoming the gatekeeper for the integrated program. Many employees are more comfortable approaching the work/life program and may believe there is some stigma attached to contacting an EAP if, for instance, they only need child care, he said.

Communicating the combined program when it is newly introduced can be difficult, say observers. Managing these programs' promotion so that employees really understand the breadth of the services is a "real challenge," said Ms. Gornick.

Mr. Youngblood said, "It primarily boils down to how you market it, because if you've got separate and distinct identities for the program, then to say, 'Just call one 800 number for both'" typically doesn't encourage people to reach out. This most often requires "some type of

See INTEGRATED/page T10

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Integrated: More are mixing EAP, work/life programs

Continued from page T8

rebranding" and replacing both the EAP and work/life program names with something new, he said.

Chevron is a little unusual in that it has different phone numbers for its EAP and work/life segments, though they are considered integrated as part of a continuum of services, said Mr. Riley. The approach has worked well for Chevron, he said. Referrals are occasionally made between the programs, though "most of the time people have it right as to whom to call," he said. The EAP is staffed by Chevron employees, while a vendor handles the work/life segment.

Measuring return on investment once an integrated program is introduced can be difficult, observers generally agree. A number of factors can be measured, said Mr. Chaifetz, including absenteeism, turnover, productivity, errors committed and workers comp claims.

PwC's leadership 'has already bought into the fact that you can't run a business these days without a work/life resource and referral service and EAP.'

Jennifer Duris
PricewaterhouseCoopers

Many employers also now attack this issue by asking employees how much time they have saved by using the program. While this self-reporting is not entirely reliable, it may be the best approach, say observers.

By its very nature, measuring these programs' effectiveness is less clear cut than it would be for some other aspects of a company's operations.

ROI may be a secondary issue to employers, however.

"I don't know anyone who's tracked that really well," said Jennifer Duris, Chicago-based U.S. work/life manager for PricewaterhouseCoopers, which introduced its integrated program six years ago. But, she added, "We don't use it to make business decisions."

PricewaterhouseCoopers' leadership "has already bought into the fact that you can't run a business these days without a work/life resource and referral service and EAP. It's a necessary part of doing business," she said.

Bill Scott, vp-human resources at York, Pa.-based Susquehanna Pfaltzgraff Co., a diversified media and consumer product manufacturing company, noted the company experienced several disturbing incidents days after it introduced its ComPsych integrated program in 2002.

They included the death of an employee at one of the company's radio stations in front of his coworkers. "It's not exactly what you think you're going to see at work," he said. But ComPsych did its job well in counseling employees, said Mr. Scott.

While Susquehanna Pfaltzgraff has some ROI data supporting the use of the program, the company's decision to use it "also just comes from a philosophical belief" as to what services it should offer its employees. "It's hard to put a price tag on this," said Mr. Scott.

Compressed workweeks, telecommuting fall victim to economic slowdown

Employers less flexible on flex work arrangements

By SALLY ROBERTS

Employers increasingly are eliminating alternative work arrangements as the sluggish economy continues to pressure many companies into cutting back on an array of benefit programs.

Although offerings such as compressed workweeks, job-sharing and telecommuting generally involve little or no direct cost to employers, recent studies indicate that fewer of these arrangements are being offered.

Work/life benefit experts say they are not surprised by the findings. In tough economic times, they say, employees are less inclined to ask for more flexibility, and employers are less inclined to offer it.

A 2003 survey of 436 human resource executives from companies of all sizes and industries found that the number of employers offering compressed workweeks in 2003 was 40%, down from 49% in 2002. Likewise, the number of respondents offering job-sharing arrangements dropped to 30% in 2003 from 37% in 2002, and the number offering telecommuting dropped to 45% from 47%, according to the survey, conducted by Riverwoods, Ill.-based human resources information and software provider CCH Inc.

Lori Rosen, a workplace analyst with CCH, said the tighter economy, marked by mass layoffs, is to blame for the drop.

"With fewer people covering the same amount of work, it's not always possible to keep the same amount of flexibility," she said. "So, for example, if there was something I was doing as a telecommuter and now I have to take over something else someone who was laid off was doing, I may have to do that in the office, because that's the only place where the equipment is," Ms. Rosen explained.

