Court hears appeal in Silverstein case/ **3**

Study gauges satisfaction with drug benefits / **4**

www.businessinsurance.com

Business Insurance®

July 28, 2003

$4

Panel fracas delays reform vote

Wait may improve chances of pension valuation change

By JERRY GEISEL

WASHINGTON—A political brawl that erupted as a congressional panel was about to consider pension funding reform will delay a House vote on the legislation, possibly until September.

Although benefit experts say a delay in voting on the measure could actually help its chances of passage in the House, congressional worries about the cost of the legislation could mean that some employer-backed provisions in the bill will be scrapped.

The July 18 House Ways and Means Committee vote on a stripped-down version of a comprehensive pension reform bill, earlier proposed by Reps. Rob Portman, R-Ohio, and Ben Cardin, D-Md., was expected to be a low-key affair with committee approval of the bill, H.R. 1776, likely to come after a couple of hours of debate.

But the committee's consideration of the bill—which includes proposed changes in interest rate assumptions used to value pension liabilities, as well as an acceleration of future increases in maximum employee deferrals and catch-up contributions to 401(k) plans—was anything but low key.

The fracas erupted immediately after committee Democrats, led by ranking minority member Rep. Charles Rangel, D-N.Y., complained that they hadn't been given enough time to review the revised bill before voting. The bill, they said, had been delivered to them shortly after midnight on the day of the vote.

As a protest, committee Dem-

See **PENSIONS**/page 18

PHOTO: ROLL CALL

A heated House Ways and Means Committee mark-up session for a pension reform bill resulted in a walkout by most panel Democrats, but the quarrel is not expected to derail the measure.

Gerling clients pledge assistance

Funds expected to prompt upgrade

By CAROLYN ALDRED

COLOGNE, Germany—Some of Gerling Group's large commercial policyholders are offering to put up their own capital in a bid to bolster the beleaguered German insurer.

If the investors' move is successful and prompts an upgrade in Gerling's ratings, it would be the second time in the family-owned insurer's 100-year history that its industrial policyholders have aided it through a capital injection.

A group of Germany's largest companies, including airline operator Lufthansa A.G., have pledged to invest in Gerling to help boost its ratings and maintain it as a strong player in a severely constricted German property/casualty market.

The Cologne, Germany-based insurer has suffered several rating downgrades in recent months over concerns about its capital adequacy and losses from its reinsurance operation, which is now in runoff. It currently has a BB+ rating from Standard & Poor's Corp., but a boost in the company's capital would lift its S&P rating to at least BBB-.

"A number of large commercial buyers are planning to put money into Gerling because they are keen to ensure its survival and fear another loss of capacity" in the German insurance market, said Gunther Schlicht, managing director of German commercial buyers association Deutschen Versicherungs-

See **GERLING**/page 18

Q&A: John T. Sinnott

Retired Marsh chief takes a look back

After a 40-year career at Marsh & McLennan Cos. Inc., John T. Sinnott stepped down as chief executive officer of Marsh Inc. in January and as chairman of the world's largest broker earlier this month.

Senior Editor Sally Roberts recently sat down with Mr. Sinnott in New York to reflect on his career at Marsh and on the insurance brokerage industry in general.

Q: You stayed at Marsh your whole career. Were you ever tempted to leave for another firm?

A: I would have to say no, I was never really tempted. Was I approached prior to becoming co-chief executive in 1992? Yes, I was approached. Were offers made? Yes. But did they play out? No.

Q: What would you say is the biggest difference in the brokerage industry now compared with when you joined the industry 40 years ago?

A: When I started in the business, Marsh & McLennan, like virtually all of the other U.S.-based brokers, was just a U.S. broker. Marsh & McLennan had only in relatively recent years before I joined established corespondent relationships to serve U.S. clients around the world. But we were not international or, to use today's term, "global."

In those days, we only thought of large corporate clients when it came

See **SINNOTT**/page 17

Late News

U.S. GOVERNMENT AGENCY

GAO places PBGC on 'high risk' list

The General Accounting Office has again placed the government's pension insurance program on its "high risk" watch list of agencies and programs that need congressional action. The Pension Benefit Guaranty Corp.'s single-employer insurance program had a deficit of $5.4 billion, as of April 30, because of large losses incurred in recent takeovers of pension plans. And bigger losses may lie ahead, the GAO warned. The PBGC estimates that financially weak firms sponsor plans that currently have more than $35 billion in unfunded benefits, which ultimately might become losses borne by the PBGC. The GAO first placed the PBGC on its watch list in 1990 and removed it in 1994 after legislation stiffened funding rules.

P/C pricing moderating CIAB survey finds

The cost of some commercial property/casualty lines is beginning to moderate, according to a quarterly survey by The Council of Insurance Agents & Brokers. Seventeen percent of brokers responding to the CIAB's second-quarter Commercial Market Index Survey said rates on their commercial property accounts were unchanged, while 15% said rates fell 1% to 20%. Fifty-five percent, though, reported premiums rose by as much as 20%. Although 58% of the large accounts saw premiums rise by up to 20%, 8% saw no change, while another 8% saw rates drop by as much as 10%.

See **LATE NEWS**/page 19

Benefits Management Take-Out

OUTSOURCING BENEFIT ADMINISTRATION

TOP EMPLOYEE BENEFIT CONSULTANTS

Ranking on page T4

TOP BENEFIT OUTSOURCING PROVIDERS

Ranking on page T8

NEWSPAPER

AON Focus

www.aon.com/focus

Noteworthy

Credit insurance seals financing deal for Brazilian food processor

Aon's political risk and trade credit practice has helped close a landmark deal that takes significant pressure off the balance sheet of Brazil's largest pork and poultry processor. Aon arranged the insurance that cleared the way for Sadia S.A. to be issued $55 million in credit at extremely competitive rates from Deutsche Bank and seven other leading financial institutions. Sadia exports some 250 products to 60 countries and had regularly waited 60 days to be paid. The credit arrangement, an accounts receivables purchasing facility for Sadia's overseas trade, allows the company to be immediately paid in U.S. dollars for its exports to the Middle East, Asia and Europe. In removing the receivables from its balance sheet, Sadia improves its cash flow and key financial measures. Aon negotiated on three continents to place the credit risk insurance that covers losses if Sadia's buyers don't pay, making the receivables a more attractive asset for the banks. The credit enhancement was arranged as a result of a successful due diligence of Sadia's credit function, receivables quality and historical performance. The arrangement is particularly notable in Brazil, where access to hard currency at favorable rates is rare. To learn more about Aon's political risk and trade credit expertise, please visit Aon.com.
www.aon.com/focus/tradecredit28

New venture expands space insurance services

In the space insurance market, Aon is now offering an expanded, integrated line of products through a joint venture with Explorer Consulting Co. and Vista Advisers. Philippe Montpert of Aon will lead the new entity, called Aon Explorer. It will serve the space and aviation industries and offer far more than traditional risk management products. The venture blends Aon's insurance and risk management expertise with Explorer's intelligence and marketing services and Vista's financial solutions, including valuation and mergers and acquisitions. To learn more about Aon Explorer, please contact **Philippe Montpert (philippe_montpert@aon.fr or +33.1.58.75.6060) in Aon's Paris office, or Ted Johnson (+1.202.862.5325) and Jean Michel Eid (+1.202.862.5302) in Aon's Washington D.C. office.**

Coverage choices grow for U.K. accountants

Aon recently expanded the range of insurance products available to Europe's largest body of chartered accountants. Under a new three-year deal, Aon will develop a suite of affinity insurance products tailored to the needs of the 123,000 members of the Institute of Chartered Accountants of England & Wales. Aon had already handled the institute's insurance coverages, and the new contract caps a six-month tender process. Aon is a leading provider of affinity products worldwide and the largest in the United Kingdom. In the United States, Aon has served the insurance needs of the American Institute of Certified Public Accountants for more than 50 years. Aon places professional liability insurance for more than 23,500 U.S. CPA firms and offers a comprehensive range of affinity insurance products to their members. To learn more about Aon's affinity programs, please see Aon.com.
www.aon.com/focus/affinity28

Aon expands global service network in Mexico

With a recent acquisition in Mexico, Aon continues to build its global network and enhance its ability to serve clients. Aon recently completed integrating the operations of Monterrey-based Padilla y Pérez Seguros y Fianzas. Aon is the leading broker in Mexico, with more than 6,500 corporate clients. With 600 offices in 125 countries, Aon specializes in providing local service with a global perspective. To learn more about Aon's services in a particular country, please visit Aon.com and select a country from the menu in the center of the page.
www.aon.com

Views

HR outsourcing offers huge returns.

In the past, many companies have invested in internal HR technology and service solutions. However, because of recent economic conditions and sizeable up-front implementation costs surrounding enhancement and build-outs, many are slowing their expenditures or eliminating HR investments altogether. These companies are missing an opportunity to create a more efficient and profitable operation through HR outsourcing.


Bernie Reynolds

Outsourcing provides measurable returns in both the short- and long-term by creating an efficient and self-operating HR function that necessitates fewer people and less attention. It enables companies to realize cost savings by streamlining operations, providing better employee service, decreasing turnover and improving productivity.

Companies should examine three things to determine how to maximize the return on their outsourcing investment – company size, investment level and future spend.

The more employees a company has, the less the cost per employee, and the greater the long-term return on outsourcing investments. Companies with more than 15,000 employees tend to benefit the most by enabling managers and employees to use technology to efficiently service their own HR needs.

Companies should also carefully examine sunk costs and understand their current situation to determine the right level of outsourcing that will bring the most return. Many must decide whether to build out or completely dismantle the current system. Often, complications associated with integrating different applications can prove more costly than starting from scratch.

In addition, it is important to predict future human resources needs in order to correctly forecast expenditure requirements. To do so, companies must analyze and project long-term HR costs associated with maintenance, upgrading, staffing support and technical training. The price of maintaining and staffing do-it-yourself programs will continue to increase exponentially over time.

Assessing the HR operation must be done with a clear understanding of company structure, overall business strategy and financial picture. Pursuing the right solution not only contributes to efficiencies and productivity, it also lends incredible paybacks to the bottom line and saves money in the long run. Properly positioned and with comprehensive review, outsourcing HR services can provide an impressive return on investment.

Bernie Reynolds is president of Aon's Human Resources Outsourcing Group. He can be reached at bernie_reynolds@aoncons.com.

Hub acquiring Near North after Frontenac deal unravels

CHICAGO—A little more than a month after Frontenac Co. L.L.C. entered into a binding agreement to purchase the insurance brokerage and other assets of Chicago-based Near North National Group, Near North said it would instead become part of broker Hub International Ltd.

Chicago-based Hub on Friday announced a "proposal to purchase" substantially all of Near North's brokerage operation assets, consisting primarily of relationships with customers and insurers.

The acquisition of Near North would "add numerous specialty lines of business to our operations serving a vast number of industries and add to our employee base with the services of an accomplished group of professionals," Martin P. Hughes, Hub chairman and chief executive officer, said in a statement.

Hub is the 16th-largest broker of U.S. business, while Near North is No. 18 (*BI*, July 21).

In a statement, Fred Foreman, chairman of Near North said: "We are very positive about aligning ourselves with Hub International. Over the past few years, Hub has demonstrated tremendous expansion and an infallible strategy toward operating as a premier insurance brokerage."

Near North declined to comment on what became of its former deal with Frontenac, a Chicago-based private equity investment firm.

Signs of a potential unraveling surfaced earlier this month, though, with rumors swirling that the departures of several key Near North employees to other brokerages had dampened Frontenac's interest.

A federal grand jury last month added Near North Insurance Brokerage Inc. and a former bookkeeper as defendants to their case against Near North owner Michael Segal. Mr. Segal resigned as Near North's chairman and CEO in January 2002, after federal prosecutors charged him with misuse of client funds. Mr. Segal and Near North both have denied any wrongdoing.

—By Sally Roberts

Court hears Silverstein appeal of WTC 'occurrence' ruling

By DOUGLAS MCLEOD

NEW YORK—A federal appellate panel heard arguments last week in Silverstein Properties Inc.'s appeal of a lower court order that damaged its effort to recover double its $3.55 billion property insurance limit for the destruction of the World Trade Center's twin towers.

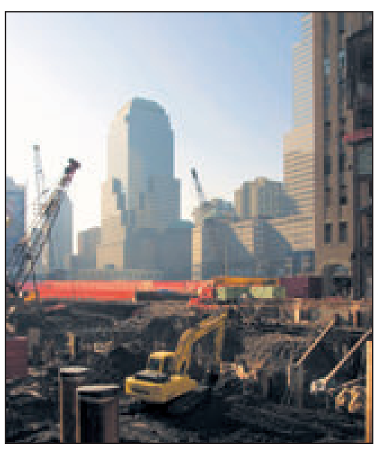


PHOTO: PHOTOGRAPHER SHOWCASE

Rebuilding has begun at the World Trade Center site, but a coverage dispute over the twin towers' destruction continues.

U.S. District Judge John S. Martin ruled last year that three of the property program's roughly two dozen insurers are liable for only one occurrence limit under the terms of a Willis Group Holdings Ltd. policy form they had agreed to use. Judge Martin turned aside Silverstein's contention that the entire program was governed by a Travelers Property Casualty Corp. policy still being negotiated at the time of the Sept. 11, 2001, terrorist attack. The Travelers policy did not define "occurrence," but Silverstein argues that New York law requires the destruction of each tower to be treated as a separate occurrence.

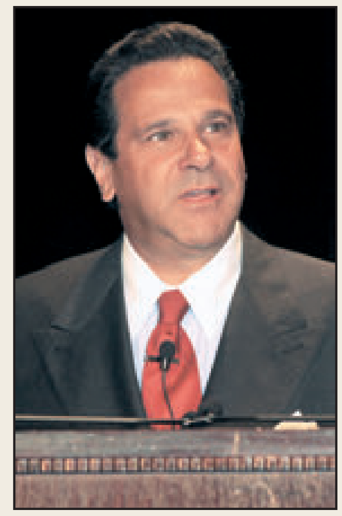
A lawyer for Silverstein reprised those arguments in a July 22 hearing before the 2nd U.S. Circuit Court of Appeals. Silverstein and its insurers intended the program to be shifted from the Willis to the Travelers form, and industry practice requires the three excess insurers that won last year's ruling—Hartford Fire Insurance Co., Royal Indemnity Co. and St. Paul Fire & Marine Insurance Co.—to follow the primary Travelers form, contended Herbert Wachtell, with Wachtell, Lipton, Rosen & Katz in New York.

Lawyers for the three insurers countered that Judge Martin correctly found the three agreed to be bound under the Willis form and never accepted the Travelers policy.

Meanwhile, Silverstein also asked the appeals panel to rule that the absence of a definition of "occurrence" in the Travelers policy means that the World Trade Center loss should be treated as two occurrences under New York law.

"There was no assurance the first plane would get there. There was no assurance the second plane would get there," Mr. Wachtell said, describing the attack on each tower as a separate incident.

A trial of the disputes between Silverstein and the majority of its property insurers has been delayed pending rulings on Silverstein's appeals.



PHOTOS COURTESY OF: IIS

Lord Colin Sharman, left, chairman of Aegis Group P.L.C.; and James Schiro, chief executive officer of Zurich Financial Services Group, spoke at a recent seminar in New York sponsored by the International Insurance Society Inc.

Governance requires having strong principles, not following rules: Execs

By MICHAEL PRINCE

NEW YORK—Good corporate governance means adhering to stong principles, not merely complying with rules, two executives said.

And insurance companies should wield their clout as large investors to encourage publicly traded companies to practice a higher level of governance, one of the executives said.

Investors should reward companies that have strong corporate governance with higher stock prices, said Lord Colin Sharman, chairman of Aegis Group P.L.C. in London.

But strong corporate governance means more than just making sure that the bare legal requirements are met. Investors must look beyond the form of compliance into the substance of the organization to make sure it truly is governed well, Lord Sharman told attendees at a seminar sponsored by the International Insurance Society Inc. in New York this month.

"For corporate governance to work well, you have to have in place the strategy, the process, but you have to make sure they work well," he said.

To understand a company, an investor must look beyond its public statements and investigate its culture, he said. It's then that an investor can determine a company's guiding principles and not just its public face.

To meet the standard of good governance, organizations must move beyond the rules and focus on strong principles, Lord Sharman said.

With many companies, attention to corporate governance consists of nothing more than making sure the rules are followed, Lord Sharman said. Those companies lack the principles to truly be well-governed organizations. It's the application of the rules, and not whether they are minimally followed, that sets an organization apart as one that is well run.

Many of the new laws and

See **GOVERNANCE**/page 19

Inside Business Insurance

Companies sharpen focus on supply-chain risk

Events such as the Sept. 11, 2001, terrorist attacks have increased attention to supply-chain risk. Page 4

Days of summer long and strange

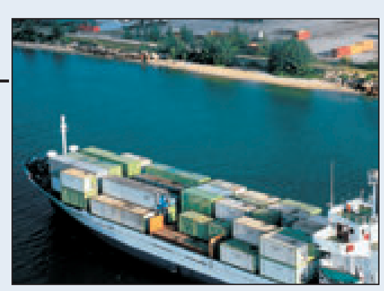
Paul Winston reflects on the weird goings-on that seem to accompany the arrival of warmer weather. Page 6

Asbestos reform bill needs major changes

Lawmakers need to restore the original shape of the Senate asbestos liability reform bill or go back to the drawing board. Page 8

For diehard fans, hope beats hedging

Senior Editor Rodd Zolkos says that Cubs fans know little of prudent risk management. Page 14



High-seas piracy increasing in 2003

A report finds that pirate attacks on commercial vessels have increased nearly 40% in the first half of 2003. Page 15

Online

- The **Datebook** calendar lists upcoming industry seminars and meetings and allows you to add info on your own event.
- Searchable **directories** of all the listings of industry vendors found in *BI*'s Market Sourcebook.
- New **Opinion Poll** for readers: How does employee participation in your 401(k) plan this year compare with last year?

Departments

REPORTING ON CORPORATE RISK AND EMPLOYEE BENEFIT MANAGEMENT NEWS.

Business Insurance (ISSN 0007-6864) Vol. 37, No. 30, is published weekly by Crain Communications Inc., 360 N. Michigan Ave., Chicago, Ill. 60601-3806. Periodicals postage is paid at Chicago and at additional mailing offices. POSTMASTER: Send address changes to Business Insurance Circulation Department, 1155 Gratiot Ave. Detroit, Mich. 48207-2912. $4 a copy and $97 a year in the U.S. $130 in Canada and Mexico (includes GST). All other countries, $230 a year (includes expedited air delivery). Canadian Post International Publications Mail Product (Canadian Distribution) Sales Agreement No. 0293512, GST No. 136760444, Printed in U.S.A.

Access to, cost of medication predict satisfaction level with prescription plans

Understanding drug benefits is key

By ALLISON REYNOLDS

Good communication of prescription drug benefits plays an important role in plan members' satisfaction with their benefits and drug utilization, a new study shows.

In a report released earlier this month, Westlake Village, Calif.-based J.D. Power & Associates rated overall member satisfaction with prescription drug benefits and services and offered insight regarding the key issues that define health plan members' experiences with prescription drug benefits, including utilization and satisfaction.

The 2003 Prescription Drug Benefits and Services Report was based on responses from more than 27,000 health plan members in-

cluded in J.D. Power's 2002 National Managed Care Satisfaction Study and from data collected in a separate survey of participating employers. The surveys measured satisfaction through 16 attributes grouped into five key factors: access to medication, cost of medication, retail pharmacy, pharmacy telephone help line and mail-order pharmacy.

Access to medication, followed by drug cost, was the most important dimension with respect to predicting satisfaction with prescription drug benefits and services, making up 48% of the overall satisfaction score, said Lauran Hoders, director of marketing and client strategy for the health care division at J.D. Power & Associates.

"Ease of understanding health plan information about prescription drug benefits and

See DRUGS/page 6

Fifth Annual Risk Management Roundtable

Growing importance, complexity of IT poses risk management challenges

By RODD ZOLKOS

CHICAGO—Digital assets are becoming more important to companies, and risks to those assets are constantly increasing, according to two information security experts.

"For us, this is the issue. Intellectual capital and intellectual property—this is the lifeblood," said William C. Boni, vp and chief information security officer at Motorola Inc. in Schaumburg, Ill.

The combination of computer networks and global operations has created an unprecedented risk to those digital assets. And if that property isn't adequately protected, it's easy to steal.

Meanwhile, a convergence of legal and information technology issues that is increasing pressure on IT organizations to prove compliance with laws and regulations is making information security governance more complex, Mr. Boni said. "We're right at the focus point of all these different aspects."

In assessing information risks, various top officers of a company might have different points of view on what constitutes information security, said Jerry L. Archer, senior vp, standards and interoperability at Visa International Service Assn. in Foster City, Calif.

"You've got a lot of people saying a lot of different things when somebody asks you, 'Are we secure?'" Mr. Archer said. "The question is, who's asking?"

The two information security experts discussed the issue earlier this month at the Economist Conferences Fifth Annual Risk Management Roundtable in Chicago.

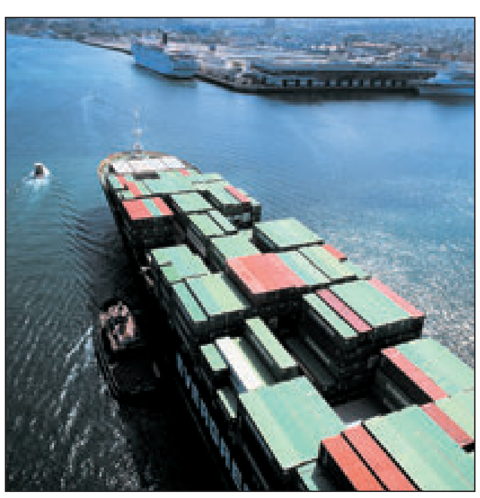
By some estimates, only 25% of all the wired companies in the world are believed to be secure, Mr. Archer said. And, he added, "It's not enough to be able to say, 'I'm secure.'" If someone can attack the company from an insecure server elsewhere, there still are information security problems.

See INFORMATION/page 10

Additional coverage on page 11

Fifth Annual Risk Management Roundtable

Attention to supply-chain risks grows



The U.S. Transportation Security Administration is trying to reduce the risk of weapons of mass destruction being transported into the country in shipping containers.

By RODD ZOLKOS

CHICAGO—Events of recent years have made many companies acutely aware of the possibility of supply chain interruptions and the impact such events could have on their operations.

