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announce the
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Ultimate 24

Ultimate 24 Provides Fully Integrated Disability Management

VPA has forged a strategic alliance with Gallagher Bassett Services, Inc., a well-known name in occupational claims management, to offer a fully-integrated disability management program known as Ultimate 24. This new program provides clients seamless management of occupational and non-occupational disability benefits, focusing on the highest quality medical care and early return to work.

Jack Bredehorn, President of VPA, says of the new partnership, "Together with Gallagher Bassett we have developed a comprehensive product that is aimed squarely at the goal of total integration of the disability management process. Ultimate 24 allows us to offer clients an even higher level of efficiency and cost savings in the administration of their disability programs."

Ultimate 24 is designed to coordinate all disability events under one administrative structure, resulting in better event outcomes for both employees and employers. Employees enjoy 24-hour, 365-day-per-year claim filing via a single toll-free number, and this same number can be used to obtain information on claim status at any time. Immediate benefit payments increase employee satisfaction, reduce the potential for litigation and increase control over claims. Additionally, early involvement from Ultimate 24's registered nurses and physician advisors often results in a higher standard of medical care.

"By blending VPA's 18 years of expertise in managing the non-occupational benefits administration and Gallagher Bassett's 35 years of experience in handling occupational claims, Ultimate 24 links all facets of optional and statutory disability programs," says Tom Barnes, Director of Gallagher Bassett's Managed Care Division. "Consolidation of these programs can increase productivity and eliminate waste, ultimately reducing total disability benefit costs."

Ultimate 24's coordinated return-to-work program focuses on getting the employee back to work as soon as possible. In today's low unemployment environment and tighter labor market, this is an important issue. Case managers provide job analysis and job description to the doctor who then consults with the supervisor about returning the employee to work at the earliest opportunity.

Employers enjoy the flexibility of a system of services customized to their needs. A network of electronic data links eliminates duplicate claim investigation time and expense. The network can also generate outcome-based measurements. All services can be conveniently consolidated under one contract and billed through one monthly invoice. By increasing efficiency and eliminating overpayment of claims resulting from multiple benefit sources, Ultimate 24

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Business Insurance Stresses Disability Benefits Coordination

As I have had the opportunity to review the results of the wide variety of disability benefit plans we administer for our clients, it is becoming increasingly apparent to me that the clients, for whom VPA's unique services are having the greatest impact (from both a cost and an ease of administration standpoint), are VPA's fully integrated sick pay/salary continuation, SDI, STD and LTD clients.

This analysis has revealed that many of our fully integrated clients are achieving annual disability benefit costs of less than 1% of their annual payroll. If you compare this to a national average of 4 to 5% of payroll as the norm, VPA's integrated disability benefit program really works.

VPA's unique capability to combine self-insured State Disability Insurance (SDI) plans with company sponsored sick pay/salary continuation, STD and LTD Plans into a single, simple integrated disability benefit plan for all employees in all states has been in operation since 1980 when we first designed our first fully integrated program for Union Bank.

Our most recent fully integrated sick pay/salary continuation, SDI, STD and LTD client is Charles Schwab Corporation. Their integrated disability benefit plan includes VPA's newest innovation of reducing the required employee SDI contributions in California, Hawaii, New Jersey, New York and Puerto Rico by making the required employee SDI contributions part of the employer's pre-tax cafeteria/flex plan. Under the Schwab Plan, the employees are able to pay a single pre-tax contribution for their entire SDI, STD and LTD program, plus they are able to select the level of disability coverage, under these combined plans, that suits their particular family needs. This program allows Schwab employees to have a single integrated disability benefit program that is the same for all employees in all states plus allows VPA to combine their sick pay/salary continuation benefit with their self-insured SDI and STD benefits in a single, fully taxable benefit check.

This program also separates the self-insured SDI plans from the state SDI employee contribution requirements and the multiple employee payroll deductions that are required for separate SDI/STD/LTD programs.

New clients and existing clients can all benefit from this new integrated, pre-tax employee contribution disability benefit plan which not only greatly simplifies the disability benefit claim process for employees and employers, but also eliminates the problem of overpayment of net disability benefits when a portion of the integrated benefit is totally (i.e., California SDI) or partially (i.e., Hawaii, New Jersey, New York and Puerto Rico) tax free.

We will be contacting all of our current clients over the next few months to determine if these new innovative plan designs will be of benefit to your company and your employees.

VPA President Jack Bredehorn was recently quoted in two articles of Business Insurance magazine. The articles, entitled "Poor Oversight May Reward Hurt Workers Too Richly" and "Coordinating Benefits Can Speed Injured Employees' Return to Work," highlight some common administrative mistakes that can result in overpayment of benefits and consequently create a disincentive for disabled employees to return to work.

