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Conn. Auto Writers Show How To Compete

State Farm delays until March but Farmers is up and running

by C.A. Soule
InsuranceTimes

Connecticut drivers, who already enjoy one of the nation's most competitive auto insurance markets, are about to get even more benefits of competition: lower rates and new companies to try.
On average, Connecticut drivers will pay 3.7 percent less on their auto insurance rates in 2000, according to Insurance Commissioner George M. Reider, Jr., whose department last year handled 44 insurer requests to lower rates, and only 14 requests to raise rates.
“The trend in rate reductions which accelerated over last year’s results shows that Connecticut continues to have a healthy, competitive automobile insurance market which can benefit all consumers,” Reider said.
In another sign of competition, the state’s assigned risk plan, which insures high risk drivers turned down for coverage by insurance companies, shrunk to 4,000 vehicles, its lowest level ever. The plan insured 55,000 cars not too long ago in 1994.
Still more competition lies ahead as the state's auto marketplace braces for the entry of two new major players: State Farm and Farmers Insurance, both of which promise to win over thousands of new customers.

State Farm Mutual Insurance Co. has pushed back its plan to begin actively marketing personal automobile insurance to March 1, 2000.
That will put the company 10 months behind national rival Farmers Insurance Co., which entered Connecticut last May
While State Farm may be delayed, it is not standing still.
“In light of Y2K concerns, we moved [the date] back to give us an opportunity to work through any problems,” said Matt Hodson, vice president of State Farm’s Connecticut operations. “That being said, we are confident that we will not have problems.”
State Farm is in the process of hiring 60 new employees to augment the 75 people it currently has in the state, which Hodson called a tough challenge given the competitive job market in the Northeast.
State Farm has maintained a claims and service center in Cheshire in order to maintain accounts with policyholders who moved to Connecticut from another state. That frictional business has allowed the company to stake out a two percent market share in

the state, without so much as breaking a sweat. Nationally, State Farm is a major player, grabbing 25 percent of the personal auto market.

Now the company says it is eager to sell in one of the most affluent states in the country.

“State Farm has recognized for some time that Connecticut has been a good marketplace,” said Hodson. “It was growing quickly in the 1980s, but our focus wasn’t for new markets during that time. We studied it off and on since the early 1990s, and eventually we came to the point where we were ready to expand. It is an attractive state in that Connecticut’s insurance department is a good one to work with, and the governor is promoting a stable business environment.”

That environment has been kind to Allstate Insurance Co., the state market leader with nearly 15 percent of Connecticut drivers. In 1999 Allstate purchased the personal lines operations of CNA Insurance, further increasing its presence.

Hodson said that State Farm has appointed 20 agents for the state; they are in the process of training for their licenses. The company will appoint 16 more agents in 2001, hiring primarily from within the firm.

Hodson said that agents will begin by contacting many of State Farm’s 30,000 policyholders in Connecticut, in an attempt to cement relationships with them. “The goal is to earn customers one at a time,” he said.

That steady approach has served State Farm well in the past. The company did not penetrate East Coast markets until relatively recently in its corporate history (it still does not market insurance in Rhode Island and Massachusetts). It will spend as much as $10 million to get its Connecticut operation off the ground, Hodson said.

Others question whether State Farm's slow but steady approach will cut it in Connecticut’s 140 company-strong marketplace.

Ed Orodeckis, president of Eastern operations for Farmers Insurance Co., laughed when asked if he is worried about State Farm entering Connecticut.

Farmers’ Strategy

“If anything, Farmers entering Connecticut should give them pause,” Orodeckis rejoined. “If they are honest with you, they will say that, because whereas they lack a strategy for the state, we have a strategy in place already.”

Farmers also had a previous presence in Connecticut, if indirectly. The company inherited agents who formerly wrote for Zurich Financial Services Group’s personal lines operation in the U.S., after a merger between Zurich and Farmers parent B.A.T. Industries.

Orodeckis said that Farmers wrote $3 million in Connecticut in 1999, and will look to increase that more than four-fold to $13 million in 2000. He said this would not have been possible under Farmers’ traditional corporate culture of captive insurance agents. But by adjusting to Zurich’s culture of independent agents, the company should increase its business exponentially. The company has more than 150 agents currently.

"Farmers has used an exclusive distribution system in the past, and we know it is very costly to start that from scratch," Orodeckis said. "By appointing independent agents, you are able to move quickly. It speeds up the process. You get instant volume, and you protect your loss ratio."

Orodeckis would not take a stance on which system the company might lean toward in time. "The value of both distribution systems is equal," Orodeckis said. "As an example of what we are talking about in Connecticut, though, it took Farmers 71 years to bring exclusive agencies up-to-speed in 29 states, and only one year to get independent agencies on-line in 12 states."

First Year

Farmers will have to more than triple that expected $13 million in premiums before it cracks even the top 10 in the state. But rather than spend recklessly in the early going, Orodeckis described what might be the insurance equivalent of a guerrilla operation in Farmers' first year in the state.

"The biggest ongoing cost to entering a state is advertising," Orodeckis said. "We did everything on a remote basis. Our field people worked out of their homes."

Farmers spent $2 million on computer systems in 1999, and $250,000 on advertising, an amount it intends to replicate in 2000.

"Our goal is to get to at least a five percent market share in five years, and in 10 years to be number one, two, or three in the state," Orodeckis said. That will take an average increase in premium of roughly $10 million annually. As a strategy, Farmers will ask for a commitment of at least 30 percent of an insurance agency's book of business, and to be one of the top two carriers in the agency.

Representation in a large number of agencies is less important, Orodeckis claims. "We are looking for professional agents with established books, who are strong in their community, with a strong client base, and good product density," he said. "We are not looking for start-up agencies. We are not looking for an agent on every corner. We feel this cheapens the value of the franchise."

That franchise will open a lot of doors for Farmers, he added. "The brand is tremendous," he said. "We will drive customers to an agent's office. Most companies are not able to show that."