"Since 9/11, it is a focus area of corporate America, and rightly so," said Jeffrey D. Tew, head of global risk and supply chain research at the General Motors Research and Development Center in Warren, Mich.

In recent years, global risk events such as the Sept. 11, 2001, terrorist attacks; the West Coast ports lockout in 2002; the conflict in Iraq and the SARS outbreak in China have tended to have overlapping effects, compounding their impact, Mr. Tew said. As a result, today "dealing with risks is the normal operating state," he said. "We have to accept that."

Speaking as a participant in a panel on supply chain risk management and safe commerce at the Economist Conferences Fifth Annual Risk Management Roundtable earlier this month in Chicago, Mr. Tew suggested that risk is inherent to business, and to succeed a company can't simply avoid risk.

Instead, "those companies that will be successful are those that can identify and develop contingency plans for the various risks that exist internally and externally to the organization," he said.

"Clearly, we are in a new world today," said another panelist, Grant McKinstry, partner in the global supply chain management practice at Unisys in San Diego. "The events of 9/11 changed a tremendous amount about how we do business."

The U.S. government has taken various steps to reduce the risk of weapons of mass destruction being transported into the country through shipping containers, he noted.

"What is happening here is the government is taking a favorable view of companies

See SUPPLY/page 10

Errors and omissions

• Due to an editing error, a caption on page 4 of the July 21 issue mistakenly identified Rep. Rob Portman, R-Ohio, as Rod Portman.

• Due to an editing error, a story on page 10 provided the wrong company affiliation for Timothy J. Cunningham. Mr. Cunningham is a partner with OPTIS Partners L.L.C. in Chicago.

• Due to an editing error, a profile of Jardine Lloyd Thompson Group P.L.C. on page 41 gave an incorrect phone number for the brokerage. The number should be 44-207-528-4444.

• Due to an editing error, a profile of Acordia Inc. on page 42 incorrectly reported that Wells Fargo & Co. acquired Acordia in 1991. The deal took place in 2001. Due to a production error, the profile also omitted Acordia's full address: 150 N. Michigan Ave., Suite 4100, Chicago, Ill. 60601.

BI changes format of Best of the Web special feature

CHICAGO—*Business Insurance* is changing the structure of its annual Best of the Web feature.

The annual review of Web sites that cater to the buyers of commercial insurance services, first launched in 2001, will appear in the Nov. 3 issue.

However, rather than soliciting nominations from Web sites, to be reviewed and scored by a panel of independent judges, the magazine's editors will now scour the Internet to identify and select publicly accessible Web sites that they deem worthy of recognition by buyers.

"Our previous Best of the Web format had several shortcomings, namely, a relatively small number of high-quality nominations from the universe of potential sites and too many Web sites that were restricted to subscribers or clients and not truly open to the public," Editor Paul Winston said in explaining the change. "Our judges both years were frustrated by this situation."

Under the new approach, *BI* editors will research Web sites in multiple categories and identify 20 sites in each category that they regard as useful, helpful, interesting, informative and innovative. All of those Web sites will be listed in Business Insurance, and the editors' picks for the top two sites in each category will be profiled.

Business Insurance readers are invited to share their favorite Web sites, and organizations can submit their own Web sites for consideration, though consideration will not be limited to these recommended sites.

To be eligible for consideration, a Web site must provide relevant information or services to *BI*'s audience of commercial risk and benefits management professionals. The site must also be open to the public and freely accessible on the World Wide Web. A site can have restricted areas, but those features will not be reviewed.

The new categories, which are different from prior years, will be:

- Alternative dispute resolution
- Civil justice reform
- Claims management
- Crisis management
- Education
- Health care resources
- Health insurance
- Insurance brokerages
- International resources
- Legislative and regulatory affairs
- Property/casualty insurance
- Reinsurance
- Retirement benefits
- Risk management
- Safety and loss control
- Work/life benefits

Not all categories will produce sites worthy of being selected as a Best of the Web.

BI editors have begun researching the Web resources in each of the categories and will accept recommendations from the public until Sept. 15. Winners will be announced in the Nov. 3 issue.

To suggest a favorite site, or to recommend that we visit your own, please send an e-mail to *biweb@crain.com* with Best of the Web in the subject line. Provide the URL for the site, indicate the category to which you believe the site belongs and please explain why the site is useful to buyers.

$

THINGS ALWAYS END UP COSTING MORE THAN YOU THOUGHT THEY WOULD.

(See: your kids, your house, and your last four hobbies.)

There are certain costs you expect when you have kids: clothes, food, braces, college funds. Then there are the other costs, like steam cleaning glitter glue out of the carpet, that you just don't see coming. This is equally true when you're trying to protect your business from losses. In fact, those less expected costs, like lost productivity value, can be up to three times more expensive than direct costs. That's why, at Wausau, we focus on lowering your total cost of risk. Our risk experts will get to know your business and help guide you through the process of lowering your total cost of risk, which, in turn, can help your bottom line. It's all part of Wausau TotalValue.[SM] To find out more, contact your Wausau representative or your appointed Wausau broker.

PRICE≠COST.[TM]

WAUSAU

Member of Liberty Mutual Group

BOTTOM LINE, A BETTER VALUE.[SM]

Wausau Insurance Companies
2000 Westwood Drive, Wausau, WI 54401
www.wausau.com • A (Excellent) A.M. Best Rating

Drugs: Satisfaction surveyed

Continued from page 4

services is one of the key attributes under this dimension and also one of the key attributes that has the highest likelihood of affecting health plan member satisfaction with their prescription drug benefits," Ms. Hoders said.

However, this attribute has the lowest satisfaction score, with only 45% of members responding that they are "delighted" or "pleased" with the ease of understanding health plan information regarding benefits.

"If health plans and PBMs focus resources on effective communications strategies and tactics to help members navigate their pharmacy benefits, they may be able to influence member expectations and behaviors," she said.

Nearly half of the members responding said that prior knowledge of medications covered in their plan is extremely important to them, and 64% said prior knowledge of prescription drug copayments is also extremely important prior to joining a plan.

"These findings suggest that there is an opportunity to educate prospective members about the value of their drug benefits and services," Ms. Hoders said.

Kevin DeStefino, national pharmacy benefits consultant with Watson Wyatt Worldwide in Washington, also agreed that "education is critical" for successful PBMs.

An additional opportunity for plans and PBMs to improve the usefulness of health plan-related education and information is through health plan Web sites and other Internet links.

Two of three respondents in the survey reported they had access to the Internet, but only 30% reported having visited their health plan's Web site in the past 12 months.

The report also acknowledged challenges for the prescription drug benefits industry. Although 55% of those surveyed said they were delighted or pleased with their overall experience, more than one-quarter said they were dissatisfied.

Employer clients of PBMs are generally very satisfied with the fundamentals of the services provided by PBMs but still have a wish list that needs to be addressed, Mr. DeStefino said. "I think they're less satisfied with the lack of innovative cost containment strategies, transparent pricing and disclosure of business practices" of PBMs, he said.

The cost of medication was the second most important criterion, accounting for 29% of the overall satisfaction index score.

Greg Mazol, a principal and regional health benefits practice leader with Buck Consultants in New York, said very few clients take issue with the service of PBMs, but cost increases are a problem.

"By and large, the PBMs do a good job with the servicing perspective; the problem is the costs keep going up at a rate that's unacceptable," he said.

Copies of the report are available by contacting Lauran Hoders by telephone, at 203-354-4591, or by e-mail, at lauran.hoders@jdpa.com.

Paul Winston

Summer: when days are balmy

There is something about the lazy, hazy days of summer that brings out loony behavior. Maybe the hot temperatures bake some brains a little, or maybe the constant buzzing of mosquitoes drives people a little bonkers. Whatever the reason, a roundup of news items from around the world illustrates that extra precaution is needed to protect ourselves from seasonal weirdness:

Brain freeze

A new study was released last week whose startling conclusion is sure to ruin everyone's summer: Ice cream is not health food. The good folks at the Center for Science in the Public Interest, a Washington-based public policy group that has managed to ruin the pleasure of eating almost everything from popcorn, to Chinese food, to pizza, now reports that ice cream is much worse for our health than previously imagined.

Paul Winston

"The staggering calorie and saturated fat content in most of the treats served up at chains like Baskin-Robbins, Ben and Jerry's, Cold Stone Creamery, Friendly's, Haagen-Dazs and TCBY is bound to surprise most consumers," the CSPI intones.

Actually, I'm not sure that's true. Unless there's a new ice cream diet I'm not aware of, I think that most of us probably already knew that ice cream is not exactly health food and take it in small or infrequent doses. That's why, when I open the freezer to sneak a bowl of ice cream, I feel a little guilty. I do it anyway.

Coming as it does amid a threat of litigation over the health risks of fatty foods, the report will only add to the hysteria. It can't be long before enterprising trial lawyers start hanging around ice cream trucks and trailing kids home from the ice cream parlor looking for potential plaintiffs. At the first sign of brain freeze, they'll proffer a warm smile and an ink pen and offer to represent the agonized claimant for 30% of whatever they can wring from the dastardly ice cream manufacturers.

Nothing like litigation to ruin Good Humor for the rest of us.

Beware of underpass

The summer heat in Germany has produced a new driving hazard on the nation's autobahns.

Last week, a van containing "a group of naked men" was speeding down the highway and threw a pair of underpants out the window, according to a report from Reuters in Berlin.

Normally, this would constitute merely a litter hazard. But in this case, the discarded garment landed on the head of a Volkswagen driver in the next lane, whose view was briefly obstructed, the police reported. As a consequence, he rammed into a truck in front of him. Nobody was hurt, but police are now on the lookout for a van full of naked men, seeking to cite them for leaving the scene of an accident, the report states.

I think we can all take a lesson from this, and remember that, in the summer months, throwing underpants out the window is unsafe at any speed.

Failure to signal

Road hazards are also on the mind of residents in New Delhi, India, according to a report from the Associated Press.

In that country, automobiles occasionally must share congested roadways with four-legged creatures. This situation can result in unusual safety hazards, especially when those animals weigh up to 8,000 pounds, have floppy ears, a trunk and a massive rear bumper.

Yes, Indian elephants frequently are seen lumbering along New Delhi's roads, the AP reports, being "used at weddings, festivals and by the tourist industry and often have to walk long distances along the city's chaotic, congested roads."

In response to the threat to the animals, the Wildlife Trust of India has begun providing special harnesses, called "butt reflectors," that are affixed to the rear of the working giants, with reflective signals so they can be spotted by unwary drivers, especially at night.

Thankfully, elephants never forget to signal.

Vermin in the courtroom

At the other extreme of the animal kingdom, the AP reported that the Clay County Courthouse in Henrietta, Texas, was closed all last week because of an infestation of fleas. The fleas were reportedly swarming all over courthouse employees and visitors.

(Are they really sure those weren't trial lawyers?)

"Officials believe the likely culprits are cats and dogs living under the courthouse, or squirrels living in the courthouse dome," the AP wrote.

Be safe this summer.

Editor Paul Winston can be reached at pwinston@crain.com.

Business Insurance

Vice President/Publisher: Martin J. Ross III (New York)

Editor: Paul D. Winston (*Chicago*)
Editor-at-Large: Jerry Geisel (*Washington*)
Managing Editor: Regis J. Coccia (*Chicago*)
Assistant Managing Editor - Graphics: Kathy L. Barnes (*Chicago*)
Assistant Managing Editor - News: Gavin Souter (*New York*)
Senior Editors: Michael Bradford (*New Orleans*); Meg Fletcher, A.R.M. (*Chicago*); Judy Greenwald (*San Jose*); Mark A. Hofmann (*Washington*); Dave Lenckus (*Tucson*); Douglas McLeod (*New York*); Sally Roberts (*Denver*); Joanne Wojcik (*Denver*); Rodd Zolkos (*Chicago*)
Bureau Chiefs: Roberto Ceniceros (*Los Angeles*); Sarah Veysey (*London*)
Associate Editors: Neil Hodge (London); Michael Prince (*New York*)
Correspondents: Carolyn Aldred (England) and Gerard O'Dwyer (Finland)
Copy Desk Chief: Matt Scroggins (*Chicago*)
Copy Editors: Mary B. Nick (*Chicago*); Joe Walker (*Chicago*)
Directory Editor: Kevin P. Edison (*Chicago*)
Assistant Directory Editor: Carrie A. Brittain (*Chicago*)
Assistant Graphics/Online Editor: Amy R. Kepka (*Overland Park*)
Executive Assistant / Reprint Manager: Karen Brown Tucker (*Chicago*)
Editorial Cartoonist: Roger Schillerstrom (*Chicago*)
Editorial Interns: Allison Reynolds *(Chicago)*; Yvonne Teems *(New York)*

Advertising Director: Kenneth F. Luker Jr. (*New York*)
Director - Business Development : Robert L. Niesse (*Chicago*)
District Managers: Chris Crain (*New York*); Lori Lieberman (*Los Angeles*); Ron Kolgraf (*Boston*); William J. McGuire (Chicago); Robert B. Murray (*New York*); John L. Phillips (*Chicago*)
Classified Advertising Manager: Irais Amleshi (*Chicago*)
Assistant to the Publisher: Pat Ghazvini (*New York*)
Advertising Traffic: Stephanie Cress (*New York*)
Production Manager: J. Thomas Janka (*Chicago*)
Circulation Manager: Rudolf Von Bartesch (*New York*)

Director of Communications: Ronnie I. Drachman (*New York*)
Promotion Coordinator: Barbara O'Brien (*New York*)
Promotion Manager: Michael Ambrosio (*New York*)

EDITORIAL: Chicago: 312-649-5200; Denver: 303-698-7601; London: 207-457-1400; Los Angeles: 323-370-2455; New Orleans: 504-269-3788; New York: 212-210-0100; San Jose: 408-774-1500; Tucson: 520-579-1937; Washington: 202-662-7200

ADVERTISING: Boston: 617-292-4856; Chicago: 312-649-5276; New York: 212-210-0133; Los Angeles: 323-370-2456
COMMUNICATIONS: New York: 212-210-0132
SUBSCRIPTIONS: Detroit: 888-446-1422

Business Insurance is published by Crain Communications Inc.

Chairman: Keith E. Crain
President: Rance Crain
Secretary: Merrilee Crain
Treasurer: Mary Kay Crain
Executive Vice President/Operations: William A. Morrow
Senior Vice President/Group Publisher: Gloria Scoby
Group Vice President/Technology, Circulation, Manufacturing: Robert C. Adams
Corporate Circulation Director: Nina LaFrance
Corporate Director/Production & Manufacturing: Dave Kamis

G.D. Crain Jr. Founder (1885-1973)
Mrs. G.D. Crain Jr. Chairman (1911-1996)
S.R. Bernstein Chairman-executive committee (1907-1993)

Published weekly at 360 N. Michigan Ave., Chicago, Ill. 60601-3806, Fax: 312-280-3174, *biweb@crain.com*. Offices: 711 Third Ave., New York, N.Y. 10017-5806, Fax: 212-210-0704; 329 Calhoun St., New Orleans, La. 70118, Fax: 504-269-8115; Suite 814, National Press Building, Washington, D.C. 20045-1801, Fax: 202-638-3155; 6500 Wilshire Blvd., Suite 2300, Los Angeles, Calif. 90048- 4947, Fax: 323-655-8157; 967 Bermuda Court, Sunnyvale, Calif. 94086-6750, Fax: 408-774-1155; New Garden House, 78 Hatton Garden, London EC1N 8LD England, Fax: 207-457-1440; 8157 N. Torrey Place, Tucson, Ariz. 85743, Fax: 520-579-3476; 777 E. Speer Blvd., Denver, Colo. 80203-4214; Fax: 303-733-2244; 11133 W. 108th St.,Overland Park, Kan. 66210, Fax: 312-280-3174. 77 Franklin St., Suite 809, Boston, Mass. 02110-1510; Fax: 212-210-0704 $4 a copy and $97 a year in the U.S., $130 in Canada and Mexico (includes GST). All other countries, $230 a year (includes expedited air delivery). Rudolf Von Bartesch, circulation manager. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, *Business Insurance*, 711 Third Avenue, New York, N.Y. 10017-5806. Microfilm copies available: University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For reprints or reprint permission: Karen Brown Tucker, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806, 312-649-5319, Fax: 312-280-3174.

BPA INTERNATIONAL

To subscribe, call 888-446-1422, or 313-446-0450 outside the United States.

AMERICAN ABM BUSINESS MEDIA

www.businessinsurance.com

Editorial

Asbestos bill changes for the worse

FIX IT OR NIX IT.

We're hard pressed to think of any recent piece of legislation that's been changed so much for the worse in so short a time as the Fairness in Asbestos Injury Resolution Act, which was approved by the Senate Judiciary Committee earlier this month. What was billed as an effort to bring much needed certainty and finality to the asbestos liability litigation mess could well make an intolerable situation even worse.

The bill that Judiciary Committee Chairman Orrin Hatch, R-Utah, initially introduced was itself a compromise. It called for the creation of a $108 billion national trust fund to compensate victims of asbestos related diseases. Major defendant corporations and their insurers would each pay a maximum of $45 billion into the fund, with the rest coming from other sources.

Under the original bill, claimants would have to meet specific criteria to receive awards, with the maximum award being $750,000 for mesothelioma, the most deadly asbestos-related disease. In return for funding the trust fund, defendant companies and their insurers would know both the extent of their maximum liability and the fact that they wouldn't face any more days in court where asbestos was concerned.

But several things happened on the way to a final committee vote. In an effort to get to that vote, Sen. Hatch accepted a variety of additional compromises designed to garner Democratic votes. These included: a new $7 billion levy on insurers and on defendant companies; a new, more expensive schedule of awards for virtually all asbestos-related maladies; and a so-called system of "contingent" funding that could hit defendant companies and their insurers with an additional $22.5 billion each if the trust fund appeared to be heading toward financial trouble.

The problem is that some Democrats on the committee appeared to regard the contingent funding as automatic supplemental funding that would increase the fund to well over $150 billion to pay claims.

For all his willingness to compromise on the measure, Sen. Hatch gained a grand total of one Democratic vote for the bill. The result is a bill that the insurance industry opposes and defendant companies aren't vocally supporting. It is a bill that could end up creating a perpetual trust fund that saddles everyone with new costs without guaranteeing that the expense will ever come to an end.

Ultimately, the only certainty is that commercial insurance policyholders would end up paying to finance the asbestos fund one way or another. Most likely they would be hit with higher premiums. But it's not totally implausible that buyers could also be asked to pay some sort of premium surcharge to cover any shortfall, along the lines of a levy approved to fund a federally backed terrorism insurance pool if needed.

Sen. Hatch means well in pushing for asbestos liability reform, and we supported the initial proposal because it would have provided certainty and finality to the uncertainty of relying on the courts to compensate victims and would-be claimants.

But the FAIR bill as amended appears unlikely to provide either certainty or finality for anyone involved. Before the bill goes to a final Senate vote—if it ever does—the measure's supporters should make every effort to get back to the original proposal. Otherwise, the cause of reform would be far better served if they simply dropped the matter and went back to the drawing board.

Civility needed in legislative process

WE HOPE THE sorry spectacle that took place during a House Ways and Means Committee vote on pension reform legislation does not impede further congressional action on the much-needed measure.

The words "shocking" and "disgraceful" would not overstate what occurred during the panel's consideration of the bill, and those words would apply equally to the actions of both Republicans and Democrats.

Committee Chairman Bill Thomas, R-Calif., was wrong to ask for a vote on the measure only hours after committee Democrats said they received it. Matters of this importance—how much money employers should be required to contribute to their pension plans—need more than a cursory review, something Rep. Thomas, a veteran congressman, should know.

Similarly, Rep. Thomas went beyond what was reasonable when he called for the Capitol Hill police to eject Democrats from a House library room adjacent to the committee's hearing room. The Democrats had walked out of the hearing room to protest the way the bill was being considered and after one committee Democrat used intemperate language.

The actions of committee Democrats also are indefensible. Rather than childishly walking out of the hearing room, which no doubt inflamed Rep. Thomas, they should have asked for a recess to enable them to study the bill.

And the words directed by one committee Democrat—Rep. Pete Stark, D-Calif.—toward one committee Republican were appalling. Rep. Stark told Rep. Scott McInnis, R-Colo., that he was a "wimp" and a "fruitcake." The behavior of Rep. Stark truly is baffling given his long—30 years—service in Congress and his thoughtful consideration of many legislative issues.

We hope that tempers cool and apologies are extended; to his credit, Rep. Thomas apologized last week. More substantively, we hope members of both parties recognize that the best legislative outcomes can be achieved only with bipartisan cooperation. Indeed, no one party has a monopoly on good ideas.