At the same time, "in many cases, the flexibility was the result of crowding," she said. "There wasn't enough room for everyone to be in the office, so employers were using some of these flexibility time arrangements so that people were sharing desks and jobs and they didn't have to look for more real estate. With fewer people in the workplace, it suddenly wasn't that big an issue," she said.

In its latest benefits survey of nearly 600 members, the Society for Human Resource Management in Alexandria, Va., found that the number of members offering flextime dropped to 55% in 2003 from 64% in 2002. And the number of members offering telecommuting on a full-time basis dropped to 17% from 23%.

"We have to believe it's the job market and the economy," a SHRM spokesman said. "We saw that kind of across-the-board cuts to a lot of benefits (in 2003) and work/life balance benefits, while not necessarily expensive benefits, were not immune from the cuts," he said.

Surveys have found that flexible work arrangements such as telecommuting are less common than just a few years ago.

Other work/life benefits experts say they are not surprised by the surveys' findings.

"When you see a downturn in the economy…it's a little of that return to face-time thinking," said Richard Federico, vp-work life and communications for The Segal Co. in Hartford, Conn. "When people's jobs are at risk, they sometimes say, 'Hey it's better to be seen in the office than telecommuting from home.'"

"From an employer perspective right now, most organizations have downsized and, therefore, they're running with pretty lean staffing and they're less inclined to say, 'Oh, go off and have extra free time,'" said Rick Beal, compensation practice leader for Watson Wyatt Worldwide in San Francisco.

There is "a tendency among a lot of line managers to say, 'Look, people are lucky to have jobs. I don't have to waste time and energy and spend on these other investments that I think might be costing money and may be costing productivity when I can go out to the marketplace and hire a whole bunch of people who are eager to have a job,'" said Mr. Beal.

"The problem with that is, it flies in the face of what they may need to do, especially as things start to improve for their best and brightest" employees, he said.

Indeed, consultants note that it is during tough economic times that flexible work arrangements provide the greatest return on investment.

"My personal feeling…is that in an economic downturn, these programs become more valuable," said Allison Levin, a principal with Mellon's Human Resources & Investor Solutions in Chicago.

"When times get better, as they are now, you tend to lose fewer of your star performers because they tend to remember that when times were lean and you couldn't offer bonus stock programs and higher merit increases that you still offered them the flexibility to manage their life and their work," she said.

Many employers remain committed to flexible work arrangements.

About 11% of New York-based Metropolitan Life Insurance Co.'s 23,000 domestic nonsales employees take advantage of some kind of flexible work arrangement, and that has remained about the same for the last two years, said Debra Capolarello, senior vp-human resources.

Despite an overall economic downturn, MetLife's philosophy about flexible work schedules "remains very positive," Ms. Capolarello said.

And why shouldn't it? A recent MetLife employee survey found that some of the company's "most highly engaged employees"—those high performers who are most productive, loyal and connected to the corporate vision—were people who were in flexible work arrangements, she said.

"We've definitely seen an increase in alternative work arrangements," said Jennifer Duris, U.S. work/life manager for PricewaterhouseCoopers L.L.P. in Chicago.

"The firm has taken great strides in going beyond formal, flexible work arrangements into informal arrangements and creating a culture of flexibility," she said.

Indeed, 6% of PwC's workforce of nearly 24,000 people currently participates in a formal alternative work arrangement—one that affects compensation and benefits. A much larger proportion participates in some form of informal flexible work arrangement at the company, she said.

And that flexibility translates into greater profitability, she said. "If we provide the flexibility to allow employees to get their jobs done on their terms, it can't help but improve the bottom line," she said.

Deadlines for directories

Business Insurance will publish its online Directories of Case Management Services Providers and Prescription Benefit Managers in conjunction with the May 3 issue. That issue will include a Spotlight report on health care cost control as well as rankings of the largest case management services providers and prescription benefit managers.

To be included in the case management directory, your company must offer such services on a direct, unbundled basis to corporate or institutional employers. *BI* defines case management as coordinating and monitoring treatment for catastrophic, complex or prolonged illnesses and injuries.