'Good Hands"

But perhaps no insurance company can match State Farm's "like a good neighbor" tag-line. "People should not lull themselves into thinking that we do not have a strategy," State Farm's Hodson said. "We announced in 1998 that we would enter Connecticut, and we have been busy in the meantime honing what will be our unique approach."

Hodson said State Farm had been writing only preferred auto risks in the state but will now write standard risks as well. The insurer will also be offering life, health, disability, long-term care and commercial lines products, as well as financial services from its latest subsidiary, a bank.

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RI Raising Taxes For State's Disability Insurance Again

PROVIDENCE (AP) Rhode Island workers will have to pay higher taxes for the second straight year to support the state's temporary disability insurance program.

The increase of up to 13 percent takes effect next month, a jump some critics call excessive, noting the figure is significantly higher than the national inflation rate, The Providence Journal reported.

If an insurance company instituted such an increase ``you'd have hell to pay,'' said Malcolm A. Makin, a certified financial planner and president of Professional Planning Group in Westerly.

Collect More

Etta Mello, assistant director for temporary disability insurance at the state Department of Labor and Training, defended the increase.

``If people are earning more ... they're also going to collect more,'' Mello said.

Temporary disability insurance is funded through worker contributions, which the state collects through payroll deductions. Benefits are paid to those who can't work because of an injury or illness unrelated to their jobs.

The number of claims filed by workers this year increased by about 3 percent and people on average have been collecting the benefit longer than they did last year, Mello said.

``For the benefits received, the increase in the costs, in my estimation, is not terribly high,'' Mello said.

Effective Jan. 1, workers will have to pay $140 in disability tax for every $10,000 in wages. The tax differs for each person depending on what he or she earns. The maximum per-person tax next year will be $568.40, more than $60 higher than this year.

The increase comes while many workers already are facing higher costs for health care as the HMOs Harvard Pilgrim Health Care and Tufts quit the state, said Henry Shelton, coordinator of the George Wiley Center in Pawtucket, an advocacy group for the poor.

The state doesn't do enough to educate the public about the increases or how the program works, Makin said.

``We are not informed consumers, we're simply doing what we are told,'' he said.

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NY High Court Allows Suits Over ‘Vanishing Premium’ Life Sales

ALBANY (AP) — New Yorkers who bought ``vanishing premium'' life insurance policies can sue insurers, the state's top court determined on Dec. 20.

The policies which were much in vogue in the 1980s may have been promoted with ``deceptive marketing and sales practices'' as defined by New York state General Business Law, the state Court of Appeals ruled 5-1.

Two lower state courts had found otherwise, dismissing suits filed by several policyholders.

Vanishing premium policies were offered as ``whole life'' or ``universal life'' insurance policies. Under them, customers would pay premiums far higher than term life policies.

Typically, agents promised that in about eight years, coverage would be provided in perpetuity without further premiums or at a vastly reduced cost. The theory being sold by agents at the time was that the investment on the premiums the insurers would make would cover the premiums' annual costs in about eight years.

However, as the court noted, a downturn in interest rates starting in the late 1980s wrecked the investment schedules outlined by the insurers to customers. Most holders of such policies were told that they'd have to continue paying premiums after the eight years had passed.

Guardian, MONY Sued

Several New York policyholders sued insurers including the Guardian Life Insurance Company of America and the Mutual Life Insurance Company of New York. The cases were consolidated for the sake of a common ruling before the Court of Appeals.

The high court called sales of vanishing premium suits an ``extensive marketing scheme.'' Judge Albert Rosenblatt noted that evidence in the court papers showed that agents were instructed in company training materials to pick a significant date in policyholders' lives — the year of enrollment of a child in college, for instance, or a retirement date — and were told to gear their sales pitch to shedding customers of premiums by that date.

Strong Suspicions

But Rosenblatt said insurers had strong suspicions that the rate of return on investments could not continue in a way that would allow them to follow through on their promises. And he said disclaimers warning customers that the vanishing date was based on projections and were not guaranteed could have been misunderstood by less sophisticated insurance buyers.

Those issues are matters that disgruntled policyholders should be allowed to argue on the trial court level, the judge wrote.

State Attorney General Eliot Spitzer filed a friend-of-the-court brief in the case arguing that by ruling in favor of the insurance companies, the Court of Appeals could undermine the state's power to combat a range of deceptive and questionable business practices.

The majority of the court did rule on Dec. 20 that the sale of vanishing-date policies did not constitute fraud under state common law.

Plaintiff Lawyer

Melvyn Weiss, lawyer for the policyholders, said the insurance companies sold vanishing premium policies on an ``unsustainable assumption'' and should be held responsible for those promises _ either by fulfilling the coverage called for in policies or by reimbursing policyholders.

He said about $10 billion has been recovered from insurers in settlements throughout the country on the kinds of claims considered by the Court of Appeals.

A statement from Mutual of New York pointed out that of nine claims in the original suit against it, all but one has been dismissed with the Court of Appeals' rejection of the common-law claim.

Narrowed Exposure

``The decision, together with the decisions of the lower courts, significantly narrows the company's potential exposure in this litigation,'' the statement said. ``The company continues to believe it has strong and meritorious defenses to the remaining claim and intends to defend itself vigorously.''

Guardian Life's lawyer did not did not comment.

The lone dissenting judge, Joseph Bellacosa, argued that the policyholders were adequately warned about the potential downside of vanishing-date policies. To hold the insurers liable because their agents put their ``best sales face'' on a product — ``even with some `puffery' and artfully spun advertising,'' Bellacosa noted — pushes the state's General Business Law into ``uncharted and unintended territories.''