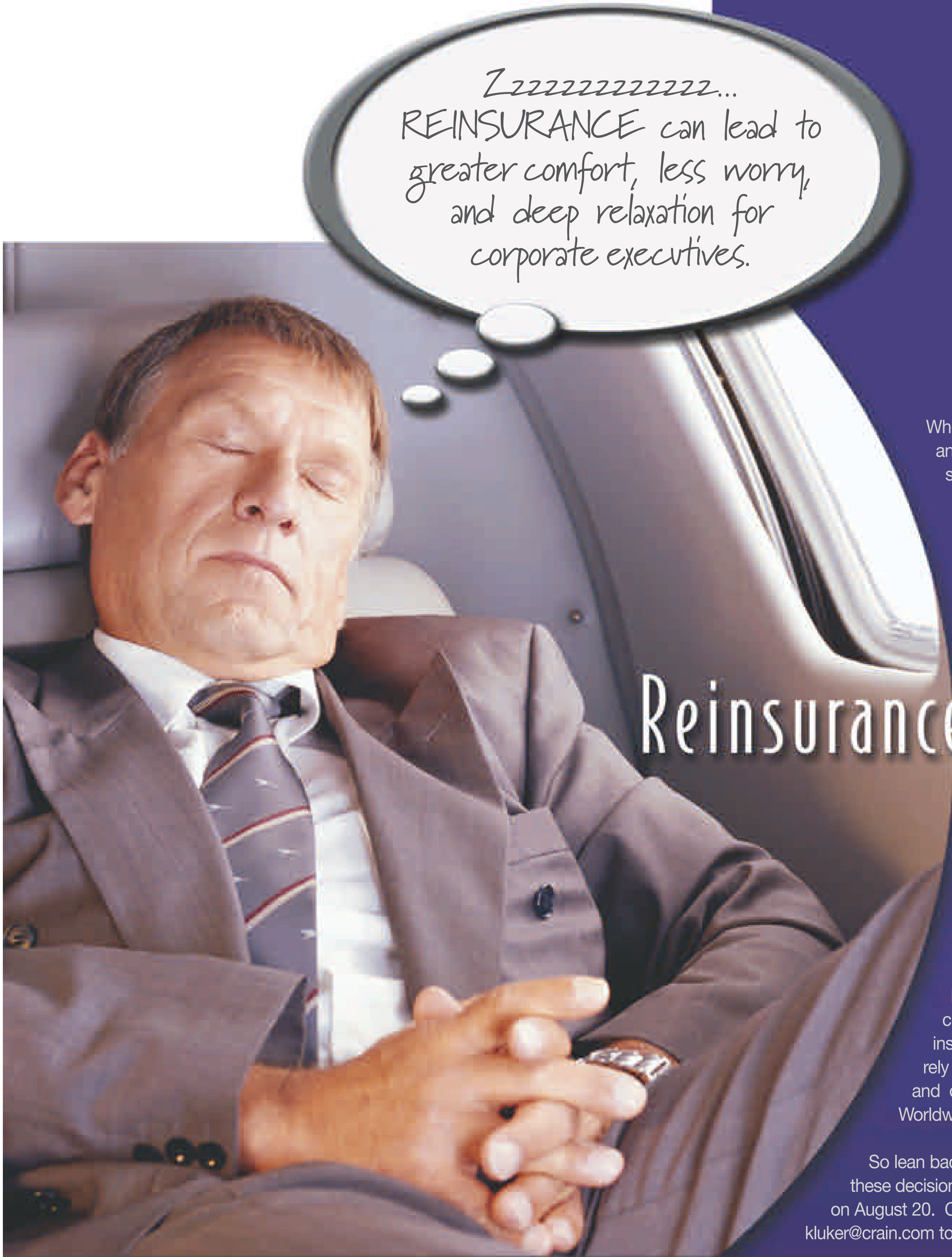
As for the pension legislation, it never was a partisan bill, and we hope the Ways and Means Committee fracas will not result in it becoming one. The need for the foundation of the measure—replacing, if only for a few years, the obsolete 30-year Treasury bond with a long-term corporate bond index to value pension liabilities—remains urgent.

Forcing employers to contribute more than is necessary—the result of using the current low yields on the 30-year T-bond to value liabilities—weakens, not strengthens, employers' commitment to maintaining their defined benefit plans, and that surely is not in the national interest.

Schillerstrom

Business Insurance welcomes letters to the editor. The section is intended to be a forum for readers' opinions and comments. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Please send your letters to: Letters to the Editor, *Business Insurance*, 360 N. Michigan Ave., Chicago, Ill. 60601-3806; fax: 312-280-3174; e-mail: *pwinston@crain.com*

03bi0362 7/8/03 4:03 PM Page 1



When it comes to risk transfer, reinsurance plays an important role. It can provide sophisticated solutions to complex problems in the commercial insurance industry, but reinsurance also has a simpler effect: peace of mind. To keep our readers informed and relaxed, *Business Insurance* will be publishing a series of three special reports on reinsurance this fall.

Reinsurance. And Relax.

The first feature report— **Reinsurance: International Markets** — publishing September 1, will include an overview of the global reinsurance scene and will be distributed at the annual Rendez-Vous in Monte Carlo, one of the world's largest gatherings of reinsurance executives.

Rest assured — with ***BI***, you'll reach key corporate insurance executives along with insurers, reinsurers and intermediaries who will rely on this issue as well as our annual ranking and online directory of the Leading Reinsurers Worldwide.

So lean back, relax and imagine being top of mind with these decision-makers — book your space before it closes on August 20. Contact Ken Luker at 212-210-0133 or e-mail kluker@crain.com to place your ad today.

Reinsurance: International Markets
September 1 issue.
Ad close - August 20.

Watch for these upcoming Reinsurance Special Reports from *Business Insurance*:

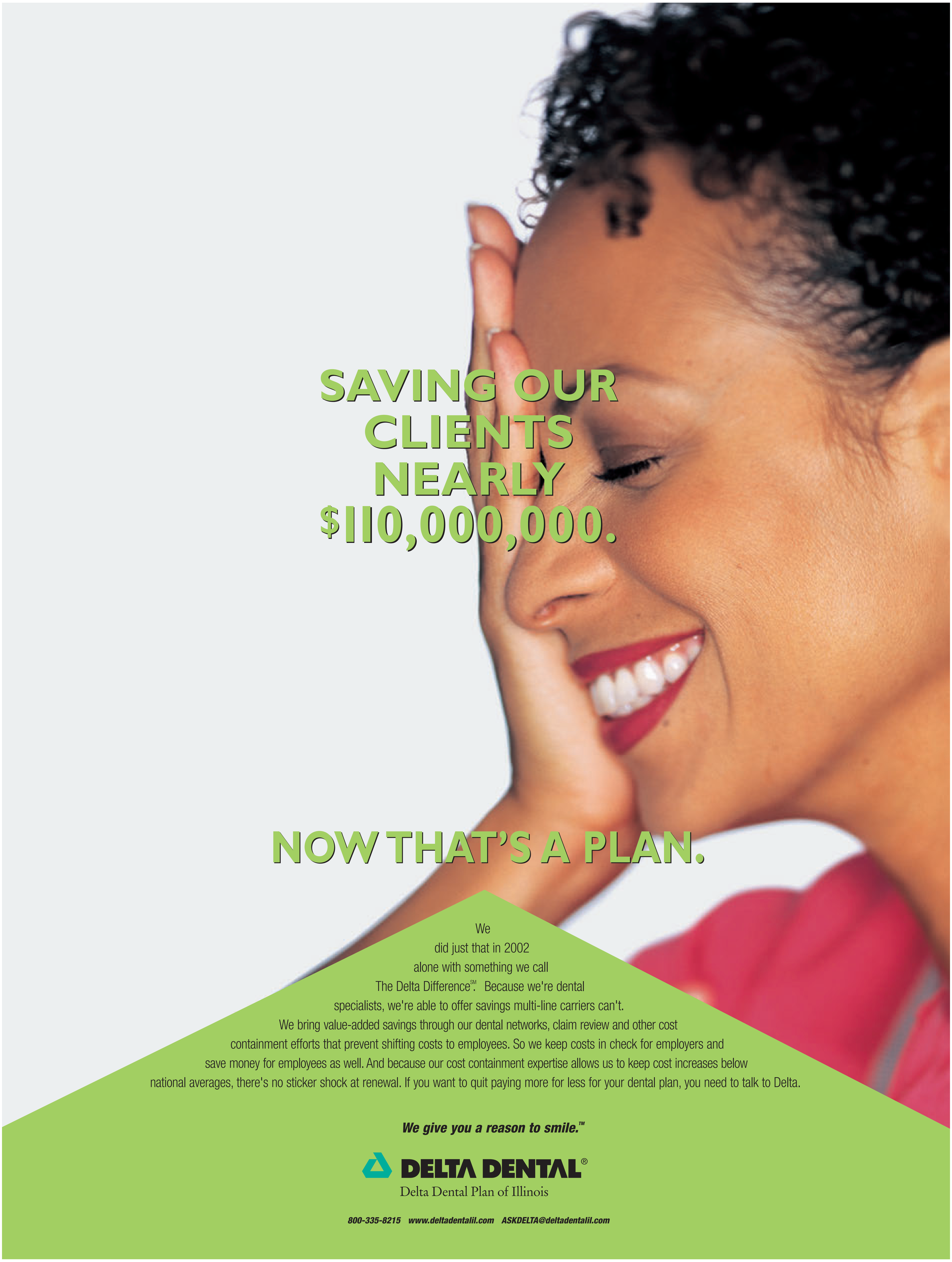
SEPTEMBER 22 – REINSURANCE: RENDEZ-VOUS REPORT
Ad Close: September 10

NOVEMBER 10 – REINSURANCE: TRENDS & ISSUES
Ad Close: October 29

www.businessinsurance.com
Business Insurance®

NEW YORK: 212-210-0133
CHICAGO: 312-649-5276
BOSTON: 617-292-4856
LOS ANGELES: 323-370-2456

03bi0384 7/16/03 12:46 PM Page 1



Information: Protecting digital assets

Continued from page 4

The problem is exacerbated by companies increasingly linking their systems to those of other businesses essential to their operations.

"We are critically dependent on joint ventures," Mr. Boni said, noting that some of those involve sharing intellectual capital. "Risk is no longer internal to the enterprise," he said, adding that Motorola has direct network connections with about 1,000 companies in its supply chain. "And losses can be astronomical," Mr. Boni said. "The problem is only going to get worse."

In response, an organization needs to determine what are its critical dependencies, where is the network, who uses it, what are the key digital assets and what are the risks to those digital assets, Mr. Boni said.

Threats can be posed by "ethically flexible" employees, competitors, freelance system crackers, intelligence agencies, militaries practicing "information warfare," transnational crime cartels and terrorists, among others, he said.

"There's only about 7,500 known hackers in the world," Mr. Archer said. But those hackers not only write viruses, they also create virus-writing tools that others can use.

And, Mr. Archer said, the problem is getting worse, "because by 2010, 85% of all criminals will be computer literate." That percentage is greater than the computer literacy rate of the general population of the United States, he said.

To counter those threats, a company must develop an integrated program fusing technical safeguards with human, procedural and operational elements, Mr. Boni said.

Simply having an IT security policy is "just the start of the conversation," he said. Security systems must be tested and actively monitored, and a company should have a plan for responding if its IT security is breached. The company also must create a sense of information security awareness that produces an educated and alert workforce.

Also, because resources are limited, it's necessary to identify the company's "crown jewels," Mr. Boni said. "You can't protect everything," he said. "Focus on protecting the assets that actually make a difference to the enterprise."

Supply: Shipping risks

Continued from page 4

that sign up for some of these programs," Mr. McKinstry said, referring to a number of programs created by the Transportation Security Administration. "It's definitely a good idea to be compliant," he said.

To deal with supply chain interruption risks, a company must first identify its business interruption risks from a larger set of enterprise risks, then set priorities to focus on the major risks, Mr. Tew said. The next step is to use various techniques to model processes and assess exposures, with the company finally working on "actionable" risks.

Assembling a framework for analyzing and dealing with business interruption risk involves both data acquisition and analysis and risk reduction and control efforts. In both cases, a company needs to use probability and statistics models, supply chain models and business performance metrics, Mr. Tew said. GM then uses analytic approaches or simulation "to try to tie it all together," he said.

Mr. Tew noted that supply chains are "complex networks," and he said that efforts to model supply chain operations should focus on capturing information about interdependencies in such areas as cash, information, knowledge, material and transportation or logistics.

"Just pointing out the problem, modeling the problem, assessing its impact, is just one step," Mr. Tew said. The final step is tying that information into the organization's operations contingency plans so that when an event does occur the company can respond appropriately.

Mr. McKinstry noted that safe-commerce issues can have various impacts on a company, including supply chain problems and a negative affect on the corporate brand if the company's shipping system were somehow connected to a terrorist attack. He cited one Fortune 50 executive's comment that the company believes that if an act of terrorism were committed involving one of the its containers, "it would be a company-ending event."

Safe-commerce initiatives range along a continuum from tactical to strategic, Mr. McKinstry said, from risk identification and mitigation planning to compliance with new federal regulations and requirements on supply chain security and, finally, end-to-end supply chain risk management with a safe-commerce command-and-control system in place.

Among the factors Mr. McKinstry said companies should consider are whether their supply chain depends on foreign imports, the impact on their insurance rates of operational risks, whether they have a contingency plan in place for supply chain interruptions and whether their customers would benefit from having such a plan.

Fifth Annual Risk Management Roundtable

Manage financial risks, don't try to eliminate them

By RODD ZOLKOS

CHICAGO—Best practices in financial risk management "aren't coming from Enron, WorldCom or Martha Stewart today," according to one enterprise risk manager, though those situations are helping drive efforts to advance financial risk management techniques.

Financial risks facing a company typically are those that exist because of market volatility, such as commodity price, interest rate and foreign exchange rate changes, and other risks that might be specific to the company's particular industry, explained Laura L. Brooks, vp of risk management and chief risk officer at Public Service Enterprise Group in Newark, N.J.

And it's necessary to manage those risks rather than try to eliminate them, she said, "Because the risk/reward tradeoff is real," and "returns are generated by managing risks, not by eliminating them."

Ms. Brooks discussed financial risk management practices and her company's experiences earlier this month in Chicago at the Economist Conferences Fifth Annual Risk Management Roundtable.

She said her department at PSEG, Financial Risk Management, is charged with creating and maintaining a control infrastructure for financial exposures, identifying, measuring, monitoring and managing financial risks. The group looks at market, credit and operational risks across the utility's entire enterprise.

The department ensures that transaction risks are understood and are within the company's risk appetites and provides metrics for capital allocation and portfolio optimization on a risk vs. reward basis, Ms. Brooks said.

It also enhances the company's ability to access the capital markets by monitoring PSEG's liquidity requirements and economic capital adequacy and, through its efforts, by helping maintain the company's credit rating.

Ms. Brooks advocates measuring market risks facing her company using both analytical approaches and simulation techniques. "I don't like the emphasis on either one because you need both in this business," she said.

She noted that developing appropriate metrics and then risk/reward and value-based performance measures for managing financial risks involves a progression of steps.

While the final steps require sophisticated analytics, a company can't reach that point without first engaging in a process of identifying transactions across the enterprise that lead to risk aggregation, then determining where to gather appropriate data for the more sophisticated analysis.

After examining the risks facing different facets of the organization, taking a portfolio optimization approach to assessing activities across the organization on a risk vs. reward basis "is where you need to look at combining things from a business unit perspective," Ms. Brooks said.

For example, PSEG would consider the effects of factors such as weather-related demand changes and regulatory developments on the price of power the utility provides, she said.

Ms. Brooks noted that assessing a company's capital adequacy involves a balance between its economic value—the company's balance sheet and economic capital—and its financial liquidity.

Determining liquidity capital—or cash—adequacy for business lines or the entire firm essentially involves look at the company's sources and uses of that capital and consideration of the probable events that could have an impact on the company, she said.

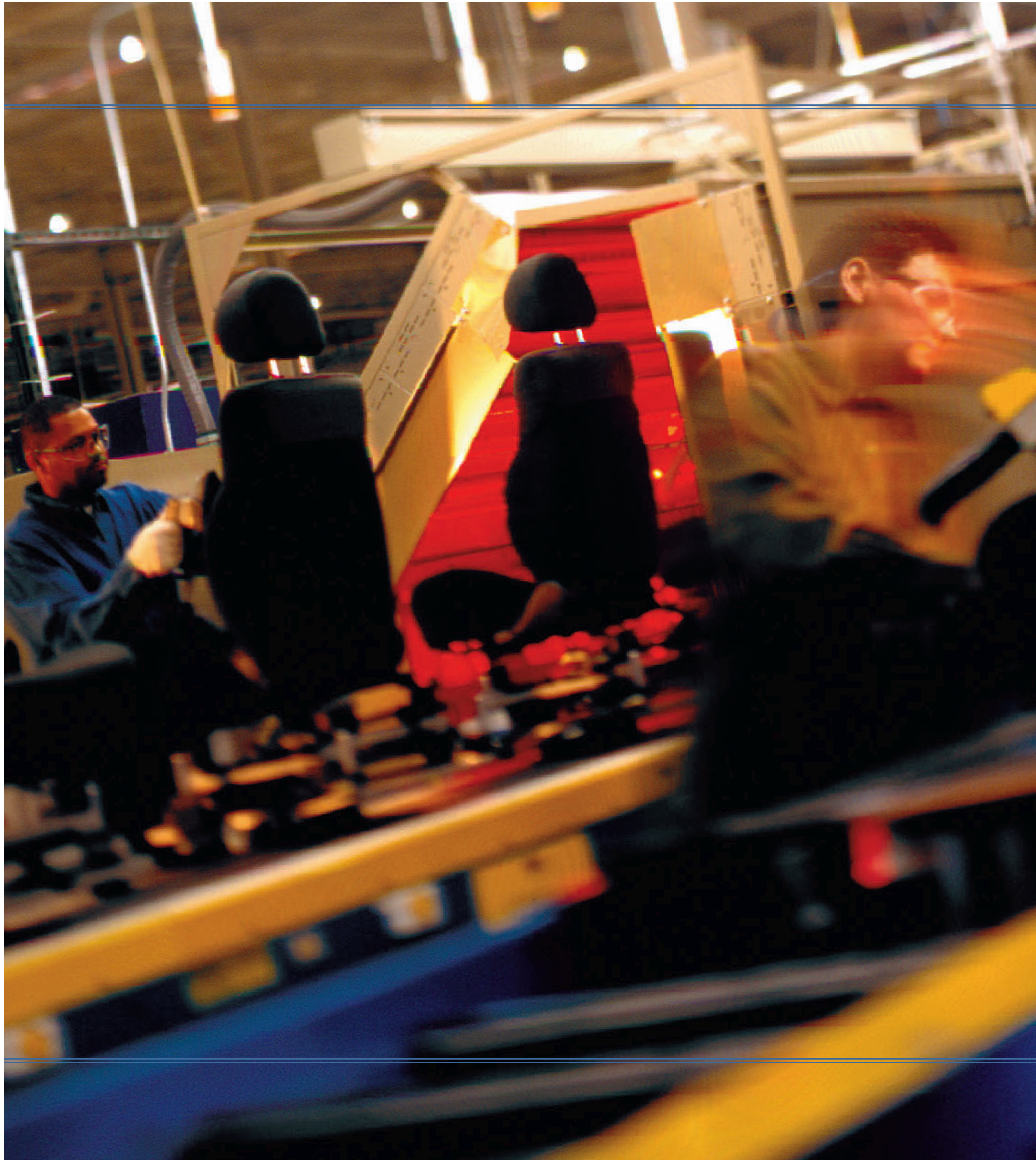
In measuring economic capital at risk, one key consideration is the time horizon for the simulation model. Another important issue is use of accrual vs. mark-to-market accounting in considering the value of the company's various assets and financial positions, Ms. Brooks said.

Attendees talk strategy

CHICAGO—The Fifth Annual Risk Management Roundtable, presented by Economist Conferences, drew approximately 70 attendees to Chicago July 15 and 16.

This year's conference focused on the theme "What strategy will keep you in the game?" Among the topics discussed at the gathering were sustaining shareholder and stakeholder value, instilling a risk management culture across the organization, implementing an effective enterprise risk management framework and strategic risk management.

For information on next year's conference, visit *www.economistconferences.com* or call 212-554-0600.



Commentary

He's not waiting 'til next year

With summer in full swing, the time seems right for the midseason report from section 430, row 3, seats 5 and 6 at Wrigley Field.

The topic is perfectly justified, I think, as being a Cub fan necessarily involves a certain amount of risk management. Not that many of us are any good at it. With a team that toys with fans' emotions decade after decade, a prudent fan would drastically limit his or her exposure to the heartache that comes with June swoons or September collapses.

Of course, a prudent fan probably wouldn't cheer for the Cubs.

This is a team just five years from the centennial of its last World Series championship, and whose most celebrated squad is one that didn't quite get there—the 1969 team that led most of the season only to see the Miracle Mets blow past them in September.


Rodd Zolkos

Decades later, you can tune in a sports talk radio show on just about any summer night in Chicago and, sure as every call's going to start with a hearty, "Hey, how's it goin'?" sometime during the evening someone will ask, "If Leo'd rested the starters more in August, do you think we could've beaten the Mets?"

The honest answer is no, the '69 Mets were a team of destiny. And the Cubs destiny, it seems, is to stir fans' emotions every few years with hopes that maybe this is the season, only to make it easy to switch attentions to Bears football once September arrives.

If you've never heard the late Steve Goodman's classic song, "A Dying Cub Fan's Last Request," you should check it out. It explains the lot of the Cubs fan better than I ever could. Strangely, it never gets played between innings at Wrigley Field.

But hope springs eternal in the Cubs fan's heart, and that's why, I guess, Kathy, and I routinely make the walk from our place to the seats above first base we've been lucky enough to hold for weekends and night games for several years now. And what do you know—this season it looks like the Cubs just might have a chance.

It's been a season of ups and downs, granted. Bringing in Dusty Baker as manager was a great start to the season. The Yankees weekend, with the Cubs taking two of three, including a classic Roger Clemens/Kerry Wood pitching duel, was a high point. The Sammy Sosa corked bat thing was one of the lows, but hey, everybody makes mistakes, right? And besides, he's been hitting a ton the last couple of weeks.

Don't ask about the White Sox series.

I know, I know, this sounds like nothing more than typical Cub fan talk. But this year there really seems to be cause for hope. Sure, as I write this, the Cubs are in third place, five games back from Houston, and they've won more than two in a row only once in the past six weeks. But the National League Central's weak this year. And, despite their recent problems, the Cubs are still .500. And they've got a lot of games left with the Astros and the Cardinals where they can make up ground.

And if this wasn't the Cubs year, wouldn't pitching phenom Mark Prior's shoulder injury be a whole lot worse than just a bruise?

It's true that Houston's hot and the Cardinals have an incredible offensive team, but hey, the Cubs have that great starting pitching and look, they just filled two big holes in a single trade with Pittsburgh for center fielder Kenny Lofton and third baseman Aramis Ramirez.

Lofton is just what they needed in center, a guy who's been there who'll fill in for the rest of this season until the injured Corey Patterson comes back next year. (Patterson himself had been one of this year's highlights, enjoying a breakout season before blowing out a knee earlier this month).

And Ramirez, he's got all kinds of upside offensively. Sure, he's got a skillet for a glove, but it's time for the Cubs grounds crew to engage in some loss control, growing the grass on the left side of the infield a little taller to slow down groundballs (there's precedent: See Cey, Ron; 1984).

Yep, Aramis just might be the guy who'll fill that hole at third base the Cubs have been dealing with since trading Ron Santo in 1974.

He'll be the 98th guy to try.

But based on the risk management/Cubs fan overlap, I'm thinking now about trade credit insurance. How about some kind of policy that would give the Cubs a 10- or 15-win credit if this Lofton/Ramirez trade winds up being a bust? I don't know if there's anything like that in the market, but if there is, I know a lot of people in section 430 who'd be willing to help pay the premium.

Senior Editor Rodd Zolkos can be reached at rzolkos@crain.com.

