

COMPETITOR UPDATE

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FROM: BRYANT HARNER AND BRAD UNDERDAL, COMPETITOR ANALYSTS

METROPOLITAN LIFE - TRAVELERS JOINT VENTURE UPDATE

As was reported on June 16, Metropolitan Life Insurance Company and Travelers Inc. signed a letter of intent to combine their group health insurance businesses into a new entity that will focus on managed health care. The Market Research Department will monitor this story as it develops and share out information as it becomes available.

Several side stories involving the leadership and direction of the two firms have been reported in the news since the merger was announced. One of the top executives at Travelers, Richard Booth, resigned his positions as president of insurance operations and member of the board of directors. The move reflects a continued consolidation of power by the Primerica faction of Travelers' management. In September 1992 Primerica purchased a 26.6% ownership share in Travelers via a common stock purchase. The remaining shares were acquired in December 1993, at which time Primerica renamed itself Travelers Inc. and Primerica chairman Sanford Weill became the chairman of the new Travelers. Mr. Weill, whose background is in securities brokerage, has shown little enthusiasm for the employee benefits business and appears to be looking forward to Travelers' complete departure from the business when the new MetLife-Travelers managed care company goes public in a few years, as is expected. Although Mr. Booth had been with Travelers for 16 years, he lost authority in the merged company to Robert Lipp, a Primerica executive who became chief executive officer of the Travelers insurance operations as well as vice chairman of the board of directors. Mr. Booth will pursue an entrepreneurial career in financial services and insurance consulting. Over the past year he had focused his efforts at Travelers on improving the company's group health business for a possible sale or merger.

The yet unnamed MetLife-Travelers joint venture company will be headed by Kennett Simmons, 52, who has held top positions at several health care concerns. As a Senior Vice President with the Prudential Insurance Company of America, he was named president of PruCare (Prudential's HMO subsidiary) in 1977. From 1985 to 1986, he was chairman and chief executive officer of Peak Health Care Inc. From 1986 to 1991 he was chairman and chief executive officer of United Health Care Inc. After leaving United Health Care, he pursued a doctorate in American Studies from his home in Round Rock, Texas before joining the venture capital and money management firm E.M. Warburg, Pincus & Co., Inc. to develop venture investments in health care companies. Simmons said his aim at MetLife-Travelers is to develop HMOs quickly in every major market so that the new company can offer a full range of policies to employers. MetLife and Travelers now operate 25 regional HMOs and 143 PPO networks. Although he said he expects to gain some efficiencies by combining competing plans in cities where they exist, Simmons does not expect any layoffs in the combined work force, which now numbers 17,500.