To be included in the prescription benefit managers directory, your company must provide general prescription benefit management services to corporate and institutional employer clients on a direct, unbundled basis. Companies that provide services only to third-party vendors, such as insurers or managed care companies, will not be included.

Online directories are available to *BI* subscribers at *www.businessinsurance.com* and will be included in the 2004/2005 Market Sourcebook, a printed compilation of all *BI* directories and rankings, which will be published in December.

If your company qualifies for either directory and has not received a questionnaire, please download one from the directories area of the *BI* Web site or request one from Directory Editor Kevin P. Edison at 312-649-5279.

The extended deadline for submitting questionnaires is April 5.

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Stress of arranging care, often at a distance, can harm productivity

Elder care resources offer comfort to workers

By GLORIA GONZALEZ

When her 68-year-old mother suffered a broken shoulder, Elizabeth Weinstein became overwhelmed by dozens of questions and worries.

Who, she wondered, would drive her mother to her doctor appointments? Who would cook her meals? Whom could her mother turn to for help?

The situation was even more stressful for Ms. Weinstein, a marketing manager for Work/Life Benefits, because she lives in Boston and her mother lives in Philadelphia. Valencia, Calif.-based Work/Life Benefits, a dependent care resource and referral company, is also known as Accor Services North America Inc.

Ms. Weinstein's situation is one many American workers face: caring for elderly relatives who live a long distance away. An estimated 7 million to 10 million adult children are caring for their parents from afar, resulting in workers missing at least 15 million workdays each year, according to the National Council on the Aging.

'Everybody is starting to get tuned in to this issue. There's a lot of lost productivity when someone is providing care.'

Sandra Timmermann
MetLife Mature Market Institute

Although employers have been aware of elder care issues for years, the aging of the baby boomer population has brought such concerns to the forefront, consultants say. Many baby boomers now are senior and midlevel employees who need to take time off to care for their elderly parents.

"The demographics are such that they have elder care responsibilities, and I think that's why everybody is starting to get tuned in to this issue," said Sandra Timmermann, director of the MetLife Mature Market Institute, a Westport, Conn., division of New York-based Metropolitan Life Insurance Co. "There's a lot of lost productivity when someone is providing care."

More U.S. employers are now recognizing long-distance elder care as a legitimate concern, chiefly due to its impact on employee productivity, consultants say.

One major problem is absenteeism—employees taking unplanned absences to care for elders, forcing co-workers to cover for them. Companies are trying to prevent unplanned absences by helping employees prepare for elder care issues. However, this is not an easy task, because it involves discussing with older relatives the problems they will encounter as they age, consultants say.

As a result, many employers offer seminars to teach employees how to discuss care issues with their elderly relatives. "Getting the family to talk about these things before they happen is the most powerful thing an employer can do," Ms. Weinstein said.

Another major problem is so-called "presenteeism," which occurs when workers are in the office but are distracted from their work, consultants say. For example, employee caregivers often spend hours on the phone—usually during work hours—to arrange services for their elder relatives, leaving them unable to focus on their work for long periods.

In addition, employee retention issues can arise. According to Diane Piktialis, a Boston-based work/life product director for Minneapolis-based Ceridian Corp., 16% of employee caregivers eventually leave the workforce to provide care full time.

Elder care programs

In light of these concerns, U.S. employers increasingly are changing their work/life benefit programs to help employees that have elder care responsibilities, consultants say.

A recent survey by Hewitt Associates Inc. found that 50% of polled employers offered elder care benefits, up from 40% in 1998.

The most common approach, offered by one-third of surveyed employers, was providing a resource and referral service, Hewitt found. Such programs help employees locate resources in an elderly relative's community. For example, if an individual needs cooked meals, the resource and referral consultant would help the employee find local organizations that deliver meals to the elderly.