Comings & Goings


Mr. Chase


Mr. Dinger


Mr. Trauger

Insurers:

Nationwide Mutual Insurance Co. of Columbus, Ohio, made three senior-level appointments in its property/casualty operations following last month's announcement that **Galen R. Barnes** would retire as president and chief operating officer of Nationwide Insurance at year end.

Stephen S. Rasmussen has been named president and chief operating officer of the company's newly aligned property/casualty insurance operations. Mr. Rasmussen previously was president and COO of Allied Property Casualty Insurance Co., a unit of Nationwide.

Douglass C. Robinette has been named president of Nationwide Insurance, succeeding Mr. Barnes. Before his promotion, Mr. Robinette was president of Nationwide Strategic Investments.

And **Kirt A. Walker** has been promoted to president of Allied Insurance, succeeding Mr. Rasmussen. Previously, Mr. Walker was vp for Allied's Pacific Coast regional office.

In other insurer changes:

Tim Donney has been named marine loss control director at New York-based Fireman's Fund McGee Marine Underwriters. Previously, Mr. Donney was director of national operations for the marine division of Intermodal Transportation Services Inc.

Brokers:

Stewart McDowell has been named chief operating officer of Winston-Salem, N.C.-based Wachovia Insurance Services Inc. Before joining Wachovia, Mr. McDowell was a regional executive with Willis Group Holdings Ltd.

Chicago-based Arthur J. Gallagher Risk Management Services Inc. announced two executive-level appointments:

- **Matt Reese** has joined the risk management division as senior vp. Before joining Gallagher, Mr. Reese was senior vp at Near North Insurance Brokerage Inc.
- **Barb Spain** was named senior vp. Previously, she was a vp at Near North.

Reinsurance:

Lynn M. Halper has joined Chicago-based Aon Re U.S. as senior vp in the Stamford, Conn., office. Previously, Ms. Halper was senior vp at Trenwick America Corp.

Surplus lines:

Farmington Hills, Mich.-based Burns & Wilcox Ltd. has named **Dennis J. Byrne** as commercial lines manager in the Los Angeles office. Before joining Burns & Wilcox, Mr. Byrne was an excess and surplus lines consultant with Driscoll & Driscoll Insurance Agency.

C. Lee Chase has been named operations manager for Russell Bond & Co. Inc. Before joining the Buffalo, N.Y.-based company, Mr. Chase was regional strategic accounts manager at OneBeacon Insurance Group.

International Catastrophe Insurance Managers L.L.C., a Boulder, Colo.-based managing general agency, has named **Sam Ramsey** as senior vp of risk underwriting. Previously, Mr. Ramsey was vp/middle-market account underwriter for wind risks.

Managed care:

Philadelphia-based CIGNA Corp. has named **James Bryant** president of CIGNA Pharmacy Management, its prescription benefit management unit. Mr. Bryant replaces **Tom Croswell**, who was named president of Intracorp Inc., CIGNA's medical management services unit. Previously, Mr. Bryant was president and chief executive officer of software company Wellinx.

Other suppliers:

Michael Trent has been named president of employee benefits administrator American Trust Administrators Inc. in Overland Park, Kan. Previously, he was vp of marketing for Morris Associates of Indianapolis.

Stephen D. Mirante has been named managing consultant with Washington-based Watson Wyatt Worldwide. Previously, Mr. Mirante was senior vp-advisory services for a division of CIGNA Corp.

WFG Capital Advisors, a consulting firm based in Harrisburg, Pa., has made two senior-level appointments.

- **Dennis L. Dinger** has been named director. Before joining WFG, Mr. Dinger was senior executive vp and chief fiscal and administrative officer for Dauphin Deposit Corp., a bank holding company.
- **Richard B. Trauger Jr.** has been named senior vp. Previously, Mr. Trauger was executive vp for The Carson Medlin Co., an investment banking firm.

Products & Services Guide

*To place your ad, contact **Irais Amleshi** at (312) 649-5340 / fax: (312) 649-7937 / E-mail: iamleshi@crain.com*
Business Insurance, Products & Services Guide Department, 360 N. Michigan Ave., Chicago, IL 60601-3806.

Laid-off ineligible for full pensions

U.K. appeals court ruling may reduce employer's overall pension liabilities

By SARAH VEYSEY

LONDON—Under the terms of its pension plan, an employer does not have to pay full retirement benefits to a group of older workers it laid off before they attained normal retirement age, according to the Court of Appeal in London.

However, some employees who elected a voluntary layoff offered by the company are entitled to their full pension benefits projected to retirement, the court ruled.

The court found that a group of Massey Ferguson workers 50 years old or older who were subjected to a compulsory layoff are not entitled to the full pension rights they would have accrued had they worked until normal retirement age—in this case, 65. The decision reverses a December 2002 High Court ruling that the workers who are laid off are entitled to their full pension benefits.

Under that ruling, Massey Ferguson's American parent company, Duluth, Ga.-based AGCO Corp., would have been on the hook for pension benefits estimated at about £30 million to £40 million ($47.7 million to $63.6 million).

The case involves a group of workers at Massey Ferguson's plant in Coventry, England. The company is relocating the operations to Beauvais, France. As part of the restructuring, some employees accepted voluntary layoff, but nearly 1,000 were subjected to a compulsory staff cut.

Following the layoffs, the company said it would reduce the pension benefit payouts of the employees involved in the layoffs, both voluntary and compulsory. The affected workers sued in the High Court seeking full retirement benefits.

The Transport and General Workers Union, a labor union representing the Massey Ferguson workers, had argued that because the workers are not leaving the company by choice, under the terms of the pension plan, they should receive full pension benefits. The case hinged on a clause in the pension rules stating that a member of the plan who retired from service "at the request" of the employer after his or her 50th birthday should be entitled to "a normal retirement pension," according to court papers.

The High Court agreed with the union's argument, reinstating full benefits, but AGCO appealed. And in its July 17 ruling, the Court of Appeal held that the laid-off workers should have their pension entitlements reduced by up to 6% per annum.

In its July 17 ruling, the U.K. Court of Appeal held that the laid-off workers of Massey Ferguson should have their pension entitlements reduced by up to 6% per annum.

The three-judge panel ruled 2-1 that, under the rules of the company pension plan, a member who was over 50 and accepted the offer of voluntary layoff should be entitled to an immediate, unreduced pension. But cases of compulsory layoff or dismissal would not be defined as cases where the employee had retired from service at the "request" of the employer, the court ruled, so full pension rights did not apply.

AGCO, a manufacturer of agricultural equipment, welcomed the ruling. But it noted that, under the court's decision, certain employees whose employment contracts were terminated on a voluntary layoff basis in prior years may be entitled to higher pension benefits.

The company said in a statement that it was reviewing this aspect of the ruling but that preliminary assessments suggested that its pension plan liabilities would increase by up to $12.5 million as a result of the decision.

The union described the decision as "an astonishing ruling which appears to go against the spirit and letter of the pension fund rules."

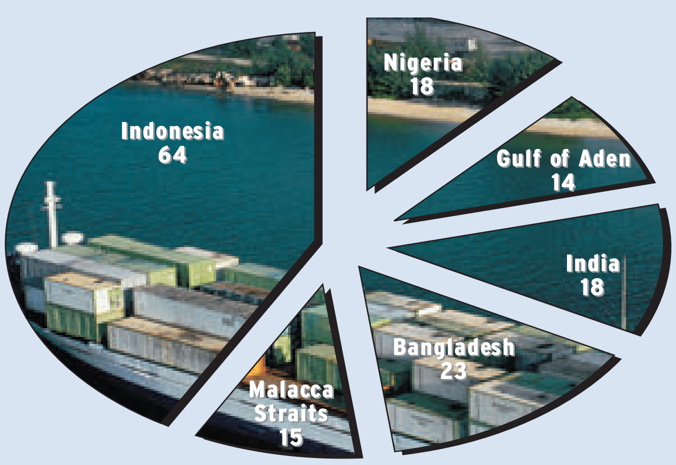
The TGWU pointed out that the company's normal retirement age is 65, so a worker being laid off at age 55 could see the value of his or her pension cut by 60%.

The TGWU said it was considering what further action it would now take, though it noted that the appeal court had ruled out an appeal to the House of Lords.

AGCO Ltd. vs. Massey Ferguson Works Pension Trust Ltd. et al., Court of Apppeal, Civil Division, Decided July 17, 2003, No. BLD 1807032631; (2003) EWCA Civ. 1044.

RISING TIDE OF PIRACY

The following areas account for nearly two-thirds of the 234 incidents of piracy reported in the first six months of 2003.



Source: ICC International Maritime Bureau

Attacks by sea pirates up markedly this year

By NEIL HODGE

High-seas piracy is on the rise this year, according to a report from the ICC International Maritime Bureau.

The London-based IMB noted that there were 234 incidents of piracy on commercial sea vessels worldwide in the first half of the year, up 37% over the year-earlier period. The report, "Piracy and Armed Robbery Against Ships," also noted an increase in killings related to piracy, which rose to 16 from six. In addition, incidents of crew being taken hostage almost doubled to 193.

Indonesia recorded the most attacks—64—accounting for over one-quarter of the world total. The IMB says in the report there are no signs that the number of attacks will drop unless Indonesia takes serious steps to address the problem.

Copies of the report are £18 ($29) and can be ordered by e-mail at imb@icc-ccs.org.uk.

German regulator may fine insurers

By CAROLYN ALDRED

BONN, Germany—A year-long investigation of Germany's commercial insurance sector has produced evidence of anti-competitive practices, according to the country's competition regulator.

Letters were sent to several insurance companies last week seeking an explanation, according to a spokeswoman for the Bundeskartellamt. The spokeswoman refused to identify any of the companies involved.

The Bonn, Germany-based Bundeskartellamt may fine the insurance companies if it does not receive adequate responses from them, she noted.

The German cartel office raided the offices of 13 insurance companies in July 2002 after it received complaints from commercial insurance buyers that insurers were engaging in price-fixing.

While the cartel office did not identify the insurers whose offices t raided, several companies, including Munich-based Allianz A.G. Holding and Cologne-based Gerling Group, confirmed that their offices were visited (*BI*, Aug. 5, 2002).

"We are not surprised about this," said Gunter Schlicht, managing director of German commercial buyers association Deutschen Versicherungs-Schutzverbands.

Mr. Schlicht pointed out that the members of the buyers association "had a very strong impression during 2000 and 2001 that the insurers did not want to compete, and the DVS complained about this publicly."

A spokesman from German insurance association Gesamtverband der Deutschen Versicherungswirtschaft would not comment on the findings of the cartel office.

The Berlin-based GdV's spokesman did say, however, that the contraction of capacity and increased premiums in Germany were similar to the difficult market conditions being experienced globally and were a reflection of the losses sustained by industrial insurers worldwide.

Even during the years under investigation, insurers still lost money, he noted.

A meeting of the GdV's industrial fire insurance committee in 1999 discussed the difficult situation insurers faced but did not fix prices, the spokesman said.

World Updates

U.S. regulator's plan gets cold reception

London insurers are cool to a recent proposal by the District of Columbia insurance commissioner to help alien reinsurers avoid U.S. collateral funding rules. Lawrence Mirel told the International Underwriting Assn. that non-U.S. reinsurers could be licensed in the district and benefit from possible reciprocal licensing agreements with other states. European insurance industry sources were skeptical the plan would resolve current rules that require non-U.S. companies to post collateral equal to 100% of liabilities.

FSA to bar coverage of fines it levies

The U.K. Financial Services Authority is seeking to ban companies from using insurance to pay fines for violating securities laws. The FSA said its proposals—slated to be introduced Jan. 1, 2004—were intended to ensure fines "are paid by the person on whom they are imposed." The FSA can levy unlimited fines.

Chile considers group pension reform

Pensions & Investments reports that the Chilean Congress will consider a proposal to create 401(k)-type group pension plans that would be independently managed and offered to private companies. Chile has a mandatory private defined contribution program, in which individuals' contributions are invested by third-party pension managers. Should lawmakers adopt the new proposal, voluntary pension vehicles that include tax incentives for long-term savings could be offered directly to companies to make available to their workers.

60% of U.K. DB pensions closed to new members

Only 40% of the largest U.K. companies still have a defined benefit plan open to new members, and the aggregate funding shortfall for the largest companies' plans is more than £90.2 billion ($145.18 billion), according to Mercer Human Resource Consulting. Mercer said the percentage of companies with defined benefit plans open to new entrants was 65% a year earlier.

Briefly noted

Lloyd's of London is applying for a license to open a reinsurance branch in China....David King has been named executive director of the London-based Institute of Risk Management. Mr. King is customer relationship manager at Royal & SunAlliance Insurance Group P.L.C. in London.

Professional MarketPlace

To place your ad, contact ***Irais Amleshi*** *at (312) 649-5340 / fax: (312) 649-7937 / E-mail: iamleshi@crain.com*

Business Insurance, Classified Department, 360 N. Michigan Ave., Chicago, IL 60601-3806. Call for details on blind box and internet advertising

HELP WANTED

Underwriter Director - $125K

Midwest office of major org
Large com'l P&C exp
Property Reins-E&S exp A+
Good leadership ability to supervise lge dept. Relocation Asst
Call Bill Kirksey - (760) 729-3773
E-mail: **bkcarlsbad@msn.com**

RISK ANALYST - RISK MANAGEMENT
Anaylst will focus on analyzing contracts for insurance provisions. Will work closely with vendors, & outside counsel to implement recommended contract changes. Will also be responsible for international and franchise insurance programs. Ideal candidate will be able to perform financial analysis and assist in development and organization of underwriting process for insurance renewals. College degree with emphasis in risk management or finance preferred. ARM or CPCU a plus. Expertise in Excel, Word & Access required. Send Resume to Fax: (310) 205-3627 or E-mail: **human_resources@hilton.com**. EOE/AA

FOR SALE

Property & Casualty Co.
Small, Northeast
Rated by Best
Respond to: **bibox3202@crain.com**
Business Insurance, Box 3202,
360 N. Michigan Avenue, Chicago,
Illinois 60601-3806

FOR SALE

TO FINANCIALLY QUALIFIED BUYER

#1 - P&C Charters Licensed in: AZ, AR, CA, CO, DC, IL, IN, KS, LA, MD, MO, NE, NV, NM, NC, OH, OK, OR, PA, SC, TX, UT – ***C&S – 7 Million***

#2 – P&C Charters Licensed in: AL, AR, CA, FL, GA, KY, MS, MO, NC, OK, SC, TN, TX – ***C&S - $5.1 Million***

#3 - P&C Charters Licensed in: DE, FL, NC, TN – ***C&S - $6.6 Million***

#4 - P&C Charters Licensed in: AL, AZ, CO, GA, ID, IN, IA, KS, KY, MN, MO MT, NE, NV, NM, NC, ND, OK, OR, SC, SD, TN, TX, UT, VA, WA, WY – ***C&S - $10 Million***

#5 - P&C Charters Licensed in: AL, DE, FL, GA, MD, NJ, NC, PA, SC, TN, VA – ***C&S - $8.5 Million***

#6 - P&C Charters Licensed in: AL, DC, IL, IN, IA, KS, MS, NM, ND, PA, SD, WI – ***C&S - $7 Million***

A-Life Charters Licensed in: AL, AK, AZ, AR, CA, CO, DE, DC, FL, GA, ID, IL, IN, LA, ME, MI, MS, MO, MT, NV, NM, OK, OR, PA, SC, TN, TX, UT, VA, WA, WV – ***C&S - $10 Million***

B-Life Charters Licensed in: AK, AZ, AR, DE, DC, HI, MS, NE, NV, NM, ND, OH, OR, PA, SC, SD, TN, TX, UT, VA, WA, WI – ***C&S - $7.5 Million***

Grantham & Co., Inc.
Phone: (713) 467-8811
1003 Wirt Rd., Suite 114,
Houston, TX 77055

HELP WANTED

RMA
RICHARD MEYERS & ASSOCIATES, INC

(888) RMA-Search
INFO@RMAINC.COM
WWW.RMAINC.COM

Building on Our Trusted Reputation in Executive Recruitment

TALENT ACQUISITION
- *Executive Search*
- *On-Boarding*
- *Contract Labor*
- *Salary & Comp Surveys*

TALENT MANAGEMENT
- *Executive Coaching*
- *Leadership Development*
- *Culture Assessment*
- *CompetencyModels*

Risk · Brokerage · Sales · Safety · Claims · Underwriting
Loss Control · RMIS/HRIS · Finance · Human Resources

HELP WANTED

Endurance

Our client, Endurance Specialty Insurance Ltd. launched its operations in Bermuda at the end of 2001 after raising approximately $1.2 billion from a diverse and well-known group of investors. Endurance is a global provider of property and casualty insurance and reinsurance. Using a highly analytical approach to risk, they help risk managers, reinsurance buyers and their brokers solve their insurance and reinsurance needs. Endurance invites applications for the position of:

INSURANCE CONTRACT ATTORNEY

Duties & Responsibilities:

- Develop effective, consistent wording for the Company's insurance products and for managing policy administration
- Work closely with the underwriters as their in-house legal resource
- Provide legal guidance and policy coordination for all multi-line insurance businesses
- Ensure policy terms accurately reflect underwriting intent and avoid unintended exposures
- Ensure the proper and timely execution of insurance documentation in accordance with the Company's Underwriting Guidelines and applicable insurance laws
- Identify and assess the contractual risks inherent in a proposed insurance transaction both qualitatively and quantitatively
- Review non-standard contract terms, draft clauses and ensure consistency across all platforms and lines of business
- Minimize risks to the Company from underwriting or underwriting-related activities that do not comply with the Company's Operating Guidelines, Underwriting Guidelines, Contract Risk Guidelines and its Code of Business Conduct
- Support the Sales and Renewal process by actively participating in customer meetings
- Develop standard wordings and maintain a database of acceptable and alternative wordings
- Develop and manage a budget

Required Skills/Experience:

- BA/BS degree and a juris doctorate or equivalent is required
- Minimum of 10 years experience in insurance policy drafting and management experience
- Minimum of 5 years insurance underwriting experience
- Intimate working knowledge of Bermuda market forms and significant hands-on experience with US and UK forms
- Must possess significant policy, legal, claims, and underwriting knowledge to handle all policies for both domestic and international policies or contracts
- Ability to effectively draft policy wordings which facilitate business objectives
- Demonstrated ability to manage multiple projects to a successful completion and to manage the policy documentation process in an insurance operation
- Proficient with MS Office Suite and database management

Applications will be dealt with in strict confidence and interested candidates can apply in writing or via email to:

Shirley Nosakhere-Fountain
AVP, Human Resources
Endurance Specialty Insurance Ltd.
Suite 784, 48 Par-la-Ville Road
Hamilton, HM 11 BERMUDA
Tel. No: (441) 278-0421
Fax No: (441) 278-0401
sNosakhere-Fountain@endurance.bm

HELP WANTED

Endurance

Our client, Endurance Specialty Insurance ltd. launched its operations in Bermuda at the end of 2001 after raising approximately $1.2 billion from a diverse and well-known group of investors. Endurance is a global provider of property and casualty insurance and reinsurance. Using a highly analytical approach to risk, they help risk managers, reinsurance buyers and their brokers solve their insurance and reinsurance needs. Endurance invites applications for the position of:

REINSURANCE CONTRACT ATTORNEY

Duties & Responsibilities:

- Develop effective, consistent wordings for the Company's reinsurance products and for managing the contract administration processes
- Work closely with the underwriters as their in-house legal resource
- Provide legal guidance and contract coordination for all multi-line reinsurance businesses
- Ensure contract terms accurately reflect underwriting intent and avoid unintended exposures
- Ensure the proper and timely execution of insurance documentation in accordance with the Company's Underwriting Guidelines and applicable insurance laws
- Identify and assess the contractual risks inherent in a proposed reinsurance transaction both qualitatively and quantitatively
- Review non-standard contract terms, draft treaty clauses and ensure consistency across all platforms and lines of business
- Minimize risks to the Company from underwriting or underwriting-related activities that do not comply with the Company's Operating Guidelines, Underwriting Guidelines, Contract Risk Guidelines and its Code of Business Conduct
- Support the Sales and Renewal process by actively participating in customer meetings
- Develop standard wordings and maintain a database of acceptable and alternative wordings
- Develop and manage a budget

Required Skills/Experience:

- BA/BS degree and a juris doctorate or equivalent is required
- Minimum of 10 years experience in reinsurance contract drafting and management experience
- Minimum of 5 years reinsurance underwriting experience
- Intimate working knowledge of Bermuda market forms and significant hands-on experience with US and UK forms
- Must possess significant contract, legal, claims, and underwriting knowledge to handle all contracts for both domestic and international policies or contracts
- Ability to effectively draft contract wordings which facilitate business objectives
- Demonstrated ability to manage multiple projects to a successful completion and to manage the contract documentation process in a reinsurance operation
- Proficient with MS Office Suite and database management

Applications will be dealt with in strict confidence and interested candidates can apply in writing or via email to:

Shirley Nosakhere-Fountain
AVP, Human Resources
Endurance Specialty Insurance Ltd.
Suite 784, 48 Par-la-Ville Road
Hamilton, HM 11 BERMUDA
Tel. No: (441) 278-0421
Fax No: (441) 278-0401
sNosakhere-Fountain@endurance.bm

LEGAL NOTICE

IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
2002 : No. 514

IN THE MATTER OF MUTUAL RISK MANAGEMENT LTD.
IN THE MATTER OF THE COMPANIES ACT 1981, SECTION 99

SCHEME BAR DATE

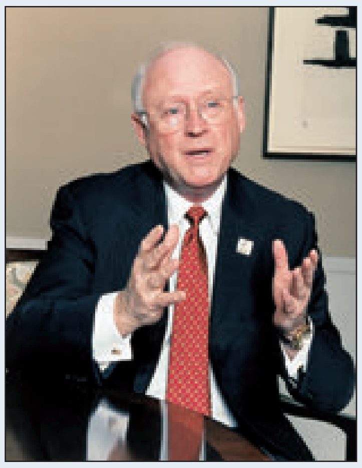
NOTICE IS HEREBY GIVEN that the Scheme of Arrangement (the "Scheme") between Mutual Risk Management, Ltd. (the "Company") became effective on Monday 21 July 2003.

In accordance with the terms of the Scheme, each Class B and Class C Scheme Creditor is now required to file a Distribution Claim Form so as to reach the Company on or before the Bar Date which is Thursday 4 September 2003 (being 45 days following the Effective Date, i.e. 21 July 2003). THESE DISTRIBUTION CLAIM FORMS MUST BE COMPLETED AND FILED EVEN IF A PROXY/VOTING CLAIM FORM HAS ALREADY BEEN FILED.