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Entering New Millennium, Mass. Agents End Ties With PIA National

by C.A. Soule
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BOSTON –The Massachusetts Association of Insurance Agents (MAIA) announced Dec. 17 that it was ending its affiliation with the National Association of Professional Insurance Agents (PIA) as of Jan. 1, 2000. MAIA is now exclusively an affiliate of the Independent Insurance Agents of America, PIA’s rival in

Washington, D.C. and in many states across the country.
MAIA, with 1,900 member agencies and about 15,000 agency employees, has been the largest state affiliate of both IIAA and PIA. The move deals a financial blow to PIA since MAIA paid PIA dues said to be in the "six figures" by association officials.
The Massachusetts organization said that PIA's refusal to consider merging with IIAA, its change in errors and omissions carriers, the cost in both dues and time needed to maintain the affiliation, and a comparison of services between PIA and IIAA factored into the divorce.
"I had mixed emotions about it," said Bruce Cochrane, the president of MAIA whose term ended Jan. 1. "My heart said 'no,' but my head said 'yes.' "
Cochrane indicated that all 24 members of MAIA's board voted to dissolve the relationship with PIA. "Especially for those of us on the board who are 'elders,' it was a very clear-cut decision to make," he said. "It is unusual that a decision of this magnitude would come to a unanimous vote."
"Looking at the whole package, this was not a tough decision to make," agreed Frank A. Mancini, executive vice president of MAIA. "Right now, in 1999, I can't say that there is one area where PIA excels when compared directly to IIAA."

E&O Program
Mancini also indicated that PIA had squandered its remaining ace in the hole when it switched carriers for agency errors and omissions insurance.
"One of the more significant benefits of PIA in the past was their Utica Insurance E&O program," Mancini said. "But they jettisoned that program, and went with Reliance Group. Now Reliance is having difficulties, so it just was not a good situation."
Officials at Alexandria, Virginia-based PIA, which recently downsized and hired a new executive vice president, were reluctant to talk about the MAIA development but did acknowledge their disappointment at the loss of the biggest member state, a loss which leaves the national organization with New England affiliates in Connecticut and New Hampshire.
"Of course we are disappointed by the decision made by our friends and fellow agents in Massachusetts," said Stephen E. Watkins, Jr., president of PIA, in a statement. "However we respect that decision because we believe agents deserve choice. Throughout the years, agents in Massachusetts have benefited greatly from their membership in PIA. We will continue to offer to agents in Massachusetts access to their group health coverage through PIA and are working with MAIA to ensure there will be no interruption in coverage. In addition, agents in Massachusetts who want to continue to access the other benefits offered by PIA will be able to do so through a national PIA membership."
"PIA will continue to be a national leader on behalf of agents throughout the country," maintained Gary W. Eberhart, executive vice president of the organization.

PIA Response

PIA declined to discuss the situation further or indicate whether they would move to restart an affiliate in Massachusetts.

MAIA is itself the product of a merger between the Massachusetts affiliates of IIAA and PIA in 1992. Since then, 17 other states have witnessed the merger of their state associations. In the Northeast, Vermont, Maine and Rhode Island have also merged.

"Since the consolidation of the PIA and IIA state associations in Massachusetts in 1992, MAIA has annually evaluated its national affiliations with PIA and IIAA," said Cochrane, in a statement announcing the split. "This process focused on the benefits and value received by MAIA and its member agencies from each national association and the time, effort and fiscal resources to continue these affiliations."

Cochrane added, "When we conducted out evaluations this year, it became evident that the time, efforts and fiscal resources required to maintain MAIA's affiliation with PIA could be best utilized on behalf of MAIA members on the state level. Unfortunately, the resources necessary to continue MAIA's PIA affiliation could not be justified when weighed against the value received."

That amount, Cochrane told InsuranceTimes, ran to "six figures" on an annual basis. Officials from the associations declined to specify the precise figure MAIA pays each organization.

"We needed to take a look at the fact that we were making dual payments to both organizations," Cochrane said. "We needed to see what we could do in spending that money locally. We now will have the ability to redirect resources to provide more direct services to members. You would not believe the amount of staff and volunteer time it took to maintain relationships with both organizations, untold hours."

For PIA, the prospect of losing a significant revenue source was apparently not enough to nudge it to initiate merger talks.

"We consistently delivered the message that the rank and file wanted the merger to happen," Cochrane said. "We made several diplomatic overtures. That time and effort was well worth it, as it turned out, because it gave us a clear indication as to the lay of the land."

Mancini said that MAIA had held itself out as an illustration of the merits of consolidation. "PIA and IIAA each felt it had unique characteristics that in a merger would be lost," he said. "That doesn't have to happen, and I speak from experience. We merged in Massachusetts, and I think we brought the best of those associations together. So it can happen, but you need the right people who are willing to sit down together and talk."

"We have made every effort to bring the two national associations together for consolidation discussions," said Mancini.

"It is a fair statement that MAIA tried vigorously for several years to make consolidation happen," said Jeffrey M. Yates, executive vice president for IIAA. "Our position has been that if PIA has a serious interest in making it happen, we would sit down with them.”

Merger Policy
“’The Big I has a board-stated policy that we are willing to merge,” said Massachusetts agent William Hofmann, III, who is IIAA’s president-elect. “I have been saying for years that agents should put ‘the Big I, PIA,[the National Association of Life Underwriters, and the Council [of Insurance Agents and Brokers under one roof.”
Kenneth Bessette, executive director of PIA's remaining Northeast affiliates in Connecticut, New York, New Jersey and New Hampshire, said he was disappointed in MAIA’s decision.
“We feel like we lost a friend and a partner,” said Bessette. “That is not to say that we are no longer friends, but we had a good relationship, and if we had our druthers we wish that they had not taken that step.”
Spared mailing a big dues check to PIA this year, MAIA has some enticing options. Mancini explained that as a “consolidated” organization, MAIA had enjoyed lower dues on a relative basis by belonging to both PIA and IIAA. That will change. Over the next four years, Mancini said, MAIA will “ramp up” the amount it pays to IIAA to bring it back on par with other states.
In the meantime, however, MAIA will enjoy a budget surplus for a few years. Mancini said one possible area for putting the extra cash to use would be the development of a branding campaign intended to raise the profile of Massachusetts independent insurance agents. IIAA is spending $35 million this year on a similar marketing effort.
Mancini said that the organization would give IIAA until mid-2000 to put together a plan, and then decide whether to “tag along,” or to follow through on its own effort.
Mancini said that cutting ties with PIA will not affect MAIA’s level of service for its agent members.
“In Massachusetts, we have put behind us the labels that identified our predecessor associations. We are all Massachusetts insurance agents dedicated to the principles of the American independent agency system,” added Mancini, who ironically was presented with a special presidential citation by PIA this year, in part for his work on the organization’s 2000 budget.