These costly administrative mistakes are one of the most important reasons to coordinate disability benefits administration. Mr. Bredehorn is quoted as saying that redundant benefits are probably costing large U.S. businesses about 0.5% of payroll costs. Even more alarming figures come from the results of a 1996 survey by Watson Wyatt Worldwide and the Washington Business Group on Health. The survey states that two-thirds of companies that do not integrate their disability programs reported incurring annual direct disability costs of 5.4% of payroll, while those that did integrate these benefits reported incurring direct costs of only 2.7% of payroll.

The articles list several actions employers might consider in an effort to manage disability benefits more efficiently, including:

- Limiting excessive payments to employees by basing wage supplements on the employee's net take-home pay.
- Consolidating departments that administer benefits to enhance communication and allow injuries to be reported to a single source.
- Implementing a return-to-work program.
- Establishing a self-insured plan in states that mandate disability insurance programs, to give greater control over the method of benefit payments.

The "Coordinating Benefits" article gives a fairly extensive checklist of the various types of mandatory and optional benefits (down to third-party liability settlements and company perks) employers would want to consider in calculating disability benefit payments.

CLIENT PROFILE



Fireman's Fund Insurance Company

Fireman's Fund Insurance Company's relationship with VPA is a classic example of how VPA initially established a relationship with a client to administer a self-insured state disability program and, due to the excellent financial and administrative savings realized, the client subsequently requested that VPA assume total responsibility for the administration and management of their disability benefit programs nationwide.

Fireman's Fund Insurance Company (FFIC) is well-known as one of the grand old insurance companies that made its reputation in the San Francisco earthquake and fire. Started by a retired

sea captain in 1863, FFIC built its early business with an inducement to clients that a portion of its profits would go to the widows of firefighters. Over the years, the company broadened its scope in the commercial and personal markets, including workers' compensation insurance, wedding insurance, kidnapping insurance, upscale homeowners' insurance and commercial coverage for sporting events and movie making.

FFIC first became a client of VPA in April 1987 when they implemented a self-insured "voluntary" short-term disability plan for their California employees. In 1992, after successfully administering the California program for five years, VPA was asked to implement self-insured state disability insurance programs for the FFIC employees in New York, New Jersey and Hawaii.

At the same time, FFIC transferred the administration of their self-funded nationwide short-term and long-term disability programs to VPA. This consolidation of total non-occupational disability benefit management with VPA has led to significant financial and administrative efficiencies for FFIC.

FFIC utilizes many of VPA's services including the paperless 800 number claim filing system, remote access to

VPA's computer system, and VPA's complete disability benefit payroll service which offers full elective deductions, payroll tax depositing, and separate W2's for disability benefit payments. Additionally, because FFIC's employees are located throughout the United States, VPA's unique Voice Response System, which allows employees to call in for the status on their claims 24 hours a day, 7 days a week, has streamlined communication. Beth Tremelling, FFIC's Manager of Employee Benefits, says, "Our disability program has been particularly well received by employees who have a single source to contact for all their non-occupational disability benefits."

VPA has also formed a unique relationship with the FFIC Workers' Compensation Unit which handles workers' compensation claims for FFIC employees. This close cooperation has reduced the likelihood of duplicate claim payments and has greatly enhanced the ability to adjust for overpayments or underpayments from one source or the other.

For information regarding FFIC's managed disability program, please contact John Koval at VPA, (818) 222-3103.