Distribution Claim Forms are being forwarded to all Class B and Class C Scheme Creditors by post. Class B and Class C Scheme Creditors who have not received a Distribution Claim Form may obtain one from the offices of the Company at 44 Church Street, Hamilton HM 12, Bermuda (Angus H. Ayliffe), Fax (441) 292-1867, or the offices of Dewey Ballantine LLP at 1301 Avenue of the Americas, New York, New York 10019-6092, USA (Carey D. Schreiber), Fax (212) 259-6333.

Scheme Creditors must return the completed Distribution Claim Forms so as to reach the Company at 44 Church Street, Hamilton HM 12, Bermuda (attn: Angus H. Ayliffe) on or before 5:00 p.m. (Bermuda time) on Thursday 4 September 2003. Faxed Distribution Claim Forms will not be accepted. FAILURE BY THE COMPANY TO RECEIVE DISTRIBUTION CLAIM FORMS BY 5:00 p.m. (Bermuda time) on Thursday 4 September 2003 WILL RESULT IN THAT CLASS B OR CLASS C SCHEME CREDITOR NOT BEING ENTITLED TO PARTICIPATE IN DISTRIBUTIONS UNDER THE SCHEME.

David Ezekiel
Chairman
22 July 2003


Sinnott to receive honor for long career as a broker

Unlike many individuals who find a place in the insurance industry by accident, John T. Sinnott made a conscious decision to become a broker.

"Insurance was something I was familiar with because my father was in the brokerage business and I had a brother in the business and I had an uncle in the business. So I grew up hearing about the insurance brokerage business," said Mr. Sinnott, 64.

In another departure from the norm, Mr. Sinnott chose to stay at one brokerage for his entire career.

After graduating from Holy Cross College in 1961 and serving two years as a Naval officer, Mr. Sinnott—recently married and with a baby—joined Marsh & McLennan Cos. Inc. as a trainee in New York.

Over the next 40 years, he served in various capacities, culminating in his appointment as co-chief executive officer of Marsh & McLennan Inc. in 1992 and his promotion to chairman and CEO of Marsh Inc. in 1999.

Credited with guiding the broker through several challenges—from the soft market of the 1990s, to the integration of Johnson & Higgins in 1997 and Sedgwick Group P.L.C. in 1998, and to the Sept. 11, 2001, terrorist attacks and their aftermath—Mr. Sinnott retired this month.

"I admire Jack's profound knowledge of the insurance industry and his deep commitment to serving clients," said Jeffrey W. Greenberg, chairman of Marsh & McLennan Cos. "Jack has been an extraordinary leader who has been tested by extreme circumstances and who has transformed Marsh."

Later this year, Mr. Sinnott will be recognized for his accomplishments by St. John's University School of Risk Management, which has named him the 2003 Insurance Leader of the Year.

Although Mr. Sinnott will remain a senior adviser to MMC and has yet to feel any diminution in his role with the company, he plans to spend more time with his family and becoming more active on nonprofit boards.

—By Sally Roberts

Sinnott: Reflections on changes

Continued from page 1

to the need for being international. We, frankly, didn't think about whether there was an indigenous business we could grow. That vision changed in the '70s, when management decided we should become truly international and look to not just being a U.S. broker but to have a brokerage business that had Spanish clients in Spain and French clients in France and so on. In the '80s, we decided that a professional-service firm must align the financial interests of the practitioners with the professional interests…so we moved down the path of building a global company.

Q: There has been much criticism that the brokerage consolidation frenzy in the 1990s, which Marsh was a part of, left very few choices for larger, global companies. Do you think the consolidation was necessary?

A: What drove that were the economic conditions of those brokers. If you went back and took a look at the list of the (largest) brokers from 1990 and take a look at the list today and ask what happened to each one of those brokers, in many cases you would say that their then-owners decided that their return was not sufficient and they were going to exit the business. These were not situations where, frankly, somebody came in and made a hostile bid and forced the owners to give up. It was that their return was not adequate. Consolidation took place because, economically, you needed a very strong financial underpinning if you were to become part of a strong, in-depth professional-service advisory firm.

Q: When the current hard market turns soft again, do you think another large consolidation movement will occur in the brokerage industry?

A: I'm not so sure I would equate that acquisitions occur just when things get soft. Albeit, if a provider in any business cannot manage its way through the down cycles…and it becomes unable to provide adequate financial returns, then as much as someone is looking to buy them, they might say, "I think I have to become part of a larger enterprise in order to weather this."

Q: How does today's hard market compare with the hard market in the 1980s?

A: This hard market has been more pervasive when you look at all lines of insurance. Virtually all lines of risk and insurance have been impacted, whereas in the mid-'80s, third-party liability risks created an enormous vacuum and real dysfunction in availability for D&O and products liability and so on.

That, combined with tough underwriting in the late '70s and early '80s, left underwriters in a position that, when the tort system started to catch up with them on the third-party side, they had an underpriced product in other lines. So it brought all prices up, but, aside from liability and D&O, we didn't have the same escalation of prices across the board the way we did this time. And we didn't have a 9/11 back in 1985.

Q: Speaking of 9/11, the terrorist attacks took a terrible toll on Marsh. How is the company coping?

A: Well I think we coped extremely well and got ourselves righted on the business side very quickly. We had help from the markets, and we had help from our clients to give us time to sort of reassemble ourselves. The emotional side of it, obviously, takes longer, because we lost 295 people and we also lost another 55 contractors who were not employees.

Q: Where were you when the planes struck the World Trade Center?

A: I was about to take off from Kennedy (International Airport). I was going to fly to London when the pilot came on and announced that a plane had hit the World Trade Center and the Port Authority had temporarily closed Kennedy. I told my wife, who was traveling with me, that it must have been one of those little private planes that got off course and it couldn't be much. About 10 minutes later, someone with a cell phone said a second plane had hit the other tower, and I said, "That was not an accident." We could see the smoke rising and the flight attendant said she didn't know whether we were going to be taking off, and I said, "We have 1,700 people in those towers. I don't know if you're taking off, but I'm not taking off."

Q: What would you say is your biggest accomplishment?

A: I certainly think the way Marsh and all of our colleagues came together after 9/11 was one of the really great things Marsh did. I think, as well, of the very large acquisitions we did in 1997 and 1998, and the way all the original colleagues, whether it was Marsh colleagues or Johnson & Higgins colleagues or Sedgwick colleagues, came together and the way we brought that together, was a big accomplishment. We tend to get very positive marks from the industry and from the investment community on the manner in which that was done.

Q: In the late 1990s, Marsh's Global Broking Centers were a center of controversy. Risk managers expressed concern that the centers, which channel insurance through regional rather than local brokerage offices, circumvented established relationships with insurers and that Marsh was using its clout to dictate how risks should be placed. Was the controversy warranted, in your opinion?

A: The idea behind it was that we needed to provide a higher level of expertise on behalf of our clients when we were working with them to negotiate in the market. On the other hand, we needed people who were very knowledgeable about what the market appetite was doing so we were not wasting the market's time. Being a global broker, we don't need to have the markets at our doorsteps the way it used to be.

That's all this was…focusing our access in the marketplace. It is overly expensive for the market and for the broker to have 50 places in the United States where they interface, particularly on complex risks. That makes no sense whatsoever.

Q: Do you think then that the controversy was just clients not understanding what these global broking centers were all about?

A: Yes, and maybe at the time we didn't explain it enough. There was somehow a feeling we were shutting the client out from the marketplace, but we were not doing that.

Q: Around the same time, controversy also erupted over the contingent commissions Marsh and other brokers were receiving from insurers. Do you still hear complaints about these commissions?

A: I, frankly, don't hear it as much, but there are a few cases where it does come up.

Q: What are your thoughts about that controversy?

A: Distribution is something that inures to the benefit of the market, it does not inure to the benefit of the client. If we have a client in Chicago, it doesn't need all of the offices we have that are distributors to access the marketplace.

We need to have those offices because that's where the knowledge is and that's where we work with the client, but the market needs us, too; otherwise, they would have to have their people like the direct writers. There is a very small part of what the broker does that inures to the benefit of the market, and all we're saying is that we should be…properly paid for what we do for them.

In a way, we should keep our eye on the ball, particularly in this market with what's happening with premiums. The total cost of risk is what we have to be looking at. The biggest cost of risk for clients is self-assumption, internal administration and risk transfer. The portion that is going to a broker is, and I haven't got a number, but if it's more than 2% of the total cost of risk, I think I would be bragging.

It looks to me, compared to the value brokers bring, that it's a bit hard to say that the brokerage community is overpaid for the value that they bring to the table.

Pensions: Panel fracas delays reform bill vote

Continued from page 1

ocrats refused to accept a motion by Rep. Bill Thomas, R-Calif., the Ways and Means Committee chairman, to dispense with a word-for-word reading of the bill, a procedural requirement before a vote that is customarily waived.

Rep. Thomas, visibly angry, said he wanted it recorded that while the minority party in the House can delay consideration of a bill, they cannot deny its passage.

After that, all the panel's Democrats—except Rep. Pete Stark, D-Calif.—exited the hearing room to an adjacent committee library. With the Democrats, except for Rep. Stark, out of the hearing room, Rep. Thomas again asked for unanimous consent to drop the reading of the bill language.

After a brief pause, Rep. Stark objected, prompting Rep. Thomas to bang his gavel and say, "You are too late."

What triggered the next development—the summoning of the Capitol Hill police—is in dispute. Republicans said Rep. Thomas did so after Rep. Stark called one Republican panel member a "fruitcake." Democrats said the police were summoned to intimidate them and to illegally evict them from the library.

The police took no action, and through it all the panel's Republican members approved the pension bill on a voice vote.

But the damage done by the legislative row remains. While supporters had hoped that the pension reform measure would be voted on and passed by the full House last week, they now say it is increasingly likely that action will not occur until after the congressional August recess.

The political ruckus "clearly delayed the bill from going (before the recess) to the House floor, which had been a possibility" before the committee vote, said Janice Gregory, a vp with the ERISA Industry Committee in Washington.

Now, Ms. Gregory said, "a cooling-off period may be necessary."

That may have already begun, with a public apology by Rep. Thomas for his actions.

Some benefits observers say that a delay in consideration may help the bill's chances in the House.

"Everyone seems to have concluded that the best way to ensure that Friday's events don't escalate is to take a little time off to let emotions cool and then consider the measure on its merits," said James Delaplane, a partner in Washington with the law firm of Davis & Harman, which represents the American Benefits Council.

Benefit observers emphasize that the Ways and Means Committee brouhaha, in fact, had nothing to do with the bill's provisions.

"The process through which the bill was considered was attacked, not the bill itself. This started off as a bipartisan effort. Hopefully, we can come back to that," Ms. Gregory said.

The heart of the bill—and the provision most sought by businesses—would allow employers to value pension liabilities using an index based on the yield of long-term corporate bonds rather than on the current index, which is based on the 30-year Treasury bond.

Under the bill, which would apply only to the 2004, 2005 and 2006 plan years, the Treasury Department would determine which index or indices would be used. The interest rate to be used would be based on a four-year weighted average of corporate bond yields in the index or indices selected.

The new valuation index, pension actuaries say, would, over the three years, reduce employers' total pension plan contributions by tens of billions of dollars.

"This is a step in the right direction. Three years is better than two," said Ethan Kra, chief actuary for Mercer Human Resource Consulting in New York, referring to a Bush administration proposal that would allow the use of the corporate bond index for two years. After that, plan liabilities would be valued through a "yield curve," in which interest rate assumptions would be tied to the immediacy of plan liabilities, with the lowest interest rates used by employers with older workforces and many retirees.

Business groups and many actuaries have attacked the yield curve proposal as being too volatile and as imposing too great a cost burden on employers with older workforces.

The fact that the Ways and Means Committee didn't include the yield curve proposal in the bill isn't surprising, say benefit observers, given that it was first unveiled, in outline form, only a few weeks ago by the Treasury Department.

"Undoubtedly, the members felt to act on it now, without sufficient study, would be premature and inappropriate," said Larry Sher, director of research and a principal at Buck Consultants Inc. in New York.

While many believe adoption of the yield curve methodology is unlikely, there is a risk that some provisions favored by employers—other than the three-year use of corporate bond yields to value plan liabilities—also might be scrapped by Congress.

That's because most of those provisions, such as a proposed acceleration to 2004 from 2006 of raising the maximum 401(k) deferral limit to $15,000, would lose revenue for the government. Legislators might be reluctant to approve such a proposal at a time when the federal deficit is ballooning.

"Honestly, the assessment of the other provisions being passed is very low," Mr. Delaplane said.

But because legislators recognize that the need for the interest rate change is so great, they will find a way to enact it, Mr. Delaplane predicted. "Legislators understand that this is time-sensitive and critical to the future of defined benefit plans," he said.

INS & OUTS

What's in the new pension reform bill

Long-term corporate bond index used to value plan liabilities for next three years

Scheduled increases in maximum 401(k) plan deferrals and catch-up contributions accelerated to 2004

Liberalizing universal availability rule for catch-up contributions

Gradual increase in the age participants must begin to receive distributions

And what has been taken out

Permanent use of long-term corporate bond index to value pension liabilities

Transfer of up to $500 in unused health care FSA balances to 401(k) plans

A portion of pension plan distributions could be taken out tax-free by retirees to pay for health care premiums

A portion of employer contributions to defined contribution plan could be used to prefund retiree health care costs

Gerling: Policyholders to help bail out ailing insurer

Continued from page 1

Schutzverbands.

"It is important for Gerling to raise its rating to at least BBB, particularly for large buyers," said Mr. Schlicht.

Ralf Oelsner, head of risk and insurance at Frankfurt-based airline group Deutsche Lufthansa A.G., confirmed that a "small group of German companies" have pledged to invest in Gerling to help ensure the company's survival.

The companies, which include Lufthansa, are Gerling policyholders and "don't feel like being exposed to an insurance market comprising just two main players, HDI and Allianz," said Mr. Oelsner.

He pointed to "last week's news showing that there is a considerable amount of agreement amongst insurance suppliers to the detriment of commercial buyers." Last week, Germany's competition regulator said that it may take action against some of the country's industrial insurers for anti-competitive actions (see story, page 15).

Outside of Germany, there are few truly European industrial insurers, which leaves mainly U.S. and Bermuda companies such as ACE Ltd., American International Group Inc., Chubb Corp. and Factory Mutual Insurance Co., said Mr. Oelsner.

"German companies prefer a long-term relationship with their insurers and are wary of more volatile markets," said Mr. Oelsner, declining to elaborate. In addition, policyholders who have claims with the company certainly want to see it remain in business, he noted.

A 'small group of German companies' have pledged to invest in Gerling to insure the company's survival…. The companies 'don't feel like being exposed to an insurance market with only two main players, HDI and Allianz.'

Ralf Oelsner
Deutsche Lufthansa A.G.

Many of Gerling's policyholders have been with the insurer for several decades and wish to maintain those relationships, said a spokesman from Gerling.

German companies Bayer A.G. and BASF A.G. are among those planning to invest, sources say.

A spokesman from BASF in Ludwigshafen confirmed that the company is a major policyholder of Gerling but refused to comment on whether the company plans to invest in the insurer.

Similarly, a spokesman from Leverkusen-based Bayer refused to comment on the investment situation but confirmed that the chemical/pharmaceutical company has decided to continue using Gerling as its lead liability insurer for its October 2003 renewal, despite Gerling's current BB+ rating.

A chief aim of the planned capital injection is to boost Gerling's rating, which S&P has lowered to its current level from a rating of A- in February.

New York-based S&P said in a statement that it "understands that a group of investors, including seven large industrial groups, have signed letters of intent to participate in an equity capital release" for the insurer. S&P said it expects to raise Gerling's rating to BBB- once commitments from industrial investors of more than 60 million euros ($67.8 million) "become legally binding." Capital commitments received by July 18 totaled 75.5 million euros, although most are not yet binding.

Additional commitments to achieve a total capital increase of up to 150 million euros are being sought from 20 other interested parties, according to S&P. The ratings agency said that further upgrades are possible if Gerling raises the full amount and completes the sale of its loss-plagued reinsurance operations, Gerling Globale Re. The insurer last month won approval to sell that operation to runoff company Globale Management GmbH.

A spokesman from Gerling said he hoped the company would secure binding financial commitments sufficient to secure a ratings upgrade to at least BBB- within two weeks. Gerling expects the capital injection to take place in September, he said.

If the capital injection is completed, the move would mark the second time that Gerling's large commercial policyholders have provided capital to strengthen the company. Although the situations differ, both demonstrate how "German industrial policyholders are very willing and determined to keep Gerling alive," said the Gerling spokesman.

The insurer's close ties with industrial companies goes back to its establishment in 1904 by Robert Gerling with the backing of Cologne industrialist circles. By the middle of the 20th century, Gerling had become Germany's leading industrial insurer. But in 1974, owner Hans Gerling had to use slightly more than half of the insurer's capital holding to pay creditors of the Cologne-based bank I.D. Herstatt KGaA, which had gone into liquidation. Mr. Gerling was the bank's main stakeholder.

An industrial holding company, which comprised many Gerling clients, and a Swiss insurer bought a 51% stake in the insurer to help Mr. Gerling honor the bank's commitments. By 1986, Mr. Gerling had managed to win back a majority stake in the company. He died in 1991 and his son Rolf Gerling currently owns 94% of the group.

Late News

Continued from page 1

9th Circuit remands Chevron bias case

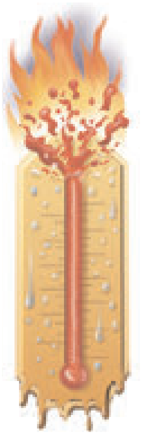
Chevron USA Inc. incorrectly relied only on "generalized" medical statements when it refused to hire a job applicant out of concerns that work-related chemicals would adversely affect an existing ailment, the 9th U.S. Circuit Court of Appeals ruled. The 2-1 ruling in *Mario Echazabal vs. Chevron USA Inc.* revives a discrimination suit that employers have closely followed through several courts. Last year, the U.S. Supreme Court found that the Americans with Disabilities Act does not require employers to place workers in jobs that could cause them serious injury or even death. But the Supreme Court in June 2002 remanded the case to the 9th Circuit to decide whether Chevron met the requirements to assert the direct-threat defense, under which an employer must assess an individual's ability to safely perform the essential functions of the job. The appeals court on Wednesday remanded the case for further proceedings.

Ruling lowers standard for recovering benefits

Benefit plan participants need to establish only that they suffered harm from a mistake in a summary plan description to recover denied benefits under the Employee Retirement Income Security Act, the 2nd U.S. Circuit Court of Appeals has ruled. In *Sally Burke vs. Kodak Retirement Income Plan and Kodak Retirement Income Plan Committee*, the court said "the consequences of an inaccurate SPD must be placed on the employer." Eastman Kodak Co. denied survivor benefits to the wife of a Kodak employee who died in 1999. Earlier that year, he married Sally Burke, his longtime domestic partner. Under Kodak's benefit program, spouses were not eligible to receive survivor benefits until they had been married for one year and domestic partners were required to sign affidavits, a rule that never appeared in the SPD.

Weather risk contracts expanding in number, type

An annual Weather Risk Management Assn. survey shows the number of weather risk management contracts is rising while the use of the weather-risk hedging tools is expanding among a broader range of users. The Washington-based WRMA found 11,756 weather risk contracts were transacted from April 2002 through March 31, nearly tripling the number reported in the prior year's survey. But while the number of contracts grew, the contracts' notional value dipped slightly from the prior year, to $4.2 billion. In comparison, the 3,937 contracts reported in the 2002 survey had a notional value of $4.3 billion. While temperature-related contracts remain the most common by a wide margin, they represented 85% of the transactions in this year's survey, compared with 90% last year. Meanwhile, rain-related contracts increased to 8.6% of those in this year's survey from 6.9% last year, while wind increased to 1.6% from 0.3% last year.



USI moving HQ to New York

USI Holdings Corp. is relocating its corporate headquarters to Briarcliff Manor, N.Y., from San Francisco effective Aug. 1. USI Holdings, parent of USI Insurance Services Corp., the ninth-largest broker of U.S. business, will occupy a Westchester County office complex that was once the headquarters of Frank B. Hall & Co. Inc., now part of Aon Corp. USI already operates regional headquarters in the same complex, explained David L. Eslick, chairman, president and chief executive officer, and more than 75% of USI's operations are in either the central or eastern time zones. The San Francisco office will continue to operate.

Court OKs suit in fraud referral

An insurer that allegedly maliciously reported a claimant for fraud can be sued for malicious prosecution, California's 4th District Court of Appeal has ruled. Acts outside the normal claims process are not protected under workers compensation's exclusive remedy provisions, and a false accusation of fraud would not be a normal part of that process, the unanimous court held in *Freddie Curtis Mosby Jr. vs. Liberty Mutual Insurance Co.* The case stems from a 1997 workers comp claim. Court records do not indicate what prompted the insurer to suspect fraud. The plaintiff, an African-American, alleged racial animus by a doctor the insurer hired to examine him. Boston-based Liberty Mutual denies any wrongful conduct and has petitioned California's Supreme Court to review the appeals court's decision, a spokesman said.

U.K. court to let auditor suit proceed

The U.K. Court of Appeal has ruled that defunct insurer Equitable Life Assurance Society may proceed with a modified professional negligence claim against its former auditor, Ernst & Young. The London appeals court last Friday overturned most aspects of a High Court ruling that had blocked the bulk of the insurer's lawsuit and had cut its claim to £500 million from £2.6 billion (to $809.4 million from $1.94 billion). In that February ruling, a High Court judge dismissed Equitable Life's negligence claims against Ernst & Young, in which the insurer charged that Ernst & Young had failed to warn it about financial liabilities it faced from guaranteed annuity pension products during the 1990s. The court also reinstated Equitable Life's claim that its directors would not have declared shareholder bonuses in the amounts that were declared for 1997 to 2000 had the auditors given proper advice.