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Zurich US Consolidates Zones

Zurich U.S., a commercial property and casualty insurer, will consolidate into three zones, in hopes of achieving greater efficiency.
The new structure includes an Eastern zone office in New York and encompassing the property group’s Northeast and Mid-Atlantic

offices; a Central zone based in Chicago, controlling its North Central, South Central and Southwest regions; and a Western zone, in San Francisco, comprised of its Northwest and Southwest regions.
Ludwig J. Picarro, formerly regional property executive for Zurich's Northeast region, will head the new Eastern zone.
The company plans to appoint "branch managers" to support local account teams in customer service issues.

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Florida Judge Rules Against Allstate

MIAMI (AP) — A ruling against Allstate Insurance Co. for failing to pay full medical claims in no-fault accidents could cost the company up to $600 million, an attorney for Florida policyholders said.
Miami-Dade Circuit Judge Margarita Esquiroz issued a summary judgment. The class-action case involved medical bills filed with Allstate on personal injury protection mandated by Florida law.
A state appeals court upheld a similar ruling in an individual case against State Farm in October.
Attorney John Ruiz, who represents Allstate policyholders, estimated that more than 200,000 claims filed with Allstate since October 1992 were not fully paid.
Allstate spokeswoman April Hattori said Allstate, based in Northbrook, Ill., maintains it does not have to pay for independent medical examinations in personal injury cases and plans to appeal.

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Former NY Giant Wins Employment Suit Against A&A

NEWARK, N.J. (AP) — Former New York Giant Philip J. McConkey sued for $10 million and got it.
An Essex County jury awarded that sum to McConkey after finding that the head of the Nasdaq Stock Market's parent company lied to him about whether an insurance brokerage the Wall Street veteran chaired was going to be sold.
McConkey had sued Frank G. Zarb and the brokerage, Alexander & Alexander. Zarb was dismissed as a defendant before the trial started.
McConkey testified that he never would have taken a job at A&A if Zarb, now chairman of the National Association of Securities Dealers, had admitted it was in talks to be sold to Aon Corp.
When Aon bought A&A for $1.2 billion in December 1996, McConkey

told the jury, ``I felt as if I had gotten a helmet, full speed, in the stomach.'' He said he was fired in March 1997.
A six-member jury deliberated for several hours over two days before determining that McConkey should get $5 million in punitive damages, $3 million for lost wages, and $2 million for emotional distress.
A&A lawyer Frederick L. Whitmer said the verdict was not supported by the evidence ``and we intend to appeal.''

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Preparing For The Millennium Bug Lawsuits

DALLAS (AP) — You're driving back from a New Year's Eve party. A drunken driver rear-ends you and a resulting neck injury sends you to the emergency room.
But a hang-up with your health insurance delays treatment. The insurance company doesn't recognize your ID number because of a Y2K computer glitch. You're forced to endure the pain of torn neck ligaments before doctors can treat you.
Can someone sue his or her insurer for undue emotional and physical distress as a result of a delay in treatment caused by — of all things — a Y2K bug?
This was just one of many scenarios federal and state legislators considered when they drafted legislation that protects businesses from lawsuits born of unforeseen computer glitches.
In July, President Clinton signed into law a time-limited piece of legislation — the Y2K Act. It seeks to prevent frivolous year 2000 lawsuits from clogging court dockets by requiring a 90-day, out-of-court mediation period between businesses and consumers, and by absolving companies of liability if they take proactive measures to warn consumers.
The act does preserve the right to sue — if the person or company fails to obtain complete relief within the 90-day mediation period or suffers real injury as the result of a malfunction.
In other words, if the insurance company really couldn't process

an insured’s ID number, there might be a case.
Lawyers say aggressively getting information to the consumer is the key to avoiding litigation.
To do this, computer companies have taken the unusual step of banding together to educate consumers. One example is www.pcy2000.com, a Web site created by companies such as Compaq, IBM, Gateway and Dell to help PC users understand and address year 2000 issues.
Texas-based Dell Computer Corp. has had a program in place since 1997 to educate PC users and offer them free download patches from a Web site to fix most problems, spokesman John Thompson said.
``The site tries to be educational without being hype-oriented,'' Thompson said. ``Clearly it's not a marketing thing. The industry has put aside tooth-and-nail competition to try to come together to help educate people.''
Insurance companies are already feeling the effects of the Y2K bug as companies and governments file lawsuits associated with cost of upgrading computer systems.
Stamford-based Xerox Corp. has sued its insurer for $150 million in Y2K costs. Others that have sued seeking reimbursement include Nike, Unisys Corp., GTE Corp., the Port of Seattle and the Royal Oak, Mich., School District.
The lawsuits, filed since July, seek a total of about $700 million from insurers.
Insurance industry attorneys claim the lawsuits have no legal merit.
Jerry Johns, of the Insurance Information Service, said he believes insurance companies will pay much less than some of the colossal estimates. While $700 million is a ``significant amount,'' he said, ``worldwide that would be a drop in the bucket compared to what is conceivable.''

