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New order Mergers change consulting firms' rankings

In the first few months of 1997, four major employee benefit consulting firms with long-established actuarial practices were merged into larger firms or financial service organizations.

Unlike mergers of giant insurance companies, these changes usually didn't make it into the headlines of the daily business news, but they directly involve more than 1,000 actuaries.

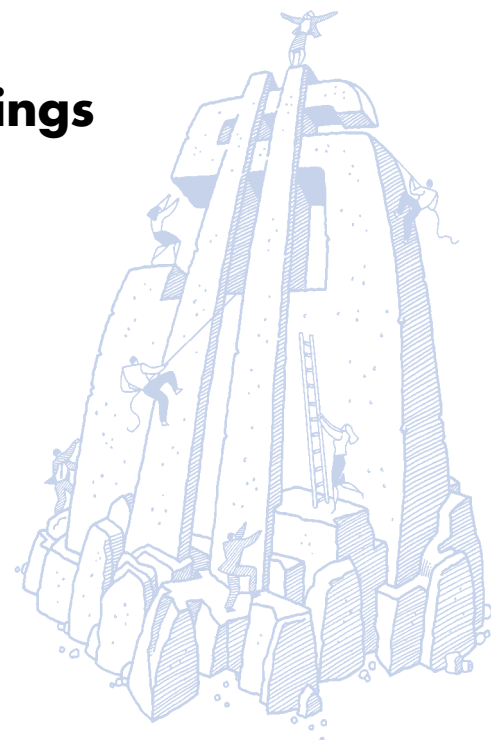
- Marsh & McLennan's purchase of privately held Johnson & Higgins brought together the two giant insurance brokers' consulting subsidiaries, respectively William M. Mercer Cos. Inc. and A. Foster Higgins & Co.
- In another merger of giant insurance brokers with consulting subsidiaries, Aon Corp. purchased Alexander & Alexander Services Inc., joining Aon Consulting with Alexander & Alexander Consulting Group Inc., Alexander Consulting Group, and Alexander Consulting Group Ltd. (Canada).
- The Big Six accounting firm Coopers & Lybrand LLP acquired privately owned benefit consultants Kwasha Lipton LLC, which is operating as a separate division.
- Mellon Bank Corp. acquired Buck Consultants, which also operates as a separate division. Earlier, Buck acquired W.F. Corroon, which had a large actuarial consulting practice.

These "mega-mergers," as they might be called, have shuffled the order of the top firms. According to a story in *Business Insurance* magazine's

December 9, 1996, issue, the top 10 firms based on revenue were, in descending order: Towers Perrin, Mercer, Hewitt, Watson Wyatt, Foster Higgins, Coopers & Lybrand, Buck Consultants, Aon Consulting, Alexander Consulting Group Inc., and Deloitte & Touche (see Table 1, page 5).

With the mergers completed, some familiar corporate names are eliminated — A. Foster Higgins (now part of J&H Mercer) and Alexander & Alexander (now under the Aon flag) — while both Mercer and Aon substantially increase in size. J&H Mercer moves to first place, followed by

(continued on page 5)



Inside this issue

Editorial: NAAJ2
by David M. Holland

CIA/U.S. discipline agreement.....3

SOA president-elect candidates on the Web.....3

Forecast 2000's successes4

DFCA task force update.....6

Book reviews: Cyberbug

Fine storytelling dramatizes future whirlwind.....7
by James Toole

Retirement shown in its complexity7
by Anna Rappaport

Information fair at annual meeting8

Career perspectives

'One employer' not the rule.....9
by Jacqueline Bitowt

Career perspectives (continued)

Health care provider.....9
by Linda Heacox

Actuarial Mathematics revised11

Third Bowles chairholder named.....11

10 years for SOA/Nankai U.12

Asia Committee formed.....12

On the lighter side:

Speculative fiction contest13
by Carol Marler

The actuary as guiding star.....13
by Marc Twinney

E&E Corner14

First '97 puzzle winner14

SOA meeting calendar15

Letter to the editor15

Actucroctic16

Mergers (continued from page 1)

Towers Perrin, Hewitt, and Watson Wyatt Worldwide. Aon moves to fifth place, Coopers & Lybrand to sixth, and Buck to seventh. Deloitte & Touche remains in last place (in a group of eight now instead of the previous 10). (See Table 2, below.)