1998 STATE DISABILITY SUMMARY

STATE	WHAT IS THE CONTRIBUTION RATE?	WHAT ARE THE WEEKLY BENEFITS?	WHEN DO BENEFITS BEGIN?	MAXIMUM PERIOD?
CALIFORNIA	Employee: 0.5% of first \$31,767 of annual gross earnings (\$158.84 yearly maximum). Employer: Optional, may elect to pay all or part of employee amount.	55% of average weekly earnings in highest quarter of Base Period. (Minimum: \$ 50.00 / Maximum: \$336.00) Benefits payable for less than one week will be paid in increments of 1/7th of the weekly benefit.	On eighth (8th) consecutive day of disability.	Fifty-two (52) weeks.
HAWAII	Employee: Up to one-half (1/2) of plan costs, but not more than 0.5% of average weekly earnings or \$3.07 per week, whichever is less. (Taxable Wage Base = \$614.62/wk). Employer: At least one-half (1/2) of plan costs, plus any additional costs not chargeable to employee.	58% of average weekly earnings; (Minimum: \$ 14.00 / Maximum: \$357.00) Benefits payable for less than one week will be paid in increments of 1/5th of the weekly benefit.	On eighth (8th) consecutive day of disability.	Twenty-six (26) weeks.
NEW JERSEY	Employee: 0.5% of first \$19,300 of annual earnings (\$96.50/year). Employer: 0.1% to 1.1% of the first \$19,300 of annual earnings of each employee, depending on experience rating.	66-2/3% of average weekly wage: (Maximum \$364.00) Benefits payable for less than one week will be paid in increments of 1/7th of the weekly benefit.	On eighth (8th) consecutive day of disability (on first (1st) day if disability lasts longer than twenty-one (21) days).	Twenty-six (26) weeks.
NEW YORK	Employee: one half of 1% (0.5%) of the first \$120 of weekly wage up to a maximum of \$0.60 per week. Employer: Balance of plan costs not covered by employee.	50% of average weekly wage: (Minimum: \$ 20.00 / Maximum: \$170.00) Benefits payable for less than one week will be paid in increments of the weekly benefit divided by the number of the EE's normal work days per week.	On eighth (8th) consecutive day of disability.	Twenty-six (26) weeks.
PUERTO RICO	0.6% of first \$9,000 of annual earnings. The contribution may be shared (i.e., 0.2% Employee + 0.4% Employer, or 0.3% Employee + 0.3% Employer).	65% of weekly earnings: (Minimum: \$ 12.00 / Maximum: \$113.00) (\$55 maximum for agricultural workers). Benefits payable for less than one week will be paid in increments of 1/7th of the weekly benefit.	On eighth (8th) consecutive day of disability (or first day of hospitalization, if earlier).	Twenty-six (26) weeks
RHODE ISLAND	Employee: 1.2% of first \$38,000 of annual earnings. <i>(Note: 1.2% contribution rate was effective since 1997)</i>	4.62% of total high Base Period quarter wages. (Minimum: \$ 48.00/wk / Maximum: \$441.00/wk) **NOTE: EE's are eligible for an additional benefit of the greater of 7% of their weekly rate or \$10.00 for each child under age 18 - called "Dependent Award"	On eighth (8th) consecutive day of disability (on first (1st) day, if disability lasts longer than twenty-eight (28) days)	Thirty (30) weeks in any Benefit Year.

If you would like a copy of the complete schedule that VPA has available, please contact Thelma Wilson, Director of Plan Services, at 818-222-3105.



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Ultimate 24

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offers companies the opportunity for 10-15% savings in total costs. With the U.S. Census Bureau predicting total disability costs in the United States to exceed \$340 billion by the year 2000, the savings are significant! VPA is offering Ultimate 24 to both current and prospective clients. For more information on Ultimate 24, please contact Ron Johnson, VPA's Vice President of Sales at 1-800-473-9761, extension 3102.

IMPORTANT FILING DATES

As we enter into a new year, VPA would like to remind our clients of some important dates related to the financial reporting of your self-insured disability programs. If you have any questions, please contact the VPA Client Relations Department at (800) 473-9761, extension 3028.

STATE DISABILITY PLANS	Period Reported	Due Date	Prepared By
California Voluntary Disability Plans			
Report of Self-Insured Voluntary Plan Transactions (Form# DE2568V)	Each Calendar Qtr	90 Days After End of Qtr	VPA
New York Private DBL Plans			
Self-Insurer's Annual Report (Form# DB-681)	1997	January 31, 1998	VPA
Hawaii Temporary Disability Insurance (TDI) Plans			
Annual Report for TDI (Form# TDI-21)	1997	March 1, 1998	VPA / Client
New Jersey Private Plans			
<ul style="list-style-type: none"> Quarterly Report of Temporary Disability Benefits Annual Report of Private Plan Self-Insured Employer 	Each Calendar Qtr 1997	45 Days After End of Qtr March 15, 1998	VPA VPA
ERISASELF-INSURED STD / LTD PLANS	Period Reported	Due Date	Prepared By
Annual Return/Report of Employee Benefit Plan (Form 5500)	1997 Plan Year Calendar or Fiscal	7 Month's After End of Plan Year	VPA or Client
Return of Organization Exempt From Income Tax (Form 990)	1997 Plan Year Calendar or Fiscal	15th Day of the Fifth Month After End of Annual Acctng Period	Client
Application For Extension of Time To File Certain Employee Plan Returns (Form 5558)	1997 Plan Year Calendar or Fiscal	7 Month's After End of Plan Year	Client
Summary Annual Report	1997 Plan Year Calendar or Fiscal	2 Month's After Due Date of Form 5500	VPA or Client