Briefly noted

The **Kemper Insurance Cos.** has sold its Kemper Services operation to Los Angeles-based Platinum Equity L.L.C. Terms were not disclosed. Long Grove, Ill.-based Kemper said Kemper Services, which provides unbundled and integrated risk management services, will continue to provide claims services for Kemper's insurance runoff business....Detroit-based **General Motors Corp.** has settled a lawsuit related to a 1993 car fire that led to a $1.2 billion award against the company. A GM spokeswoman said terms of the settlement were confidential. The case involved six people who were burned when the gas tank of their 1979 Chevrolet Malibu exploded when the car was hit from behind. A Los Angeles jury had originally awarded $4.8 billion in punitive damages in the case, though a judge later reduced the punitive damages against the automaker to just under $1.1 billion. GM had been appealing the ruling....**Jennifer M. Smith** won re-election as premier of Bermuda by just eight votes on Thursday, prompting speculation that she may not continue to lead the island. Ms. Smith's Progressive Labour Party took 22 seats in Parliament, and the United Bermuda Party won 14. The PLP was scheduled to discuss Ms. Smith's leadership in a meeting Friday.

Check out BusinessInsurance.com

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.

Governance: Following rules not enough

Continued from page 3

regulations passed both in the United States and the United Kingdom to prevent future corporate scandals won't succeed, predicted James Schiro, chief executive officer at Zurich Financial Services Group in Zurich, Switzerland.

"It's a fallacy to assume that new rules will always be a solution," Mr. Schiro said.

More important than the implementation of new rules is the need for organizations to adhere to principles of integrity and financial transparency, he said. "Principles alone will not guarantee performance, but they will ensure that we have credible results," he said.

The laws passed so far are an overreaction to the problem of a few companies that imploded in scandal, Mr. Schiro said. "It's the uninformed leading the unwilling to do the unnecessary," he said.

> **'Prevention of failures cannot be legislated by Washington.'**
>
> *James Schiro*
> *Zurich Financial Services Group*

New rules generally will not succeed, Mr. Schiro said, because people will devise methods to circumvent them. "It's symptom therapy at best and not a cure of the root cause of the problem," he said.

"Prevention of failures cannot be legislated by Washington," he said. "Regulation should not attempt to substitute for market forces."

Instead of new rules, what is needed is a vibrant market-driven economy where information is transparent and readily available to investors, Mr. Schiro said. The lack of transparency of corporate financial information is a major problem today, he said.

In order to combat corporate failures, ethical behavior must become part of corporate culture, Mr. Schiro said. Too often today, companies focus on short-term quarterly results and ignore the longer view, he said. This needs to change. But it won't come about through new laws, he said.

"Merely expanding the body of rules and regulations will not and cannot resolve the problem," Mr. Schiro said.

Those corporations that do not offer integrity and provide transparency of information should be held accountable for their failings in the marketplace, he said. Nonperformance "must not and cannot be tolerated," Mr. Schiro said.

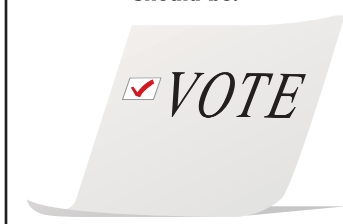
One of the biggest corporate governance issues that organizations must address is excessive executive pay. With stock options provided to them, executives have an incentive to push up stock prices and lose focus on the long-term growth and financial health of their companies, Lord Sharman said.

Boards must constantly deal with the issue of compensation, walking the fine line between providing enough to attract top managerial talent and offering excess compensation, Lord Sharman said.

Online Poll

[7/21 - 7/25]

The amended asbestos liability reform bill is drawing opposition from insurers because of its cost and other factors. Do you think the bill should be:



17.1% voted on as is

46.3% further amended and then voted on

36.6% withdrawn and replaced with a totally new bill

BI Stock Index

[7/21 - 7/25]

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

BI Stock Index	1995.19	1.42
Dow Jones	9284.57	1.05
S&P 500	998.68	0.54

Largest gains

Sierra Health Services	23.71%
Hub International	9.29%
American International Group	7.71%
Fairfax Financial Holdings	7.43%
Willis Group Holdings	7.32%

Largest losses

Renaissance Re Holdings	-13.05%
Harleysville Group	-9.06%
Meadowbrook Ins. Group	-5.31%
Partner Re Ltd.	-5.26%
Marsh & McLennan	-4.21%

Weekly change by market segment

Brokers	2.80%
Insurers/Reinsurers	0.13%
Managed Care Organizations	5.44%

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

In a perfect world, there would be no accidents.

GENERAL LIABILITY | COMMERCIAL AUTO | PROPERTY | WORKERS COMP

Of course, we know better. And as long as there are accidents out there, we'll do everything we can to help reduce them. It's an obsession that's led to the creation of our own safety research center, the only one of its kind. Since 1954, the Liberty Mutual Research Center for Safety and Health has studied accidents with one overriding goal: helping prevent injury and illness in the workplace. Today, it's regarded as one of the world's foremost safety authorities. But more importantly, the center's findings have helped us achieve some impressive numbers for our customers: in one year alone, we saved them nearly 240,000 disability days and helped reduce their number of claims up to 17%. Just a few examples of what our proactive approach to loss prevention can achieve. Because the world may never be perfect. But we can certainly help make its workplaces safer.

LIBERTY IS RATED A (EXCELLENT) BY A.M. BEST. IN OTHER WORDS, WE'LL ALWAYS BE THERE FOR YOU.

IT'S MORE THAN INSURANCE. IT'S INSURANCE *in* ACTION.

For more information on how to help make your workplace safer, visit www.libertymutual.com/business

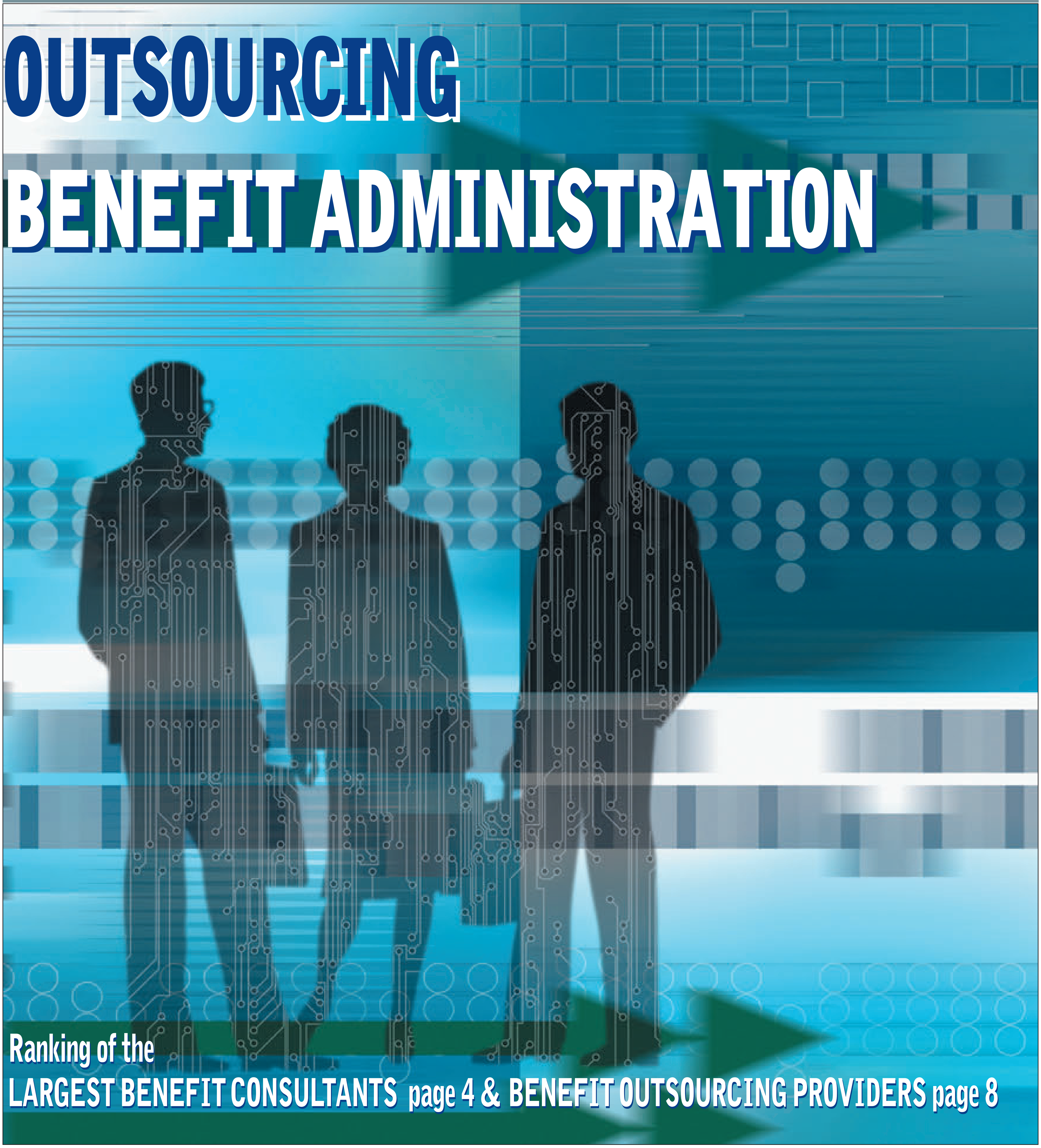
Liberty Mutual.

Business Insurance

Special Take-Out Section

Benefits Management

July 28, 2003



OUTSOURCING BENEFIT ADMINISTRATION

Ranking of the LARGEST BENEFIT CONSULTANTS page 4 & BENEFIT OUTSOURCING PROVIDERS page 8

Business Insurance

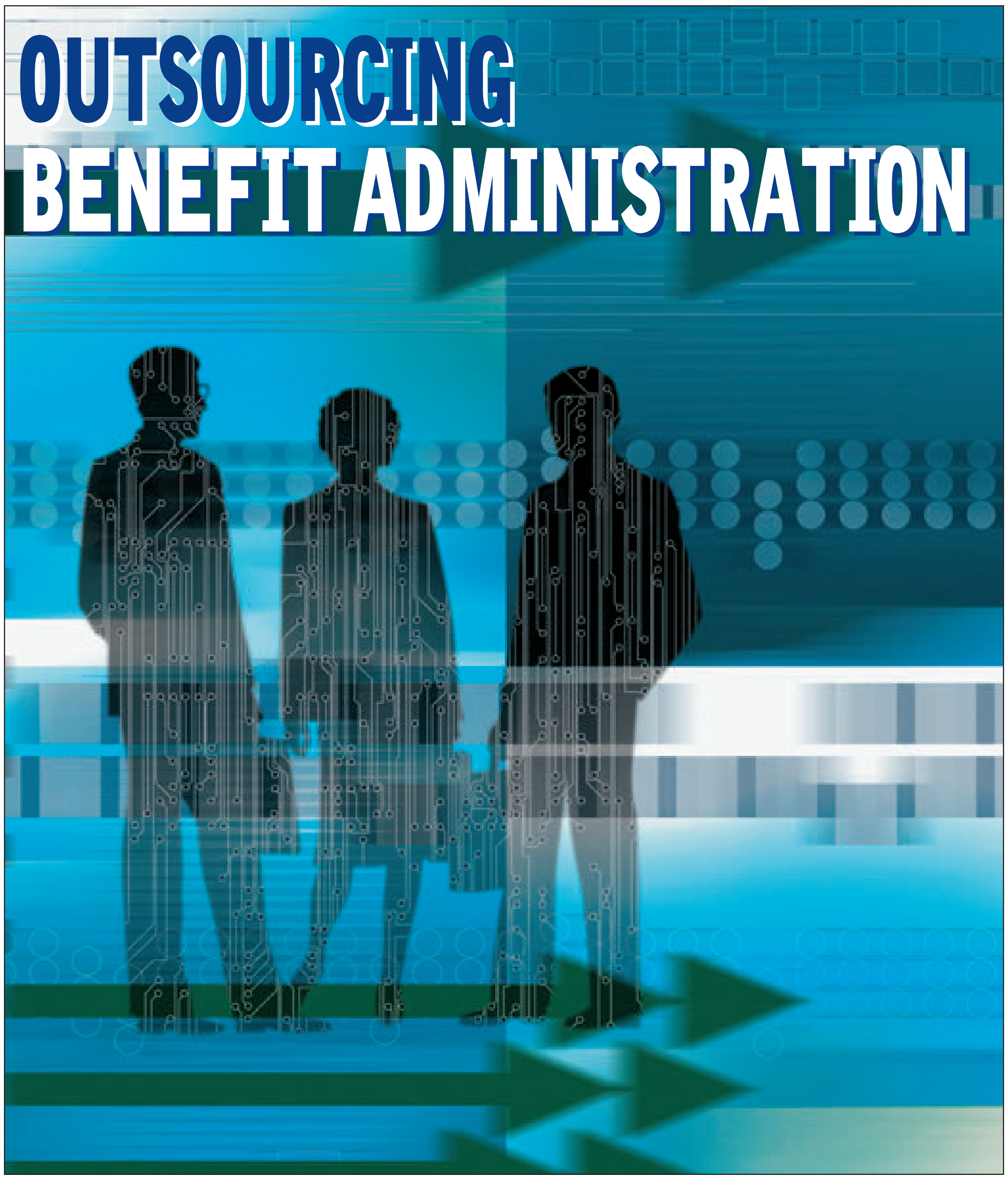
Special Take-Out Section

Benefits Management

July 28, 2003

Inside

The full directory of Employee Benefit Consultants/Benefit Outsourcing Providers is available online in the directories area of *www.businessinsurance.com.* The searchable directory allows users to locate benefit consultants and benefit outsourcing providers by company name, benefit consulting and outsourcing revenues and clients, among other information. PDF copies of the directories can be purchased by calling the Crain Information Center at 312-649-5476.



Outsourcing firms broaden, integrate services offered

Facing competition, vendors respond to employer demands

By JOANNE WOJCIK

As the outsourcing of employee benefits administration becomes more popular, the number and types of vendors providing the service to employers are proliferating.

Even companies that have been in the benefits outsourcing business for some time are expanding their offerings in response to employer demands for these services and growing competition in the field.

According to a recent study by Fidelity Workplace Services, a unit of Boston-based FMR Corp. and a leading benefits outsourcing vendor, 72% of large employers outsource at least one benefits function and have been doing so for an average of nine years. Of those, 91% say they outsource at least part of their health and welfare plan administration, while 86% outsource part of their defined contribution plan administration.

While cost has always been a motivating factor, many employers today are outsourcing these functions to gain access to greater expertise, especially with the plethora of new employment regulations affecting human resources and benefits being handed down by Washington.

Peter Allen, a partner in market services at TPI Inc., a Houston-based outsourcing advisory firm that serves Fortune 1000 companies, observed that many employers have some sort of a human resource information system to administer benefits and other programs. But, he noted, "either they don't have the expertise to continue to care for

See OUTSOURCING/page T6

Vendors vie to take on noncore functions

Employers seek lower HR costs

By MICHAEL PRINCE

Employers are expected to expand their outsourcing efforts beyond benefits administration as a way to reduce costs and improve the delivery of other human resources functions.

Although not many employers have thus far turned over these functions to outside vendors, the number is growing and is expected to continue increasing, outsourcing experts say.

The movement is largely driven by employers' desire to trim expenses associated with human resources administration.

Among the HR functions for which outsourcing is available are payroll services, employee recruitment, employee training and relocation services. Rather than invest in costly information systems and personnel to administer such programs, more employers are turning to outsourcing specialists.

"There are very few organizations of any size that are not looking to outsource some human resource services," said Bernie Reynolds, president of the human resource outsourcing group at Aon Consulting Inc. in New York. "It's a very active market," he said.

"Employers are no longer thinking of 'Should we outsource" but 'What to outsource and when?" said Margaret-Ann Cole, director of product strategy at Mellon HR Solutions in Fort Lee, N.J., which provides outsourcing services.

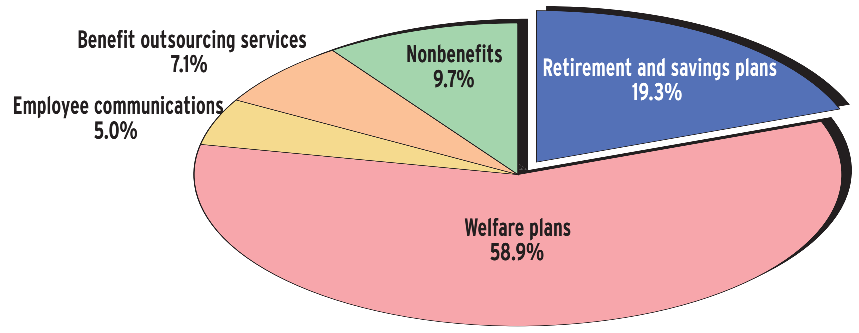
The movement is largely driven by employers' desire to trim expenses associated with human resource administration, experts say.

Generally, the costs of human resource information systems and software are swiftly rising. With large expenses to maintain or improve these systems looming, many employers are rethinking whether they want to make the needed in-

See GROWTH/page T9

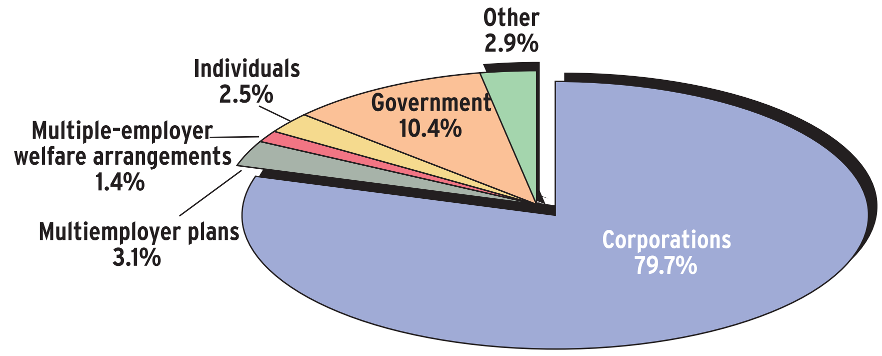
BREAKDOWN OF BENEFIT CONSULTANT SERVICES

For firms deriving majority of revenues from benefit consulting



Source: *BI* survey

BENEFIT CONSULTANT CLIENT BREAKDOWN



Source: *BI* survey

World's largest employee benefit consultants

Ranked by worldwide benefit consulting revenues*

Rank	Company/Address	Phone/Fax/Web site	Gross revenues from benefit consulting: 2002	2001	% change	% of gross revenues from benefit consulting	Locations: U.S.	Non-U.S.	Total staff	Officer
1	Mercer Human Resource Consulting L.L.C. 1166 Ave. of the Americas New York, N.Y. 10036	212-345-7000 Fax: 212-345-7414 *www.mercerhr.com,* *www.merceric.com*	$1,336,000,000	$1,275,000,064 [1]	4.8%	56%	45	110	15,300	Peter Felton, chairman
2	Watson Wyatt Worldwide 1717 H St. N.W. Washington, D.C. 20006	202-715-7000 Fax: 202-715-7700 *www.watsonwyatt.com*	$857,000,000	$810,000,000	5.8%	86%	32	53	6,240	John Haley, president/CEO
3	Aon Consulting Worldwide 200 E. Randolph St. Chicago, Ill. 60601	800-438-6487 Fax: 312-381-0240 *www.aon.com*	$723,000,000	$661,000,000	9.4%	68%	69	59	7,800	Donald C. Ingram, chairman/CEO- Aon Consulting Worldwide
4	Towers Perrin 335 Madison Ave. New York, N.Y. 10017	212-309-3400 Fax: 212-309-3660 *www.towersperrin.com*	$700,600,000	$730,000,000	-4.0%	48.6%	36	40	8,457	Mark V. Mactas, chairman/CEO
5	PricewaterhouseCoopers Human Resource Services 1301 Ave. of the Americas New York, N.Y. 10019	646-471-4000 Fax: 646-394-5577 *www.pwc.com*	$700,000,000 [2]	$630,000,000 [2]	11.1%	70%	17	62	5,800	John Caplan, PricewaterhouseCoopers Human Resource Services U.S. leader
6	Hewitt Associates Inc. 100 Half Day Road Lincolnshire, Ill. 60069	847-295-5000 Fax: 847-295-7634 *www.hewitt.com*	$600,700,000 [3]	$523,800,000 [3]	14.7%	35%	27	60	14,700 [4]	Dale L. Gifford, chairman/CEO
7	Deloitte & Touche L.L.P. dba Deloitte 1633 Broadway New York, N.Y. 10019	888-361-9960 Fax: 213-688-5330 *www.deloitte.com*	$498,000,000 [5]	$472,000,000 [5]	5.5%	35%	24	58	7,592	Ainar Aijala, global managing director-Deloitte Human Capital Consulting
8	Mellon HR Services [6] 1 Pennsylvania Plaza New York, N.Y. 10119	212-330-1000 Fax: 212-695-4184 *www.mellon.com*	$439,000,000	$443,000,000	-0.9%	51%	37	24	5,328	James D. Aramanda, vice chairman Mellon Financial Corp.
9	Ernst & Young L.L.P. - Human Capital 1225 Connecticut Ave. N.W. Washington, D.C. 20036	202-327-6000 Fax: 202-327-6714 *www.ey.com*	$290,000,000	$270,000,000	7.4%	80%	17	11	1,550	James N. Bosserman, director- Americas Performance & Reward
10	The Segal Co. 1 Park Ave. New York, N.Y. 10016	212-251-5000 Fax: 212-251-5490 *www.segalco.com*	$143,300,000	$129,300,000	10.8%	81%	31 [7]	4 [7]	1,016	Robert D. Krinsky, chairman

* Excludes revenues from claims administration, compensation consulting, insurance commissions and other nonbenefit consulting 1 Restated 2 Fiscal year ending 6/30 3 Fiscal year ending 9/30 4 Estimated 5 Fiscal year ending 5/31 6 Includes Buck Consultants Inc. , Mellon HR Solutions, Mellon Investor Services, Vinings Mellon 7 Offices include The Segal Co., 18 U.S., 1 non-U.S.; Segal Advisors, 6 U.S., 1 non-U.S.; Sibson Consulting, 7 U.S., 2 non-U.S.
Source: *BI* survey

The full Directory of Employee Benefit Consultants/Benefit Outsourcing Providers is available online in the directories area of *www.businessinsurance.com.* The searchable directory allows users to locate benefit consultants and benefit outsourcing providers by company name, revenues and clients, among other information. PDF copies of the directory can be purchased by calling the Crain Information Center at 312-649-5476.

What can your company do to help control health care costs?

Give your employees more control.

When people are responsible for their own health care costs, they make smarter choices. With Aetna HealthFund™ plans, employers put money in a health fund for participating employees. Employees can use that money to pay for covered medical services as they see fit—any doctor, any hospital, even alternative therapies. And any unused portion rolls over for them to use the following year. When people feel like they have their own money at stake, they're more likely to spend it wisely. For more information, contact your broker or local Aetna representative.