Consultants say another popular benefit is geriatric care management, in which certified professionals—such as registered nurses or social workers—go to an elderly person's home to assess his or her total well-being. The procedures include checking the living area for potential dangers such as loose rugs or inadequate lighting, and assessing the

See ELDER CARE/page T13

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LARGEST PROVIDERS BY EMPLOYEES

Ranked by number of employees dedicated to dependent care services

Company	Staff
Ceridian	250
Accor Services North America Inc. dba Work|Life Benefits	94
ComPsych Corp.	87
Child & Elder Care Insights Inc.	25
Work & Family Benefits Inc.	20

Source: *BI* survey

LARGEST PROVIDERS BY EMPLOYER CLIENTS

Ranked by number of employer clients that receive dependent care services

Company	Employer clients
Work & Family Benefits Inc.	1,591
Child & Elder Care Insights Inc.	904
Accor Services North America Inc. dba Work|Life Benefits	890
ComPsych Corp.	591
Corporate Counseling Associates Inc.	175

Source: *BI* survey

Largest dependent care resource and referral service providers

Ranked by number of lives covered at year-end 2003

Rank	Company/Address	Phone/Fax/Web site	Lives covered	Employer clients	Staff	Principal officer
1	Child & Elder Care Insights Inc. 19111 Detroit Road, Suite 104 Rocky River, Ohio 44116	800-234-6322 Fax: 440-356-2919 *www.carereports.com*	8,500,000	904	25	Elisabeth A. Bryenton, president/CEO
2	ComPsych Corp. NBC Tower, 455 Cityfront Plaza Drive, 13th floor Chicago, Ill. 60611	800-851-1714 Fax: 312-595-3125 *www.compsych.com*	4,760,000	591	87	Richard A. Chaifetz, chairman/CEO
3	Accor Services North America Inc. dba Work|Life Benefits 25115 Ave. Stanford, Suite 200 Valencia, Calif. 91355-4582	661-775-2200 Fax: 661-775-2223 *www.wlb.com*	3,200,000	890	94	Laurent Delmas, CEO
4	Ceridian 3311 E. Old Shakopee Road Minneapolis, Minn. 55425-1640	800-729-7655 Fax: 314-872-8805 *www.myceridian.com*	2,700,000	133	250	Robert H. Ewald, president-human resource solutions
5	BrownRichards & Associates 1710 DeFoor Ave. Atlanta, Ga. 30308	800-537-2153 Fax: 404-352-8137 *www.brownrichards.com*	525,000	30	16	Betsy Richards, president
6	Work & Family Benefits Inc. 100 E. Hanover Ave. Cedar Knolls, N.J. 07927	973-267-7766 Fax: 973-267-0404 *www.wfbenefits.com*	462,000	1591	20	William H. Mulcahy, president
7	FamilyCare Inc. 7041 Koll Center Parkway, Suite 235 Pleasanton, Calif. 94566	925-249-6610 Fax: 925-249-6611 *www.famcare.com,* *www.famcareconcierge.com*	400,000	75	15	Catherine Leibow, president
8	Corporate Counseling Associates Inc. 475 Park Ave. S. New York, N.Y. 10016	212-686-6827 Fax: 212-686-6511 *www.corporatecounseling.com*	300,000	175	15	Robert Levy, president
9	CPA Group Inc. 161 W. Harrison, Suite 201 Chicago, Ill. 60605	866-849-1686 Fax: 312-263-2332 *www.cpagroup.org*	240,000	115	5.5	Mary Ellen Gornick, president
10	Perspectives Ltd. 20 N. Clark St., Suite 2650 Chicago, IL 60602	800-866-7556 Fax: 312-558-1570 *www.perspectivesltd.com*	25,000	38	1.5	Bernie Dyme, president

Source: *BI* Survey

Visit *www.businessinsurance.com* for more information and to access the full, searchable Directory of Dependent Care Resource and Referral Service providers

Elder care: Benefit programs helping caregivers

Continued from page T11

person for potential dementia or forgetfulness. The care manager then compiles a report for the family that outlines the assistance that will be needed.

San Ramon, Calif.-based ChevronTexaco Corp.'s elder care program includes facility reviews of nursing homes in addition to assessments of an individual's home, said Sara Kashima, an adviser and information coordinator who oversees the company's work/life benefits.

Under the program, a ChevronTexaco employee can contact the company's vendor, Ceridian, and have a specialist sent to perform an onsite review of an elder care facility. The specialist evaluates several factors, including the facility's patient-to-staff ratio, food provided to residents, cleanliness of the facility and entertainment activities available. The specialist then submits a report to the employee.