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Hancock Stocks Put In Trust Pending NY Settlement

BOSTON – Mutual of America Life Insurance won a concession from John Hancock Mutual Life Insurance Co., which is about to go public, in an ongoing dispute regarding the distribution of approximately $2.5 billion in stock.
In a filing with the Securities and Exchange Commission, Hancock is placing stock in a trust pending the resolution of Mutual of America’s lawsuit against Hancock. Mutual of America is suing Hancock in Massachusetts Superior Court in an attempt to claim as much as 10 percent of Hancock’s initial public offering of stock. Hancock says that the policies owned by Mutual of America do not qualify under its plan to demutualize.
New York’s Insurance Commissioner Neil Levin has said he would

review Hancock’s plan to demutualize in order to make certain that New York policyholders of Hancock are treated fairly in the plan to sell stock. A fifth of Hancock’s policyholders are New York residents or companies.
A spokeswoman for the New York department said that Levin had not yet determined whether he would seek to force Hancock to make adjustments to the plan.

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BOSTON – Stacey Townsend is on the verge of trading in her office in Liberty Mutual’s headquarters in Boston’s Back Bay for the gritty streets of Fields Corner in Boston’s Dorchester neighborhood. There she will garrison the front lines of the ongoing battle for urban renewal in Massachusetts.
Townsend is executive director of the Property and Casualty Initiative, the result of a 1998 deal between property and casualty insurance companies and Massachusetts lawmakers to phase out the state’s gross investment income tax in exchange for as much as $100 million to fund community reinvestment projects. Townsend was tapped to administer the fund.
“A hundred million, while a nice chunk of change, will not change all the things in Boston and Massachusetts that need changing,” said Townsend. “But it will go a ways.”
Townsend has a banking background. After attending Wellesley College, she was a small business lender for Bank of New England and BayBank, before joining the Massachusetts Business Development Corp.
“The loans will be more creative and flexible than you might find a bank being able to do,” Townsend said. “But it will not be a giveaway.”

March Hearing
Townsend expects to hold her first public meeting in March to spur interest and applications to the fund. Thus far, with essentially zero outreach, she has received 14 applications, a good sign.
“State-wide there are a ton of these kinds of funds,” Townsend said. “Depending on what you are getting funding for, there is a ton of money out there.”
But in certain cases, the competition for funds is even more severe, she said, which is where she hopes the Property and Casualty Initiative can make a difference. Funds are swamped with proposals to convert old buildings to affordable apartments,

which would be a boon for Boston's crowded housing market. But often proposals are turned aside in such cases.

Tax Relief

For insurance carriers, there is nothing like a good cause, at least when coupled with some good tax relief.

"We were the last industry, after banking, after manufacturing, to see any kind of meaningful tax relief," said James T. Harrington, vice president of the American Insurance Association. "The tax was not only too high to begin with, but it had retaliatory consequences in states where the burden was less."

Participating companies are expected to provide $100 million in loans and equity investments, the bulk of which will be spent over a five year period. In return, companies qualify for a 20 percent decrease in the annual corporate gross investment income tax.

Nine carriers helped form the foundation, including Fitchburg Mutual Insurance Co.; CGU; Holyoke Mutual Group; Liberty Mutual Group; Norfolk and Dedham Group; Plymouth Rock Assurance Corp.; Premier Insurance Co. of Massachusetts; ProMutual Group; and Quincy Mutual Fire Insurance Co.

Four more companies plan to join this year, including AIM Mutual, Arbella Mutual, Worcester Insurance Co., and Berkshire Mutual Insurance Co.

Townsend said that she has raised $16.5 million after 3 months, and that she expects that amount to increase greatly in a month, once companies get onto a new budget cycle in 2000.

Companies that have invested a "full share" in the Property and Casualty Initiative will not have to pay the gross investment income tax after a five year period.

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Maine Insurer's NH Entry Subject Of Talks

CONCORD, N.H. — Officials here were continuing discussions at press time surrounding the entry into the New Hampshire workers compensation market by a new subsidiary of the state-created Maine Employers Mutual Insurance Co. (MEMIC). The bid by MEMIC Indemnity Co. was previously rejected by New Hampshire Insurance Department but that decision is under appeal. The eleventh-hour cancellation of a public hearing on that appeal fueled speculation that the department was reconsidering its position. Parties would only confirm that discussions are taking place.

Giant workers compensation writer Liberty Mutual and various insurer trade groups have opposed the expansion of the Maine insurer into the Granite State, claiming that MEMIC is essentially a state fund and enjoys privileges not afforded competing private insurers which have allowed it to accumulate

capital.
For its part, MEMIC argues that while it is the insurer of last resort in Maine, it is not a state fund, noting that it pays both federal and state premium taxes and is subject to the same regulations as other commercial insurers. It is not, however, covered by the state's guaranty fund in Maine.
MEMIC was created at the peak of the state's workers compensation crisis by legislative mandate. It was funded by assessments on insurers and employers, debts which it expects to completely erase by 2001.

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NH To Liquidate Tufts Health Plan Of NE

CONCORD, N.H. (AP) — The state insurance commissioner says she has been unable to find a buyer for ailing Tufts Health Plan of New England and must dissolve the insurer.
Insurance Commissioner Paula Rogers has been in charge of the financially troubled plan since its parent company, Massachusetts-based Tufts Health Plan, pulled its support last month.
Rogers has asked court permission to go ahead with the liquidation, which would involve turning the plan's assets into cash so it can pay outstanding claims.
If the request is granted by Merrimack County Superior Court, it would affect 70,000 customers in New Hampshire, 70,000 in Maine and 5,000 in Rhode Island. Many subscriber groups began looking for other coverage last month when Tufts Health Plan announced it would no longer support its money-losing subsidiary.
Tufts spokeswoman Patti Jacobs said Rogers' decision to liquidate was expected.
``We believe that this action taken by the New Hampshire Department of Insurance will bring clarity to members who had been waiting to transfer to another health plan until the department had made its decision,'' Jacobs said.
The Bedford-based company will continue providing medical coverage through Feb. 2. No new or renewed policies can be honored after that date, Rogers said.