What observers said

Business Insurance, which covered the mergers extensively, quoted observers on the impact these mergers would have on the marketplace.

In its March 17 issue, a story by Jerry Geisel noted, "Clients . . . say they do not worry — at least not yet — that the recent wave of mergers and acquisitions among employee benefit consulting firms will reduce competition and ultimately raise costs."

That observation came in a story presenting reactions to Marsh & McLennan's (M&M) acquisition of Johnson & Higgins (J&H), which combined J&H's consulting arm, Foster Higgins, with M&M's Mercer. The story pointed out that J&H clients would have access to the resources of Mercer, with four times as many employees as Foster Higgins had, offices in U.S. cities where Foster Higgins did not have a presence, extensive experience with international clients, and a major compensation

consulting unit. "But the benefits of the merger are not just one-way," the reporter wrote. "(Foster Higgins') consultants are considered first-rate." He quoted an executive recruiter as saying, "While Mercer has incredibly deep resources, Foster Higgins, pound for pound, has some of the top consultants in the country."

Reporting on Mellon's acquisition of Buck, writer Robert Kazel said the acquisition "is intended to create an industry powerhouse in total benefits outsourcing, though some in the industry are questioning how Buck's traditional consulting services will fare under bank ownership." Buck's then-CEO Joseph A. LoCicero had noted earlier that Buck would need "the deep pockets of a large parent company to remain competitive," the article said. Asked whether clients would hesitate to use both a benefits consultant and a bank so closely allied, LoCicero answered that Buck would keep its consulting services separate from Mellon, so clients wouldn't be faced with the prospect of bundling their services with one institution.

Of Buck's earlier acquisition of W.F. Corroon, the employee benefit consulting unit of Willis Corroon Group PLC, *Business Insurance* reported that the

agreement included Buck providing Willis Corroon clients with benefit consulting services and Willis Corroon providing Buck clients with insurance brokerage and risk management services. Buck and Willis Corroon also were pursuing a joint health care venture in the United Kingdom, and Buck said the merger would give it a presence in more U.S. and U.K. cities.

In describing the acquisition of Kwasha Lipton by Coopers & Lybrand, reporter Jerry Geisel wrote, "The deal brings Coopers & Lybrand a consulting firm highly regarded for customer service and innovation." He said executives in both firms stated the merger "could produce a benefits consulting powerhouse." Like Buck, Kwasha Lipton was looking for greater resources to compete in the outsourcing market, the story said.

While the implications for the consulting arms of Aon and Alexander have not been discussed widely, an Aon spokesman characterized the merger as "a tremendous strategic fit." He added, "It broadens the range of integrated services we can offer clients and continues to enhance the scope of retirement plan administration and strategic consulting services Aon Consulting brings to the marketplace."

Table 1. Pre-merger data

Firm	U.S. revenue ¹ (\$ millions)	Ranking by size ¹	
		U.S.	Worldwide
Towers Perrin	\$476	1	2
William M. Mercer Cos. Inc.	474	2	1
Hewitt Associates	464	3	4
Watson Wyatt Worldwide	354	4	3
A. Foster Higgins & Co. Inc.	216	5	7
Coopers & Lybrand LLP ²	198	6	5
Buck Consultants ³	169	7	8
Aon Consulting	121	8	9
Alexander Consulting Group	117	9	10
Deloitte & Touche LLP	108	10	NA

1. Estimates for benefit consulting practice by *Business Insurance*, Dec. 9, 1996.

2. Data are for Human Resources Advisory Group only.

3. Data do not reflect acquisition of W.F. Corroon in November 1996.

Table 2. Post-merger U.S. rankings in size

U.S. ranking	Firm
1	J&H Mercer (A. Foster Higgins now part of Mercer)
2	Towers Perrin
3	Hewitt Associates
4	Watson Wyatt Worldwide
5	Aon Consulting Worldwide (Alexander Consulting now part of Aon Consulting)
6	Coopers & Lybrand LLP (Kwasha Lipton now part of Coopers & Lybrand)
7	Buck Consultants (W.F. Corroon now part of Buck, now a division of Mellon Bank Corp.)
8	Deloitte & Touche LLP

Rankings based on combining revenue information from Table 1.