In addition to an aging workforce, ChevronTexaco has many U.S. employees living abroad who are dealing with long-distance care issues, so providing elder care benefits was important, Ms. Kashima said.

"This is a good way for us to address those issues that arise when people are traveling outside the United States," she said.

About 30 employees have taken advantage of these services, and the company expects utilization to increase as employee awareness of the two-year-old program grows, she said.

Concerns about employee productivity have led many companies to offer elder care benefits.

Another elder care benefit is a reimbursement program that enables employees to set aside pretax reimbursement accounts to help cover the cost of elder care and services. Under tax law, though, the employee must be responsible for 50% of an elderly dependent's living costs to use a dependent care spending account. Such accounts are therefore not viable for most long-distance caregivers, Ms. Piktialis said. "Even though it's on the books, it's not really available to people," she said.

In addition to providing elder care consulting services, employers are offering long-term care insurance, which is used to help cover the cost of nursing homes and other care.

The Hewitt study found that 28% of surveyed employers offered long-term care insurance in 2003, up from 14% in 1998.

Long-term care insurance is a particularly valuable benefit because of the costs of elder care, Ms. Timmermann said, citing a MetLife study that found the average cost of a private room in a nursing home is $66,000 per year.

"Long-term care insurance is really important," she said. "It's better to get it early because it tends to be less expensive the younger you are."

Need for flexibility

Some U.S. companies are also offering greater flexibility to employees caring for elders, in many cases basing offerings on their child care benefits, consultants note. In addition to allowing greater flexibility, such as through telecommuting and compressed workweeks, some employers are permitting employees to give their vacation time to a colleague in need of extra time out of the office, consultants say.

"Some of the benefits that are good for taking care of children are also good for taking care of elders," Ms. Timmermann said. "Employers are more and more conscious of that, and they are willing to make concessions on flex time."

Flexible work arrangements are offered by 74% of employers, virtually unchanged from last year, according to the Hewitt survey. The most common arrangements were flex time, which was offered by 60% of employers, and conversion to part-time employment, offered by 46%.

In addition, employers are trying to combat the stress of providing elder care by offering access to employee assistance programs. This is particularly helpful to employees taking care of elders from a distance because of the guilt that often comes from not being close at hand, consultants say. "They wish they could do more, but they can't," Ms. Piktialis said. "Emotionally, it's very taxing."

A key challenge for employers is making employees aware of elder care offerings.

Another MetLife study showed only one-third of surveyed caregivers were aware of their company's elder care programs. Of those who were aware, many feared a backlash from their employer due to their elder care responsibilities, Ms. Timmermann said. "The companies need to make sure people feel comfortable asking," she said.

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Employers' use of disease management growing

By MARYANN HAMMERS

In an effort to check spiraling health costs, Hughes Electronics Corp., a parent of DirecTV, is offering a disease-management program that covers more conditions, more acute illnesses and more people.

Since 1998, the El Segundo, Calif.-based satellite-communications company has provided basic disease-management services to its 7,000 employees, and the plan has shown impressive financial results, say company representatives. "It has consistently produced an almost 3-to-1 return on investment," said Dr. Pamela Hymel, vp of human resources.

Given that rate of return, it made sense to expand Hughes' disease-management offerings. The existing program covered a handful of major conditions, including diabetes, asthma, congestive heart failure and coronary artery disease. Now, more than 30 medical conditions will be eligible, including depression, anxiety and alcohol/substance abuse. A voluntary health-risk assessment and wellness component that focuses on preventing major diseases is also part of the plan.

"As we move forward, we want to offer more than disease management," Dr. Hymel said. "We want to offer health management. Our ROI studies show that the program is a good investment, not only for our company's bottom line, but also for our employees' health, productivity and performance. With our enhanced program, we can have a much greater impact."

What's happening at Hughes reflects an emerging trend. Even as medical benefits shrink, disease-management programs are expanding as part of, or in addition to, a traditional health plan. The reason is simple: Employers view disease management as an effective way to control soaring costs.