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AIG Reported Ready To Buy Mass. Insurer Trust

BOSTON – After the Boston Globe and the Boston Herald published rumors that insurance giant AIG was on the verge of acquiring Taunton, Mass.-based Trust Insurance Co., at press time the

Massachusetts Division of Insurance had still not received notice from AIG that it intended to do so, and the company would not comment on the articles.
Rumors have circulated throughout the fall that AIG has conducted "due diligence" on Trust, even as a Worcester businessman hedged on whether he would buy the company for $20 million. Those negotiations fell apart, and the latest talks with AIG are said to be setting a price tag for Trust in the vicinity of $32 million.

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NJ Insurer To Buy NH Mountain Valley Co.

New Jersey-based Motor Club of America has agreed to purchase Mountain Valley Indemnity of Manchester, N.H., a subsidiary of Unitrin of Chicago. Mountain Valley was formerly known as White Mountains Insurance Co and was acquired by Unitrin from Fund American Enterprises Holding in June, 1999.
This acquisition continues the expansion of Motor Club, which in January, 1999 also acquired North East Insurance Group of Scarborough, Maine. Motor Club of America is a property and casualty insurance holding company headquartered in Paramus, N.J. Among its companies, Motor Club of America Insurance Co. writes personal auto in New Jersey; Preserver Insurance Co. writes small commercial and homeowners in New Jersey; North East writes personal auto and small commercial lines in Maine; and American Colonial Insurance Co. is licensed to write in New York and expected to begin in the second quarter of this year.
Mountain Valley Indemnity reported direct written premiums of $15 million through the first nine months of 1999.   The transaction is subject to regulatory approvals.

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State Farm Files Appeal Of Generic Auto Parts Ruling

MARION, Ill. (AP) — State Farm insurance company is appealing a judgment that would force it to pay $1.2 billion to policy holders who claim they had no choice but to repair their cars with so-called ``aftermarket'' auto-body parts.
In October, a judge and jury found that the parts were substandard following a class-action lawsuit filed on behalf of as many as 4.7 million policy holders with claims dating as far back as July 1987.
The appeal will be heard in the Illinois Appellate Court in Mount Vernon.

Generic Parts

Among other things, State Farm’s appeal claims none of the plaintiffs named in the lawsuit proved they were injured in cars repaired with generic parts, according to State Farm spokesman Dave Hurst.

``The plaintiffs’ attorneys also said they would prove that all generic parts are inferior to brand-name parts and they failed to do so,’’ Hurst said.

He said the appeal also cites the company’s ``customer satisfaction’’ guarantee, which would have allowed the plaintiffs to return parts they were not happy with.

``If a generic part is put on the car and after that they have a problem with it, then they can come to us and we will either repair or replace it,’’ Hurst said.

Patricia Littleton, an attorney for the plaintiffs, said she was not surprised by the appeal. But she said several courts — including the Illinois Supreme Court and U.S. Supreme Court — have already ruled on the matters raised in State Farm’s appeal.

``There’s really nothing here that the courts have not already seen, except for the punitive award itself,’’ Littleton said. She added that an agreement also was reached to set aside the $1.2 billion award in a court-controlled fund and to add 9 percent interest over the length of the appeal, which is expected to take at least 18 months.

A Williamson County jury awarded $456 million in the breach-of-contract claim. The judge who oversaw the case added an additional $730 million after finding the company had defrauded consumers by concealing problems with the parts.

State Farm Mutual Automobile Insurance Co. is the fifth-largest insurer in the country, with $24.2 billion in assets.

Other insurers, including Allstate, Geico, Nationwide, USAA, Progressive, Metropolitan and Farmers Group of Insurance Companies, also have been sued in similar cases.

Hurst said there also was evidence disallowed in the original trial that State Farm attorneys felt they should have been able to present. That included State Farm’s assertion that the use of generic parts benefitted consumers by forcing auto makers to lower the cost of brand-name parts.

State Farm lawyers also contend they should have been allowed to present evidence that savings resulting from the use of generic parts were passed on to policy holders, Hurst said.

In the past two years, he said State Farm has returned $1.5 billion worth of dividends to its policy holders and has reduced premiums by $2.5 billion.

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NY Health Funding Bill On Way To Senate

by Joel Stashenko
Associated Press

ALBANY — The state Assembly has ratified an ambitious health care financing bill over the objections of its minority leader, who says legislators will soon be back to perform ``major surgery'' on the new system.

The legislation, dubbed the Health Care Reform Act 2000, would nearly double the state's tax on cigarettes and make as many as one million more New Yorkers eligible for state-subsidized health insurance. It would also continue New York's one-of-a-kind subsidy system to fund cash-shy aspects of the health care industry such as teaching hospitals and the care of indigent people.

That system, most recently revised in 1996, is funded by surcharges on hospital bills, HMOs and health insurance policies. It expired at the end of the year.

The bill passed 95-37 in the Assembly despite the pleading of Minority Leader John Faso, a Columbia County Republican, who urged lawmakers to take a month to consider the ramifications of the new system and to get some disinterested analysts to evaluate the proposal.

``We have done this hastily,'' Faso told his colleagues. ``It is imprudent. It has a worthy goal ... but I think that the way it was gone about we will regret.''

Specifically, Faso predicted the Legislature will have to fix a too-heavy burden on county taxpayers created by the bill to fund insurance programs for the working poor. And he said the effects of such a significant increase in cigarette taxes had not been thought out as they relate to spurring the bootlegging of tobacco or the untaxed Internet sales of such products.

Most New Yorkers had no idea what the Assembly was doing with its 3 a.m. vote today, Faso said.

``Make no mistake, people of the state are not paying attention to what's happening here tonight,'' he said. ``They're focused on the holiday and they're focused on the new millennium.''