Aetna™

Turning Promise into Practice®

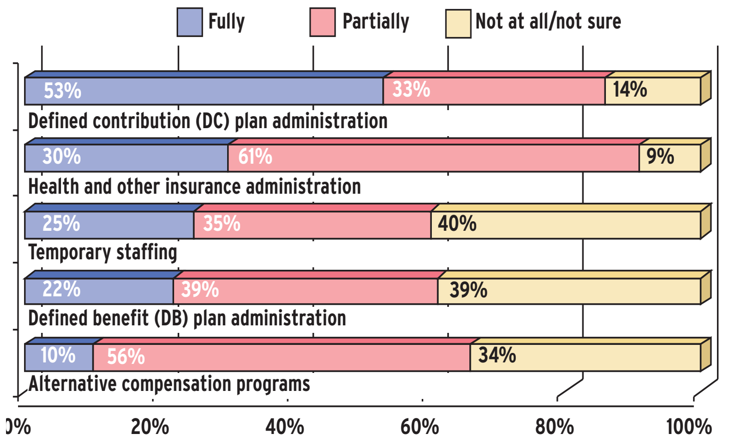
Health • Dental • Disability • Life • Long-Term Care

www.aetna.com

-200319

THE OUTSOURCING OF CORPORATE AMERICA

Top five human resource functions outsourced



Source: Fidelity Workplace Services

Outsourcing: More services offered

Continued from page T3

that infrastructure or they don't have the appetite."

Fortunately, the growing number of benefits administration services available either piecemeal or on a packaged basis is making the need for such an investment by employers unnecessary.

"Just about anything that a company needs for benefits, everything from administration to plan design to fiduciary advice," can be outsourced today, said Monica Barron, research director at AMR Research in Boston, a firm that helps companies choose technology vendors. "The vendors that are doing benefits outsourcing have a pretty full menu of what they offer."

For example, Fidelity Employer Services Corp., another division of FMR Corp. and the largest benefits outsourcing company with nearly $3 billion in outsourcing revenues, provides administration services for defined benefit and defined contribution plans, as well as health and welfare and stock plans.

Hewitt Associates Inc., the second-largest outsourcing company with outsourcing revenues totaling $1.1 billion, may get even larger after acquiring Cyborg Worldwide Inc., the Chicago-based parent of Cyborg Systems Inc., a global provider of HR management software and payroll services.

Lincolnshire, Ill.-based Hewitt also expanded its retirement consulting and administration business with the purchase of the assets of Northern Trust Retirement Consulting L.L.C. of Chicago.

In May, Pittsburgh-based Mellon Financial Corp. announced that it was combining New York-based Buck Consultants Inc. and its three other human resources lines of business into one unit that will operate under the Mellon name, thus creating the No. 3 outsourcing vendor, with $370 million in outsourcing revenues.

The reorganization will enable the firm to design, build and operate its benefits and HR programs by providing a range of integrated administrative services, including defined benefit, defined contribution, health and welfare and nonqualified deferred compensation plans, explained Tony Martin, managing director in Fort Lee, N.J.

The objective is to "establish Mellon more and more as a significant player with end-to-end capabilities around benefits and HR," he said.

But even before the organizational change, the firm was working on new products, including Cognos, a multidimensional online tool for plan sponsors to analyze plan data, which Mellon began introducing to employers last fall, according to Mr. Martin.

Philadelphia-based Towers Perrin Administration Solutions, the fourth-largest outsourcing vendor with $306 million in revenues from outsourcing services, is continuing to roll out new versions of its basic health and welfare plan administration module, its defined benefit plan administration module, its benefit manager self-service module and its employer and employee portals, according to Bob Lopes, global managing director.

But the company's real "go-to-market" strategy, as Mr. Lopes puts it, is to provide one-stop shopping for employers by packaging its outsourcing services with its consulting services.

"Several years ago, when benefits outsourcing was really taking off, each component was viewed as being in a silo," he said. "What we've done is to take the expertise from consulting and administration and create a solution that actually hits the total structural costs, which you will not get from a consulting-only firm or an administration-only firm."

Last year, William M. Mercer Inc., the fifth-largest benefit outsourcing vendor and the benefits consulting arm of broker Marsh & McLennan Inc., partnered with Putnam, another M&M unit, to roll out Total Retirement One, a combined defined benefit, defined contribution and investment management consulting bundle.

By tying the two companies together, Mercer will be able to provide more-comprehensive retirement plan and investment manage-

Continued on next page

Continued from previous page

ment services to the clients of both organizations, explained Ted Goldman, who serves as Mercer's Total Retirement One's business leader in Washington.

"It was a logical extension of what we were doing," Mr. Goldman said.

The firm also changed recently its name to Mercer Human Resource Consulting, "to send a signal that our offering is broader than the actuarial firm of our heritage," said Anthony Lowe, who leads the U.S. administration practice and is based in Mercer's Princeton, N.J., office.

But these market leaders are feeling the competition nipping at their heels as the smaller players in the benefits outsourcing market are feverishly competing for employers' business by introducing new products, adding services and forming strategic alliances with larger operators.

When Motorola Corp. announced last December that it was transferring a substantial part of its human resources systems, software and process capabilities organization and nearly 600 employees to Dallas-based Affiliated Computer Services Inc., it created the newest player in the benefits outsourcing market: ACS Global HR Solutions, which will provide HR business process outsourcing services worldwide.

Meanwhile, benefits consulting and outsourcing veteran Watson Wyatt Worldwide this year introduced two new Web-based programs.

Pension Path is a scalable solution for pension administration, while BenefitConnect has three "channels"—education, evaluation and election—that can be purchased together or separately, explained David Marini, global practice director in Watson Wyatt's technology solutions practice in Boston.

The education component provides wellness information and health risk assessment tools, the evaluation module allows employees to do side-by-side benefit plan comparisons and the election part is an online open-enrollment program, Mr. Marini said.

Boston-based CitiStreet has added an advice service for retirement plan participants, Web-based information services about qualified plan regulatory developments for benefit managers and consulting services for retirement and health and welfare plans.

"While most of CitiStreet's competitors started out as consultants, it started as a benefits administration company. So now it's developed partnerships with consultants," explained Monica Gallagher, senior director of the Citicorp subsidiary's relationship management practice based in Jacksonville, Fla.

Among the partners are Chicago Consulting Actuaries, a spinoff from Towers Perrin; eBenX, a consumer-driven health plan administrator based in Louisville, Ky.; PartnerCom, a boutique benefit communications firm based in Dallas; Plan Advisory Services, a legislative and regulatory advisor based in Washington; and Financial Engines, an investment advisor for defined contribution plans based in Palo Alto, Calif.

"But for those who want more-personal assistance, we began offering Series 6 people qualified to give direct advice on the phone," she said, referring to licensed financial planners.

Framingham, Mass.-based Workscape has created joint marketing alliances with Towers Perrin and Deloitte & Touche.

It's part of Towers Perrin's "best-in-class strategy," explained Mr. Lopes.

"Because it's not possible to be the best in class in everything, Towers Perrin brings in the best-in-class partners," he said.

"Workscape will provide the technology services that Towers Perrin and Deloitte & Touche will be offering to clients going forward," explained Betsy Zikakis, vp-marketing.

To further boost its presence in the benefits outsourcing marketplace, Workscape acquired 26 new benefits enrollment clients from TALX Corp., a leading business process outsourcer of payroll-related and human resources services based in St. Louis that decided to get out of that line of business.

Workscape also recently introduced an expanded Web-based self-service work-and-life-event program that walks employees through the process of updating their benefits information electronically.

Aetna Healthcare, which provides benefit administration services to employers on an administrative-services-only basis, has launched a new type of preferred provider network in several major markets aimed at reducing health care costs by using the best providers they can find.

"The theory is, unlike some competitors tiering benefits based on hospital costs, we look at the history of physician practice patterns and claims to find those who have demonstrated better outcomes and create a preferred network," explained Mike Robinson, regional vp for national accounts based in San Ramon, Calif.

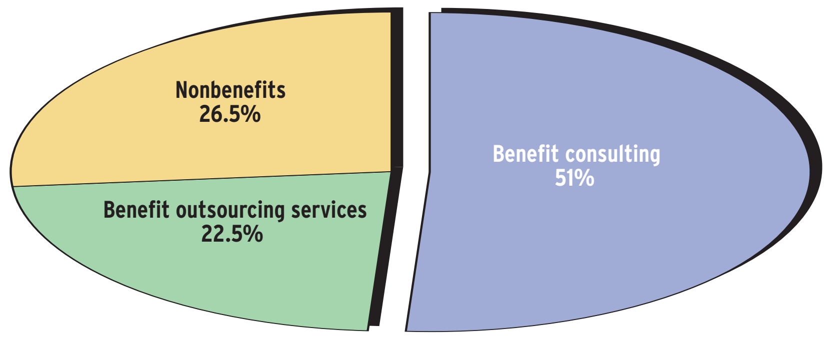
The new "Aexcel" network will include specialists in such areas as orthopedics, cardiology, cardiothoracic surgery, general surgery and gastroenterology, he said.

Like many new products in the outsourcing marketplace, Aexcel was developed as a result of employer demands, according to Mr. Robinson.

"The strength we have within national accounts and the history of working with large employers is to sit down with the employer and their consultant and ask what they're trying to accomplish, whether it's financially oriented, service oriented or in support of growth objectives," he explained. Mr. Robinson added that it is equally important "to revisit that periodically, because the world doesn't sit still."

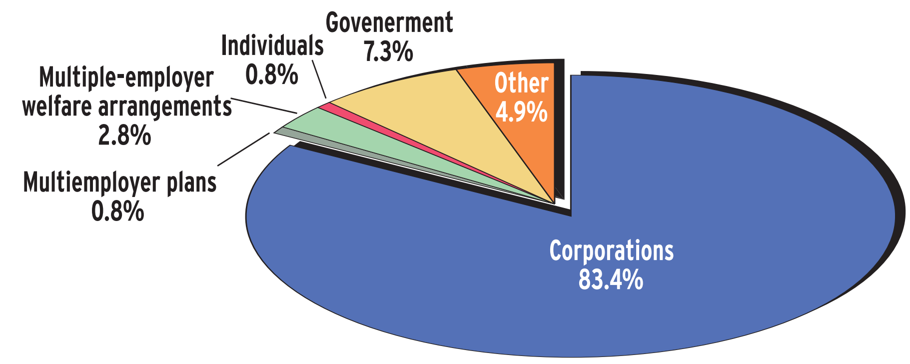
BREAKDOWN OF BUSINESS

Business breakdown for all companies listed in the Directory of Benefit Consultants/Benefit Outsourcing Providers



Source: *BI* survey

BENEFIT OUTSOURCING PROVIDER CLIENTS



Source: *BI* survey

World's largest benefit outsourcing providers

Ranked by worldwide outsourcing revenues*

Rank	Company/Address	Phone/Fax/Web site	Gross revenues from benefit outsourcing services 2002	Gross revenues from benefit outsourcing services 2001	% change	% of total revenues from benefit outsourcing	Locations U.S.	Locations Non-U.S.	Total staff	Officer
1	Fidelity Employer Services Co. 300 Puritan Way Marlborough, Mass. 01752	617-563-7000 *www.fidelity.com/workplace*	$2,949,210,000 [1]	$2,941,800,000 [1]	0.3%	33.0%	5	0	9,561	Peter Smail, president
2	Hewitt Associates Inc. 100 Half Day Road Lincolnshire, Ill. 60069	847-295-5000 Fax: 847-295-7634 *www.hewitt.com*	$1,120,000,000 [2]	$951,900,000 [2]	17.7%	65.0%	27	60	14,700 [3]	Dale L. Gifford, chairman/CEO
3	Mellon HR Services [4] 1 Pennsylvania Plaza New York, N.Y. 10119-4798	212-330-1000 Fax: 212-695-4184 *www.mellon.com*	$370,000,000	$395,000,000	-6.3%	43.0%	37	24	5,328	James D. Aramanda, vice chairman, Mellon Financial Corp.
4	Towers Perrin 335 Madison Ave. New York, N.Y. 10017	212-309-3400 Fax: 212-309-3660 *www.towersperrin.com*	$306,100,000	$300,400,000	1.9%	21.2%	36	40	8,457	Mark V. Mactas, chairman/CEO
5	Mercer Human Resource Consulting L.L.C. 1166 Ave. of the Americas New York, N.Y. 10036	212-345-7000 Fax: 212-345-7414 *www.mercerhr.com* *www.merceric.com*	$297,000,000	$264,000,000 [5]	12.5%	13.0%	45	110	15,300	Daniel L. McCaw, president/CEO
6	Aon Consulting Worldwide 200 E. Randolph St. Chicago, Ill. 60601	800-438-6487 Fax: 312-381-0240 *www.aon.com*	$258,000,000	$198,000,000	30.3%	25.0%	69	59	7,800	Donald C. Ingram, chairman/CEO
7	Milliman USA 1301 Fifth Ave. Seattle, Wash. 98101-2605	206-624-7940 Fax: 206-340-1380 *www.milliman.com*	$170,000,000	$168,000,000	1.2%	42.0%	32	5	1,900	Patrick Grannan, president/CEO
8	Synhrgy HR Technologies Inc. 7324 Southwest Freeway, Suite 1400 Houston, Texas 77074	713-596-1700 Fax: 713-316-4104 *www.synhrgy.com*	$43,000,000	$29,000,000	48.3%	90.0%	4	0	368	Dave Carlson, CEO
9	Marsh Employee Benefits Services 1166 Ave. of the Americas New York, N.Y. 10036-2774	212-345-6000 Fax: 212-345-4808 *www.marsh.com*	$26,000,000	$15,000,000	73.3%	11.0%	60	0	870	Roger C. Edgren, managing director/national employee benefits practice leader
10	Invesmart Inc. Penn Center West Six, Suite 211 Pittsburgh, Pa. 15276	412-249-3200 Fax: 412-249-3242 *www.invesmart.com*	$20,000,000	$18,000,000	11.1%	45.5%	16	0	NA	Mark Gensheimer, founder/senior vp, sales and marketing

*Includes revenues from outsourcing services such as providing administration for defined contribution plans, defined benefit plans, health and welfare plans or HR/payroll
1 *BI* estimate 2 Fiscal year ending 9/30 3 Estimated 4 Includes Buck Consultants Inc., Mellon HR Solutions, Mellon Investor Services and Vinings Mellon 5 Restated
Source: *BI* survey

The full Directory of Employee Benefit Consultants/Benefit Outsourcing Providers is available online in the directories area of *www.businessinsurance.com*. The searchable directory allows users to locate benefit consultants and benefit outsourcing providers by company name, revenues and clients, among other information. PDF copies of the directory can be purchased by calling the Crain Information Center at 312-649-5476.

Growth: More outsourcing

Continued from page T3

vestments or turn administration over to an outside vendor.

"Most organizations seem to believe that by totally outsourcing functions, they can lower costs," said Steve McCormick, human resources technology consultant at Watson Wyatt Worldwide in Washington.

Human resources departments also are under pressure to improve the delivery of their services to employees without adding costs, said Bryan Doyle, outsourcing business leader at Hewitt Associates Inc. in Lincolnshire, Ill.

"They are being asked to do more but also not given the budget to do that," Mr. Doyle said.

What to outsource?

Myriad administrative tasks performed by human resources departments are eligible for outsourcing, experts say.

Employers are particularly focusing on services that can produce immediate improvement in the delivery of a service but at a low cost, said Sandy Lowrey, a principal at Mercer Human Resource Consulting in Louisville, Ky.

'Most organizations seem to believe that by totally outsourcing functions, they can lower costs.'

Steve McCormick
Watson Wyatt Worldwide

Such services, she said, include relocation services, which are the various steps involved in moving an employee and his or her family to a new location. Relocation services are ripe for outsourcing because human resources departments seldom perform this task and, therefore, lack expertise, Ms. Lowrey explained.

Other popular services to outsource include payroll services, recruitment of new employees and employee training.

"Anything that can be a process can be outsourced," said Ms. Cole of Mellon HR Solutions.

Another growing area for outsourcing is absence management, particularly administration of Family and Medical Leave Act absences, said Jeff Smith, assistant vp of marketing at Standard Insurance Co. in Portland, Ore., which provides such outsourced services.

"It has recently started to pick up steam," he said of FMLA administration by outside service providers.

In the past few years, there has been an increase in litigation related to FMLA leave and eligibility, and employers are beginning to see that strict compliance is more important than ever, said Hope Nakagawa, product development analyst at Standard.

"They really want to turn it over to someone who is an expert in that area," Ms. Nakagawa said.

While outsourcing vendors report growing interest, a survey conducted by Mercer Human Resource Consulting that is scheduled for release next month shows human resources outsourcing is still not widely prevalent outside of benefits administration.

For example, while 60% of employers outsource defined contribution plan administration, only 25% outsource payroll administration, Mercer found. Of the nonbenefit services, relocation has the highest rate of outsourcing, with 40% of employers using that service. At the other end, only 4% of employers outsource compensation administration, the lowest among surveyed services.

Shift in HR focus

Besides saving employers money, outsourcing allows human resources personnel to focus on strategy and supporting the larger goals of the organization, experts say.

In addition, outsourcing enables managers to perform certain functions that formerly were the province of the human resources department, said Brian Cooke, executive vp at Fidelity Employer Services Co. in Boston, which provides outsourcing services.

For example, he said, with outsourced recruiting services, managers use online tools to indicate they need to hire a new employee. Once alerted by senior management, the recruitment vendor can begin the process of finding and screening applicants. With this model, much of the work is removed from the human resources department entirely, Mr. Cooke said.

"Your managers can do a lot of this stuff from their desktop," he said.

Eliminating HR functions does not always involve a reduction in the human resources staff, said Mr. McCormick of Watson Wyatt. In reality, while some staff reductions will occur—reducing employer expenses—employees will still be needed to manage the vendor and ensure they are performing at specified quality levels, he said. That's because even if services are outsourced, blame still rests with the internal human resources department when problems arise, he noted.

"You've got to keep a lot of people to manage these contracts," Mr. McCormick said. "You cannot divest yourself of the quality of services delivered to the employees," he said.

Total HR outsourcing

Another growing area is total hu-

See **HOW MUCH**/next page

TOP U.S. BENEFIT CONSULTANTS

Based on 2002 U.S. benefit consulting revenues

Company	Revenues
Mercer Human Resource Consulting L.L.C.	$748,160,000
Hewitt Associates Inc.	$540,630,000 [1]
Towers Perrin	$518,444,000
Watson Wyatt Worldwide	$497,060,000
Aon Consulting Worldwide	$462,720,000 [2]
Mellon HR Services	$359,980,000
Deloitte & Touche L.L.P., dba Deloitte	$303,780,000 [3]
PricewaterhouseCoopers Human Resource Services	$280,000,000 [4]
Ernst & Young L.L.P. - Human Capital	$174,000,000
The Segal Co.	$141,580,400

1 Fiscal year ending 9/30 2 BI estimate 3 Fiscal year ending 5/31 4 Fiscal year ending 6/30
Source: *BI* survey

Growth: Outsourcing

Continued from previous page

man resources outsourcing. This practice entails moving all or nearly all of an employer's administrative HR functions to an outside vendor.

"We're in the early stages of this business trend," Hewitt's Mr. Doyle said.

Last year, AT&T Corp. outsourced nearly all of its administrative work to Aon, said Christine Morena, vp of human resources at AT&T in Morristown, N.J.

"They took our systems, platforms and people," she said.

The move was done as part of a companywide effort to outsource noncore functions, Ms. Morena explained. The human resources outsourcing was done to save money and eliminate the need to make future investments in systems and software, she said.

Aon performs some of the services itself and manages vendors that handle other functions, such as relocation services, Mr. Reynolds said.

For AT&T, the move allows the company to focus on policy and strategy "instead of worrying about the administration of the policies," he said.

To date, the arrangement has saved AT&T money, Ms. Morena said. But more importantly, there have been improvements in the services provided to the company's employees, she said.

"This has been a very positive relationship with us," she said.

But such a large undertaking is not without its challenges.

The key to success is treating the outsourcer as a partner, Ms. Morena said. "It has to be somebody you trust," she said.

Internally, the total HR outsourcing deal could only be accomplished by engaging senior management early in the process, she said.

"To avoid problems during the implementation, make sure you have senior management sponsorship," Ms. Morena said.

Resistance to change

Another challenge to success was resistance by AT&T human resources personnel.

"The people doing the work are not enthusiastic to be outsourced," Ms. Morena said.

Internal resistance to the changes associated with outsourcing is not unusual, experts say.

Often, human resources managers themselves are reluctant "to accept the change, to accept the new model," Mellon's Ms. Cole said.

"Very often they are the biggest source of difficulty," in a transition, she added.

Some employers are also reluctant to undertake outsourcing because there can be significant transition costs, Mercer's Ms. Lowrey said. In addition, they are often concerned about the loss of control that comes with outsourcing, she added.

Also, employers rarely see immediate cost savings from outsourcing, Ms. Lowrey added. The savings often don't materialize until a few years down the road, when employers don't have to pay for new technology, she said.

AT&T's Ms. Morena agreed that other employers might face transition challenges.

While AT&T has seen a drop in costs and improvements in service, she noted that the total outsourcing arrangement was a first for Aon and that it adopted AT&T's existing HR infrastructure. Other employers that have to move from one HR software platform to another might encounter "transition issues," she explained.

HR functions are going offshore more often

Outsourcing vendors increasingly use foreign labor for less-complex administrative tasks

By JOANNE WOJCIK

While it is commonplace in today's competitive global market for companies to export part of their manufacturing processes to countries with lower wages, it may come as a surprise that many employee benefits outsourcing vendors are doing it, too.

The primary reason for going offshore for these services is the same as for manufacturing: to save money.

Another reason is to improve the quality of service by virtue of the fact that lower wages means more people can be employed to answer phones or do other simple tasks. Using offshore call centers to handle less-complex administrative tasks also frees up resources in the United States to handle those that are more complicated, experts point out.

In some cases, employers that have global operations are asking outsourcing vendors to set up shop overseas because they want their benefits administration to be handled globally as well.

But while many benefits outsourcing vendors have already taken the leap offshore and others are considering it, there are a few holdouts that fear the risks of such ventures may outweigh any potential rewards.