"Five years ago, only a relatively small percentage of employers were implementing the programs, whereas today, most employers view disease management as a competitive issue, if not a necessity," said Robert Stone, executive vp and cofounder of American Healthways Inc., the nation's largest disease-management provider. "With impressive financial outcomes justifying their investment, more health plans and employers will adopt programs that reach broader populations and drive meaningful change in health and costs."

A Hewitt Associates Inc. survey of large employers with an average of 11,875 employees shows that almost three-quarters now offer or plan to implement disease-management services. Almost two-thirds say disease management has helped control their health care expenditures, with an approximate 2-to-1 or higher return on investment.

Cost depends on which conditions are covered, how the program is structured, and whether fees are based on the total number of employees or the number of enrolled participants, but it averages about $5 to $12 per employee/per condition/per year, according to Watson Wyatt Worldwide.

Study after study show that a small fraction of patients with major chronic conditions is responsible for the majority of health care costs. A January 2004 Watson Wyatt report states that "claimants with annual expenses over $500 for therapeutic services who are treated for 11 (mostly) chronic conditions…account for about 44% of health plan payments, but (represent) only about 9% of claimants."

Through early patient identification, education, nursing support and care coordination, disease management reduces the number of inpatient admissions and emergency-room visits, helps avoid or minimize complications and improves the employee-patient's quality of life. While every disease-management company operates slightly differently, typically a nurse works with the patient to help promote positive lifestyle changes and ensure compliance. The nurse also coordinates with the primary physician and other providers to ensure that established guidelines for specific diseases are being followed.

"People don't opt for transplants or defibrillators because their employer or the government is paying for them. They need these procedures because their condition has progressed to a point where such costly interventions are required," said Dr. Lonny Reisman, a cardiologist and founder of ActiveHealth Management, which offers disease management to more than 700,000 members of large employer health plans and their dependents. "The demands of the sick person…can be mitigated by optimizing care early on in the illness. Attention to the mundane needs of a diabetic regarding sugar, lipids, blood pressure and kidney-function control is not terribly expensive. What is expensive are (complications like) blindness, kidney transplants, amputations and heart attacks."

More diseases, people

Until recently, most disease management programs covered just a few major chronic conditions, usually heart disease, asthma and diabetes. Now, many programs cover a dozen or more ailments.

"Addressing a wider array of medical conditions is the main focus of today's disease management programs," said Dr. Terry Fouts, chief medical officer of Great-West Healthcare, which recently introduced neonatology and oncology programs and will begin to cover pain and depression later this year. "For example, there has been a trend in addressing high-risk maternity, renal disease and coronary artery disease predictors," Dr. Fouts said.

Like Great-West, many disease management companies are moving toward covering depression and other mental illnesses, as both a secondary and a primary condition.

"A large percentage of people with chronic conditions are depressed," said Frederic S. Goldstein, president of Specialty Disease Management Services, whose nurses are trained in treating depression, alcohol and substance abuse, bipolar disorders and schizophrenia.

"But in the past, there wasn't good coordination between mental health and medical care. Now, disease management programs are bridging the gap. We make sure that the mental health providers understand the physical issues and vice versa."

As employers seek more comprehensive health care packages tailored to their workforce needs, many are contracting directly with disease management vendors rather than working through their medical plan or pharmacy benefit administrator. Such administrators may offer a watered-down or less robust program or simply not cover the diseases that the employer wants to cover, whether it's arthritis or allergies. Hughes, for example, had previously offered disease management services as part of its Aetna Inc. health insurance plan, but it now contracts directly with CorSolutions for its expanded program.

"Employers are identifying the most prevalent and high-cost claimants and choosing the specific disease management program that best fits their workforce profile," said Diane Matousek, employer market segment director for AdvancePCS, which owns Accordant, a disease management company that specializes in complex, high-cost conditions such as multiple sclerosis, Parkinson's disease, seizure disorders and cystic fibrosis.

Tailor-made packages

By examining their health insurance and pharmaceutical claims and evaluating their employee population, employers can design packages that not only cover more ailments, but also serve employees who aren't sick but may be at risk.