In a development that shocked tobacco industry lobbyists and delighted anti-smoking advocates, legislative leaders and Gov. George Pataki agreed to boost cigarette taxes from the current 56 cents a pack to a highest-in-the-nation $1.11 a pack.

The tax increase is designed to generate about $400 million a year in new tax revenues and to discourage New Yorkers from smoking. Advocates estimate that 300,000 people may quit rather than pay higher cigarette taxes.

``The people of this state do not view cigarette taxes as a tax increase,'' Assembly Speaker Sheldon Silver said before his house adopted the plan. ``They look at it as something that is responsible and when you take that money and put it into health care, they are accepting that fully.''

The plan is to use the enhanced cigarette tax revenues and about

$500 million a year in money due the state under the national settlement with tobacco companies to help fund a series of new programs designed to qualify up to 1 million working poor people in New York for health insurance.
Other aspects of the reworked health financing system, which will eventually total about $2.9 billion a year, are increases in the money available to treat indigent patients, more money for teaching hospitals and those in rural and inner-city areas of the state, slightly reduced surcharges on hospital bills and health plans, a continuation of Medicaid cost containments liked by local governments, elimination of an 8 percent surcharge on the cost of laboratory tests.
Silver, Pataki and state Senate Majority Leader Joseph Bruno reached a deal on the new legislation after weeks of intensive negotiations among themselves and their staffs, and months of hard lobbying by well-heeled interests ranging from the state's hospitals to health care worker unions and businesses.
Silver denied that the measure was being rushed through his chamber. He said the deal is patterned after one the Democratic-led Assembly passed back in July.
``The public has commented,'' he said. ``The public has seen it. The governor has used it as a model.''
Last week, county government leaders began expressing alarm about the bill after computing costs of up to $10 million to county taxpayers the first year and of $123 million in the third year to pay Medicaid costs for new health insurance programs.
``We are partners with the state, and in this case, we were not consulted as partners before a deal was struck to substantially expand Medicaid eligibility in New York state,'' said Robert Gregory, executive director of the state Association of Counties.
Bruno said the Senate's Republican majority is behind the bill and plans to also pass it, but possibly not before returning to Albany to start the regular 2000 session in early January.

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NJ Insurers Agree To Cover Experimental Care For Cancer Patients

Other states mandate coverage; NJ insurers volunteer

by Thomas Martello
Associated Press

TRENTON, N.J. — Louis Pennucci has seen fellow cancer patients waiting around in anguish while hospitals and insurers haggle over the costs of treatment. At 51, the wait is the last thing Pennucci wants.
Pennucci welcomed the news that New Jersey health insurers have agreed to cover medical costs for cancer patients who undergo

experimental treatments. Several other states cover some form of clinical tests, but what's different here is that the companies did so without being forced to by law.

Insurance companies for the most part do not provide coverage for clinical trials, citing their unproven nature. But cancer researchers say the more patients who are involved in such trials, the better chance they have to find answers.

‘New Recipes’

``If we continue to treat patients with the same standard therapies, we will get exactly the same results,'' said Mary Todd, deputy director of The Cancer Institute of New Jersey.

``Clinical trials are the new recipes that we write for the treatment and eventual cures of cancer, and cures are what we seek and what we will deliver.''

New Jersey is not the first state where cancer patients have access to clinical trials. Virginia, Illinois, Maryland and Rhode Island have laws requiring insurers to cover at least some level of clinical trials for cancer, and bills are pending in several other states, according to the American Society of Clinical Oncology, which represents 14,000 cancer specialists.

Advocates for cancer patients said New Jersey's agreement could be pivotal, however, because insurers agreed willingly.

The agreement with a coalition of insurance companies that represent about 98 percent of the state's health care market would provide an estimated 25,000 cancer patients access to federally approved clinical tests, Gov. Christie Whitman said.

Only 3 percent of the state's 275,000 residents who live with or have survived cancer participate in clinical trials. The new program aims to increase the participation rate to 15 percent.

Next Spring

The agreement means that as early as next spring, the New Jersey insurers will begin paying for routine costs such as hospitalization, outpatient visits, doctor fees, lab tests, X-rays and CT-scans that previously have not been covered.

Drug companies usually fund the experimental medicines and any exceptional treatment.

The plan will cover policyholders directly insured by the companies, though employer plans under insurer administration would be offered the benefit at no charge.

Only trials approved by the U.S. Centers for Disease Control and Prevention, the National Institutes of Health, the Food and Drug Administration, the Defense Department and the Department of Veterans Affairs are eligible for the new coverage, said Ann Marie Hill, executive director of the New Jersey Commission on Cancer Research.

``This provides access for people to be in clinical trials that are real trials and not just someone deciding to take advantage of an economic opportunity,'' said Dr. Joseph Carver, senior medical director at Aetna U.S. Healthcare, one of 10 insurers involved.

The companies cover 4.8 million New Jersey residents, or about 98 percent of the state's market.
The federal Medicare program for the elderly is not participating in the plan. Medicaid, which covers 600,000 poor and disabled New Jersey residents, will participate.
Many patients shy away from joining clinical trials because they fear the cost.
``I have sat in waiting rooms, watching other people sit in mental and physical pain all day because their carrier would not cover certain costs,'' said Pennucci, who was diagnosed with lung cancer 19 months ago. ``When you're facing cancer, another session of stress is not what you need.''
Pennucci said CAT scans ``can cost up to $2,000 alone,'' noting that the cost to patients from a clinical trial ``can be zero, and can be thousands of dollars.''
Paul Langevin, a spokesman for the New Jersey Association of Health Plans, which represents the 10 participating insurers, said the agreement shows that ``health care progress can be achieved without legal and regulatory mandates that so often mushroom in the heat of debate.''