India is currently the leader in the benefits outsourcing business, while the Philippines is running a close second. These two countries are so attractive not only because the prevailing wages are much lower than they are in the United States but also because many people in these countries already speak English.

Furthermore, a large proportion of Indians and Filipinos also has experience in handling U.S. customer service business, having worked previously for companies such as General Electric Co., American Express Co. and Citicorp Inc., which have been in India since the late 1980s. Likewise, American International Group Inc. and Proctor & Gamble Co. have outsourced customer service business to the Philippines for nearly as long.

"If a company is doing any kind of documentation in three-part forms, it's very likely it's being done offshore," said Atul Vashistha, chief executive officer of San Ramon, Calif.-based offshore consulting firm NeoIT Inc.

This would include such activities as enrolling in a health insurance or 401(k) plan or making any status changes thereafter, he explained.

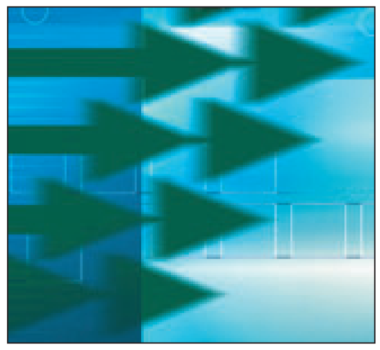
"The reason is, it requires a tremendous amount of data entry, and it requires distribution," Mr. Vashistha explained. "So what's happening is, many of those things are being scanned here, so it gets collected in one place, then it gets sent over and they make any data corrections that need to be made and forward it to the right people."

In some cases, benefits outsourcing vendors are using offshore call centers to handle "tier-one" communications—essentially, scripted responses to basic questions—with more complicated inquiries sent up the line to higher-level employees in the United States, according to Rich DeFrehn, a senior consultant at The Segal Co. in New York.

The structure is similar to the way computer manufacturers have been providing technical service to customers for years, he added.

"They use offshore call centers, so you're talking to somebody in India or Pakistan," Mr. DeFrehn said.

And while many of these offshore call center employees may



have distinguishable accents, that shouldn't be a problem, because "we have accented people here in the States," he pointed out. "If the person is given the appropriate information, it shouldn't matter if the person giving it has an accent."

In some cases, outsourcing vendors are even providing "accent neutralization" classes to employees so that they'll sound more like Americans, according to Debashish Sinha, principal analyst in the information technology services and sourcing group at Gartner Inc., an IT research and advisory firm in Stamford, Conn.

The speech coaching is usually given in a two-week intensive course as part of the employees' initial work training, during which they are also taught phone etiquette and any cultural differences that may be relevant to their customer contact activities, he explained.

Some outsourcing vendors even try to assimilate the employees in their offshore call centers by provid-

See **OFFSHORE**/next page

Offshore: Outsourcing vendors using foreign labor

Continued from previous page

ing them with Internet connections to local weather information and news and by posting photographs of U.S. worksites in their cubicles, several sources say.

"I actually thought health care would be one of the last to go," but, "as they simplify health plans and use more self-service, it makes it easier to move offshore," observed Debra Schmitt, a senior consultant and leader of the call center effectiveness practice in Los Angeles at Sibson Consulting, the human capital consulting division of The Segal Co.

Using offshore call centers also can be more cost-effective, resulting in significant administrative cost savings to employers, she added.

"Some employers are adverse to using offshore outsourcing, but when they realize the savings they can have," the attitude changes, according to Ms. Schmitt.

Some companies have achieved savings of as high as 400%, particularly if their U.S.-based call centers had been operating inefficiently, she said. But, on average, using offshore call centers can shave about 40% to 50% off the bill for health plan administrative services, she said.

"Employers are under the gun to cut costs," and using offshore resources may be preferable to reducing benefits, suggests Craig Weber, a senior analyst at Celent Communications in Boston, a research and advisory firm dedicated to helping financial institutions formulate business and technology strategies.

Celent Communications predicts that offshore information technology spending by North American insurers will increase from $695 million in 2003 to as much as $1.5 billion in 2006.

Celent predicts that offshore IT spending by North American insurers will increase from $695 million in 2003 to as much as $1.5 billion in 2006.

The quick return on investment is another compelling reason for using offshore call center and IT resources, he said.

"This is not the equivalent of an IT development budget with an 18-month ROI," Mr. Weber explained. By contrast, an offshore IT operation usually starts paying for itself in just six months, he said.

There are also "downstream cost savings," according to Gartner's Mr. Sinha.

"Once these organizations really understand the HR processes, they begin to leverage best practices and bring some of those back to the client organization through process improvement," he said.

Towers Perrin Administration Solutions is considering an offshore strategy to meet the cost criteria of its employer clients, according to Bob Lopes, global managing director in Philadelphia.

"Right now, in terms of what the marketplace expects from the vendors, in terms of the cost of services, in terms of recent bids over the last 12 months, the marketplace is already demanding prices under the assumption that benefits outsourcers are invoking this solution already," he said.

But cost is not always the driving force behind moving benefits call center operations offshore, according to Betty Zikakis, vp of marketing at Workscape Inc., a leading provider of Internet-based human resource services based in Framingham, Mass.

"I talked to one of our large customers about it. They said they have a global organization, so why should the call center be in the United States and only provide English-speaking customer service representatives," she said.

And using offshore call centers to handle the more mundane tasks may actually lead to better service, said Mr. Lopes.

"By moving offshore the commoditized services," such as change of address, scanning, image indexing, etc., "it frees up the more experienced resources we have onshore to do higher-order functions," like managing a qualified domestic relations order, helping employees balance their 401(k) portfolios or providing health advocacy services, he said.

But not everyone is sold on the idea of shipping even the simplest benefits administration tasks to Third World countries.

"All the hype is moving call centers to India," said Anthony Lowe, a consultant at Mercer Human Resource Consulting based in Princeton, N.J., who leads the U.S. administration practice. "We've looked at that. We are skeptical that the economies are really there and achievable. Plus, we have a concern about the ability to provide seamless service."

Instead, Mercer is responding to U.S. employers' requests to do what is commonly called "nearshoring," and setting up call centers and other tier-one benefits outsourcing services in nearby Canada.

"That approach is a less risky approach than shipping the whole thing off to India," Mr. Lowe explained.

John Haley, president and chief executive officer of Watson Wyatt Worldwide in Washington, agreed.

"There are some financial reasons to look at this. But there are a lot of issues around culture, not to mention security, after 9/11," he said.

PHOTO: KRT

Data entry is a task often allocated to overseas labor by outsourcing vendors. Here, Guatemalan workers enter information from medical claim forms.

Business interruption product covers disruptions of offshore operations

CHICAGO—In response to the growing trend of companies outsourcing operations offshore—often to politically volatile areas—Aon Trade Credit recently introduced a business interruption insurance product to protect companies from a service disruption caused by political events.

Offshoring Protection Insurance covers the extra costs and expenses incurred in the event that services must be terminated or relocated due to political threats, such as terrorism, war or civil war, seizure or willful destruction of property by the host government, or cancellation of licenses or permits, explained Bryan Squibb, managing director of Aon Trade Credit in Chicago.

The limits available, as well as the premium charged, vary based on the stability of the country to which the outsourcing operation has been transferred, he said.

So far, three Aon Trade Credit clients have purchased the coverage, which is underwritten at Lloyd's of London, according to Mr. Squibb. While he declined to identify the policyholders, Mr. Squibb said the initial purchases are in the telecommunications and travel industries. And, as the benefits outsourcing trend gains steam, he said he expects more companies will be interested in the new insurance product.

"Offshoring is here to stay," said Mr. Squibb, pointing to a recent survey by Deloitte Research that said the world's 100 largest financial service companies expect to transfer an estimated $356 billion of their operations offshore within the next five years.

But while companies that export benefits outsourcing services to countries with lower wages do so to save money, "if a political event occurred, they'd have to resurrect it somewhere else," which could effectively erase any savings already realized, he said.

For information about the new insurance product, contact Mr. Squibb at Aon Trade Credit in Chicago at 312-381-4512.

—By Joanne Wojcik

Outsourcing offers some pros, along with a few cons

By YVONNE TEEMS

After WillMax Capital Management of Dallas switched from using the personnel management services of Administaff to those of another outsourcing vendor, WillMax payroll administrator Kelly Trowbridge found herself three months deep in untouched work.

The new vendor made no attempt to address WillMax's needs; in fact, the company even suggested that the Dallas-based real estate investment company hire an assistant to aid with payroll duties, Ms. Trowbridge said. Within six months, WillMax switched back to Administaff, after Administaff worked with WillMax to lower its fees.

'The No. 1 reason (to outsource benefits administration) is to gain expertise that you typically wouldn't have in your organization available to you.'

Maurice Greaver
Greaver & Associates

Ms. Trowbridge said she finds Administaff easier to work with because the Kingwood, Texas-based outsourcing vendor understands WillMax's needs and handles its problems well. "I had more time to do my regular responsibilities," she said.

A poor outsourcing provider selection can be devastating in the long term, said Maurice Greaver, the president of management consulting firm Greaver and Associates in Centerville, Va., and the author of the book Strategic Outsourcing. In his book, Mr. Greaver provides several reasons why companies should outsource benefits administration.

"The No. 1 reason is to gain expertise that you typically wouldn't have in your organization available to you," he said. Because benefits administration deals with taxes and other highly specialized areas of business, access to this expertise is necessary.

Mr. Greaver listed several perks that motivate employers to outsource administration responsibilities. For example, companies can use the vendors' updated technology, innovative ideas and expertise at a price that is shared by the other companies for which the vendor works. What were fixed costs then become variable costs for the employers, with companies paying for the services only when they need them.

"In some cases, I think employers outsource things they don't have the internal expertise to administer," said James Crockett, risk and benefits manager for Denver Water. Professional services and legal advice would be difficult to provide internally, he said. Crockett estimated that its cost for outsourcing its actuary function is about $50,000; if it were to hire this expertise internally, it would cost four times as much.

Outsourcing vendors say that when companies outsource benefits administration, employers can, for several reasons, rest a little easier.

Curt Morgan, a director at Mellon HR Solutions in Fort Lee, N.J., said outsourcing vendors are reliable. Mr. Morgan noted that because providers typically operate multiple data and call centers, weather and power emergencies don't shut down the vendors' systems.

Technological changes and employee turnover add more risk to administration services, but when companies outsource, these are transferred to the vendor, said Sandy Lowrey, a consultant in the Louisville, Ky., office of Mercer Human Resource Consulting.

Ms. Lowrey also said that, by outsourcing, the company's administrative burden is lifted, freeing more time for human resource departments to focus on the value-added functions employees need.

Because outsourcing provides more standardized procedures, employees receive better customer service, with access 24 hours a day, Ms. Lowrey said.

Mr. Morgan also emphasized the importance of providing better customer service to benefit plan participants. With around-the-clock access to benefit programs, employees can, for example, enroll their newborn babies in their employers' health plans immediately. In addition, employees can have unlimited use of pension modeling, such as projecting their pension benefits at retirement based on various assumptions. And, employees working outside the United States can access health and pension plan information at convenient times.

Outsourcing vendors can offer not only easy access to benefits information and services but also more benefits, said Richard Rawson, executive vp of administration and chief financial officer for Administaff. Administaff, which focuses on small and midsize companies, enables groups of small employers to provide benefits such as dental and disability coverage at costs that are lower than those they would

See PROS/next page

Pros: Positive factors could include reduced costs

Continued from previous page

find seeking such coverages on an individual basis.

And not only can a vendor offer more benefits but it can also better lobby for the needs of small companies, said Cecil Glovier, chief operating officer of financial services company Colonial Trust Company in Phoenix. Colonial Trust is an Administaff client with 47 employees.

"You can get a stronger voice with the health insurance company," Mr. Glovier said.

Access Worldwide Inc., a small international mailing and distribution company based in Atlanta, recruited Administaff before it started hiring more employees, according to Adam Langston, Access Worldwide's president. The company was thus able to grow without having to hire a human resource staff, Mr. Langston said.

But older companies opting for human resource outsourcing could face some displacement of staff, noted Bryan Doyle, human resource and outsourcing business leader for Hewitt Associates Inc. in Lincolnshire, Ill.

Still, Mr. Greaver maintains that this is not necessarily a bad thing. Human resource employees that are no longer needed in a company can be hired by an outsourcing vendor, where their skills will be better utilized and their work better appreciated, he said.

Mr. Greaver acknowledged that while companies can probably reduce overall costs through outsourcing, he stressed that alone should not be the deciding factor.

But some consultants maintain that costs can be reduced significantly. Jessen Fahey, director of consultant development for the consultant and actuarial firm Milliman USA in Dallas, said average savings range from 15% to 20%. Hewitts' Mr. Doyle said that while the amount saved depends on how much money a company had invested in the administrative area before transitioning to a provider, he estimated that savings could range from 10% to 30%.

With outsourcing, technological advances and legislative changes continue to call for greater expertise and refinement in personnel administration, but the cost burden is placed on the outsourcing vendor and not on employers.

But Ms. Lowrey stresses that companies may not see these savings right away. Reductions in current spending are not as common as some believe, she said, though reductions in future spending are more common. With outsourcing, technological advances and legislative changes continue to call for greater expertise and refinement in personnel administration, but the cost burden is placed on the outsourcing vendor and not on employers. The vendor makes the necessary changes for all of its clients.

"It's more a cost avoidance than a cost savings," Ms. Lowrey said.

Despite the savings and benefits employers and employees receive when a company outsources benefits administration, there is a down side. Costs may increase for employers who outsource if their employees require high touch with customer service, Ms. Lowrey said.

Ralph Kimmich, director of compensation and strategic initiative for Southwest Airlines in Dallas, said they do not outsource employee customer service because they want to remain in touch with their employees. Also, it would not save them a lot of money and might even cost them money if they moved to outsource this function, he said.

Ms. Lowrey added that employees might have enjoyed exceptions from the rules with an internal human resource department, but once the company outsources, such privileges are no longer available.

"Exceptions are harder to accommodate in an automated outsourcing environment," Mr. Morgan said.

Mr. Crockett noted that vendors have standard products and systems, and while there is some flexibility, employers are bound by those procedures.

"To some degree, customization of services provided by outsourcing vendors are a problem and are restrictive," he said.

Changes in the culture of benefits administration can also cause problems, he said. Even though outsourcing vendors can provide better efficiency, employees may have trouble getting used to serving themselves.

"Instead of walking down the hall to Bob in HR and having him take care of your problems for you, you're now using a call center or Web site," Mr. Morgan said.

Outsourcing requires increased discipline from both employees and employers, said Mr. Greaver. With an internal human resource department, employees can call with questions for free. With an outsourcing vendor, costs may be allocated on a per-call basis. As a result, employers, to avoid excessive calling center costs, may have to provide more basic information to employees.

Employers have to make the transition from managing a human resource department to managing a provider relationship, he said.

Some believe that the transition, if handled well, can be good. Mr. Rawson said that managers, after handling these functions within the company, can go into an outsourcing relationship knowing what to ask for and what to expect.

Mr. Rawson added that he believes the difficulties associated with a change in the culture of personnel administration are more of a myth than a reality. "There is one thing about the world in which we live today, and that is that things are going to change," he said.

Administaff conducts orientations for new clients, teaching employees about the new benefits they will be receiving. And because Administaff provides employees with more information than they could feasibly find themselves, employees have more control, not less, Mr. Rawson said.

Ms. Trowbridge called the transition to outsourcing "fabulous."

"It was so easy for me," she said, explaining that Administaff set up meetings, explained benefits and walked people through the changes.

But some employers do feel that the change of culture that comes with outsourcing is a real issue. David Coward, senior advisor with TPI Inc., a Houston-based outsourcing advisory firm that serves Fortune 1000 companies, is a former human resource director for a private airline, and he said that, with outsourcing, both the employer and employees can perceive a lack of control. A company that used to handle its claims internally can come to regard the process of claims handling as intangible once the task is taken over by a vendor, he said.

Mr. Coward advised employers to avoid problems by ensuring that employees are well informed of the changes being made during the transition. Newsletters, informational inserts and meetings help with the communication process, he said.

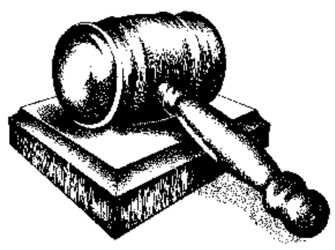
"Employees don't like surprises," Mr. Coward said.

Benefit briefs

2nd Circuit adopts lower standard for SPD suits

NEW YORK—Benefit plan participants need to establish only that they suffered harm from a mistake in a summary plan description to sue to recover denied benefits under the Employee Retirement Income Security Act, the 2nd U.S. Circuit Court of Appeals has ruled.

In its decision in *Sally Burke vs. Kodak Retirement Income Plan and Kodak Retirement Income Plan Committee*, the 2nd Circuit ruled that participants need not establish



that they actually relied on the inaccurate SPD to guide their actions. Federal courts are divided on whether the reliance standard must be met in such suits.

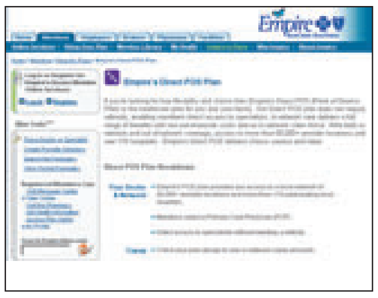
"The consequences of an inaccurate SPD must be placed on the employer," Judge Joseph McLaughlin wrote for the unanimous three-judge panel in its July 17 ruling. "Requiring plan participants or beneficiaries to show detrimental reliance to recover for a deficient SPD contravenes ERISA's objective to promote distribution of accurate SPDs to employees," he wrote.

The dispute arose after Eastman Kodak Co. employee Kenneth Burke died in 1999. Earlier that year, he married Sally Burke, his longtime domestic partner. Under the rules of Kodak's benefit program, spouses are not eligible to receive survivor benefits until they have been married for one year.

As a result, when her husband died, Ms. Burke sought benefits as a domestic partner. Kodak denied those benefits, though, citing a requirement that an employee and his or her partner affirm in an affidavit that they are domestic partners to be eligible for survivor benefits. That requirement, however, never appeared in Kodak's SPD that outlines the survivor program.

Ms. Burke then sued, but a federal trial court dismissed her claim. The 2nd Circuit panel, however, overturned that ruling.

—By Michael Prince



New York Blues offers POS plan

NEW YORK—Empire Blue Cross & Blue Shield is offering a point-of-service plan to employers in New York.

The new plan, called Direct POS, will give enrollees access to Empire's health maintenance organization network of 170 hospitals and more than 60,000 provider locations. The POS allows members to obtain services from any in-network provider without obtaining a referral from a primary care physician. In addition, the POS offers employers 14 options for sharing the cost of services with employees.

For example, individual coverage inpatient cost-sharing designs range from no co-payment to up to $500, while individual out-of-network deductibles range from $500 to $2,000.

"The availability of Direct POS meets an important market need," Jason Gorevic, Empire senior vp and chief marketing officer, said in a statement.

More information about the new plan is available at *www.empireblue.com*.

—By Jerry Geisel

Health Net unit providing cost-recovery services

RANCHO CORDOVA, Calif.—Health Net Federal Services, a Health Net Inc. unit that is a long-standing contractor for the Department of Defense's TRICARE military health system program, is launching a new business venture for the private sector.

The venture, Health Net Connections, specializes in helping clients regain misappropriated health care dollars through several services. They include an anti-fraud and abuse service, a diagnostic related group review and recovery service, and a preferred-pricing program that helps health care payers reduce their costs by minimizing the amount paid for provider claims.

James Woys, president of Rancho Cordova, Calif.-based Health Net Federal Services, said in a statement: "For more than 13 years, Health Net Federal Services has provided valuable cost-recovery services to the Department of Defense—and, more recently, to the Department of Veterans Affairs on a national level.

"It was a natural for us to develop and offer these same proven capabilities for other public entities and the private sector."

—By Judy Greenwald

Business Insurance
www.businessinsurance.com

• SERVICES •

Change of Address?
If you have moved recently and would like to change your subscription address, or if you want to report a delivery problem, please call us at 888-446-1422 toll-free or e-mail us at subs@crain.com

KEEP AN EYE OUT FOR THIS

BENEFITS MANAGEMENT

BI SPECIAL TAKE-OUT SECTIONS

Business Insurance delivers all the news and information important to executives responsible for employee benefits - in print each week, online at BusinessInsurance.com and in our *Daily News* & *This Week In BI* emails.

When top-level corporate executives look for the latest updates on significant trends and developments in employee benefits, they'll turn to *BI's* special **Benefits Management Take-Out Sections**. Most of these special sections will contain exclusive rankings and statistics on benefit service providers, and full directories of vendors will be available to subscribers online. Each special take-out section will provide powerful reporting on topics vital to the success and profitability of businesses today.

These highly anticipated special take-out sections will be referred to by our readers all year long. Reach more than 121,000* corporate decision-makers and purchasing influentials. Advertise in the industry news leader.

* Includes pass-along readership.

EMPLOYMENT RISKS
Issue: January 27 • Ad Close: January 15

HEALTH CARE COST CONTROL • Ranking & Online Directory: Prescription Benefit Managers & Case Managers
Issue: February 24 • Ad Close: February 11

GLOBAL BENEFIT TRENDS • Ranking & Online Directory: International Benefit Networks
Issue: March 31 • Ad Close: March 19

CONSUMER-DRIVEN HEALTH PLANS • Ranking & Online Directory: Consumer-Driven Health Plans
Issue: May 26 • Ad Close: May 14

OUTSOURCING BENEFIT ADMINISTRATION • Ranking & Online Directory: Benefit Consultants & Benefit Outsourcing Providers
Issue: July 28 • Ad Close: July 16

NEW TECHNOLOGY & ONLINE SOLUTIONS • Ranking & Online Directory: Benefit Information Systems
Issue: August 11 • Ad Close: July 30

RETIREE BENEFITS • Ranking & Online Directory: 401(k) Plan Administrators
Issue: September 29 • Ad Close: September 17

WORK & LIFE BENEFITS • Ranking & Online Directory: EAPs & Dependent Care Resource and Referral Services
Issue: October 27 • Ad Close: October 15

COMMUNICATION & EBC AWARDS • Ranking & Online Directory: Benefits Communication Systems
Issue: December 8 • Ad Close: November 25

NEW YORK: 212.210.0133 LOS ANGELES: 323.370.2456
CHICAGO: 312.649.5276 BOSTON: 617.292.4856

www.businessinsurance.com
Business Insurance®