"The net is being cast more broadly," said Bruce Kelley, a Minneapolis-based senior consultant at Watson Wyatt. "Programs are morphing from 'disease management' to 'population health.' Disease management firms used to target just a very small percentage of high-severity claimants, whereas now they are identifying all employees and spouses with a given chronic condition, stratifying them from low- to high-severity and providing services appropriate to the degree of severity."

To provide an array of comprehensive offerings in both sickness and in health, vendors may partner or subcontract with other specialty providers.

"Such partnerships are organized around a single 'health care coach' or 'care concierge,' who serves as a focal point," Mr. Kelley said. "This is an exciting development because it allows a partnership of vendors to serve participants, but it appears seamless to the employee and the employer, who deal with only one company. Vendors are trying very hard to become one-stop shops not only for monitoring diseases but also for health and utilization management."

The focus on health—not just on disease—was important to Hughes' Dr. Hymel. "We wanted a coordinated approach that integrates lifestyle and wellness to help prevent or lessen the severity of disease," she said.

"By monitoring family history, lifestyle and such measurements as blood sugar, cholesterol and blood pressure, we can identify and monitor employees at risk and funnel them into stress-management, smoking-cessation or weight-loss programs that may prevent them from developing a full-blown illness. For example, we can work with someone who is pre-diabetic to lose weight and change their diet so they don't end up in the diabetic disease-management program," Dr. Hymel said.

Maryann Hammers is a reporter for Workforce Management, a sister publication of Business Insurance.

Products & Services

CIGNA division offers online EAP enhancement

EDEN PRAIRIE, Minn.—CIGNA Behavioral Health Inc. has launched an interactive online tool for its employee assistance program and behavioral management plan.

Online Coaching lets plan participants who are suffering from depression, anxiety and/or substance abuse participate in secure, confidential Web-based exercises. Online Coaching, offered through CIGNA's Emotional Well-Being product, offers up to nine online interactive exercises, which can take up to 30 minutes to complete and provide customized feedback and educational information. The program also features homework, which can be submitted to a behavioral health specialist who will provide a follow-up consultation.

For information, contact Jodi Aronson Prohofsky, senior vp of clinical operations, at 800-433-5786, ext. 2021, or visit *www.cignabehavioral.com*.

Program aims to cut costs of self-funding benefits

SIMSBURY, Conn.—The Hartford Life Insurance Co., a unit of The Hartford Financial Services Group Inc., has introduced a program for employers that self-fund their health care benefits and provide retiree medical coverage.

Stop Loss Plus 65 is intended to help employers reduce costs by packaging these products together. Employers receive a combined quote for stop-loss coverage and retiree medical coverage for both active and retired employees.

For information, contact Candace Cope, director of sales and marketing for Simsbury, Conn.-based The Hartford Integrated Medical Solutions, at *candace.cope@hartfordlife.com*, or visit *groupbenefits.thehartford.com*.

Disability calculator available on MetLife site

NEW YORK—MetLife Inc. has launched an online insurance calculator to help employees and employers select supplemental individual disability coverage.

The online service allows users to plug in information regarding an individual's monthly expenses—such as mortgage or rent payments, insurance fees, debt payments and food and clothing costs—as well as the amount of existing workplace long-term disability coverage and monthly income. The calculator then estimates the level of coverage needed.

To access New York-based MetLife's online disability insurance calculator, visit *www.metlifeiseasier.com/disability-calculator*.3

Defined contribution plans explained in IFEBP book

BROOKFIELD, Wis.-The International Foundation of Employee Benefit Plans has published a book to help benefit managers better understand defined contribution plans.

The publication, "Defined Contribution Decisions: The Education Challenge," provides information on participant education as well plan sponsor responsibilities. The guide also offers best practice methods for employee decision-making and investment choices, describes new legislation and its impact on plan sponsors and explains plan sponsors' fiduciary responsibilities.

Co-authors of the book are Paul Hackleman, benefits manager of San Mateo County, Calif., and consultant with I.D. Benefits Consulting, and Bill Tugaw, president of SST Benefits Consulting & Insurance Services Inc.

To obtain a copy, contact the organization's Brookfield, Wis.-based Publication Department, by telephone at 888-334-3327, option 4, or by e-mail at *books@ifebp.org*.