Other Insurers
Cancer advocates used the New Jersey announcement to call on insurers across the nation to take similar action.
``It's time for other states to join up,'' said John R. Durant, executive vice president of the American Society of Clinical Oncology. ``And these states are ahead of the feds. With clinical trials, we learn more rapidly what's new and what works.''
Cancer patient advocates are lobbying Congress to pass legislation to allow Medicare, which covers older Americans, to also cover clinical trials.
Langevin said it is too early to tell if this agreement would open up the doors to coverage of clinical trials for other diseases.

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RI Oil Spill Settlement Covers Beach Restoration

by Michael Mellon
Associated Press

PROVIDENCE — Nearly four years after the worst oil spill in Rhode Island history, the company responsible has agreed to pay more than $16 million for environmental restoration.
Eklof Marine Corp. of Staten Island, N.Y., and its insurers will pay to restock lobsters, restore ponds and repair other damage from the 1996 disaster near Moonstone Beach in South Kingstown.
``This will enable us to regain what we have lost and protect our

environment for generations to come,'' Gov. Lincoln Almond said, as he announced the settlement between Eklof's insurer, the state and federal officials.

Craig O'Connor, a lawyer for the National Oceanic and Atmospheric Administration, said the agreement represents the government's new approach to recouping losses from such disasters.

``There used to be little or no time spent on restoring natural resources,'' he said. ``We (changed) that with this spill to a focus on bringing resources back.''

No one from Eklof attended the news conference but a lawyer for the company released a statement saying they hoped the agreement addressed the consequences of the spill.

The deal must be approved by a federal judge. The projects could begin as soon as next spring.

Eklof's barge North Cape ran aground during a storm on Jan. 19, 1996, spilling 828,000 gallons of home heating oil in Block Island Sound.

About 9 million lobsters were killed, along with countless clams, crabs, fish and various wildlife. Some fishing areas were closed intermittently for five months.

Under the environmental agreement, between $8 and $10 million will be spent to purchase more than 1 million female lobsters from local wholesalers. The shellfish will be reintroduced into the fishery with markings that make them illegal to land. They should gain another cycle of reproduction as a result of this protection and lobster should reach pre-spill stock levels within five years.

The settlement also includes $3 million to purchase development rights to shoreline nesting areas for loons and sea ducks in Maine, New Hampshire and possibly Vermont. The birds and ducks are winter residents of Rhode Island. Development rights to land around coastal ponds in South Kingstown and Charlestown also will be purchased.

``It sends a clear message that oil spills will not be tolerated in Rhode Island waters, and that polluters will be held accountable,'' said John Torgan, spokesman for the environmental group Save The Bay.

Last year, the NOAA estimated the environmental restoration costs would be $28.3 million. The settlement was lower partly due to new, cheaper cost projections, state officials said.

Also, parts of the latest restoration plan such as scallop and oyster replacement were scaled back, said Charles Hebert, of the U.S. Fish and Wildlife Service. Quahog replacement will be completed and has a better chance to succeed than the other shellfish projects, Hebert said.

A $5 million contingency fee in NOAA's original estimate to cover unforseen costs was not needed, state officials said.

A separate agreement by Eklof and its subsidiaries to pay about $10 million in damages to 110 lobstermen whose livelihoods were hurt by the spill was approved Tuesday in federal court.

To date, Eklof and its insurers have agreed to pay about $50.5 million in damages, fines and other spill-related costs, including a $9.5 million payment that prosecutors said included the largest environmental fine every issued in New England. Still unresolved are a civil suit and another claim involving a total of 58 lobstermen, shellfishermen and others.

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Financial Services, Managed Care Top Contributors

Banks, insurers, managed care firms donate millions to lawmakers as major legislation weighed in Congress in 1999

by Jonathan D. Salant
Associated Press

WASHINGTON (AP) — The financial industry spent $100 million this year in its successful effort to get Congress to knock down Depression-era barriers and let banks, securities firms and insurance companies merge and sell each other's products.
The price of persuasion for a coalition of health, insurance and business groups opposing new regulations on managed care health plans: $30 million during the first six months of 1999.
Health care and banking were two top issues of the just-concluded congressional session, and the industries most affected by the legislation spent millions of dollars during the year in lobbying expenses and campaign contributions.

``Those who plow in lots of money have a weighted advantage our Founding Fathers never intended,'' said Rep. Christopher Shays, R-Conn., the lead House GOP sponsor of legislation to overhaul campaign finance rules.

Financial Reform
Trying to pass legislation to remove Depression-era barriers that barred banks, insurance companies and investment firms from merging or competing against each other, the financial industry spent $187,000 per lawmaker this year on lobbying expenses and campaign contributions. That's according to Public Disclosure, an Internet consulting firm, and the Campaign Study Group, a group of former journalists who conduct research for media organizations.
An Associated Press computer analysis of data from the Campaign Study Group found that supporters of the banking legislation received far more in contributions from financial interests than did opponents. Complete figures were available for lobbying and campaign contributions through the first six months of the year, while several political action committees — but not all — also have reported campaign contributions for the third quarter.
Senators who supported the final bill averaged at least $38,000

in campaign contributions from the financial industry between Jan. 1 and Sept. 30, compared with an average of $6,000 for those who opposed the bill. In the House, supporters averaged at least $17,900 from financial interests, while opponents averaged $6,700.

``Not since the telecom act of 1996 has so much money been spent by so few to the detriment of so many,'' said one bill opponent, Rep. Maurice Hinchey, D-N.Y. ``The bill itself is a billboard for campaign finance reform.''

Not All Accept

Not so, argued one of the measure's main proponents, House Banking Committee Chairman James Leach, R-Iowa, who noted that he doesn't accept political action committee contributions.

``This bill has the strongest public protection elements of any piece of legislation in modern times in finance,'' Leach said.

``Of all the approaches to financial modernization, this is the most pro-public. And there is a paucity of special-interest provisions.''

Despite all the money spent, the American public didn't weigh into the fight over overhauling the financial industry, said Sheila Krumholz, research director for the Center for Responsive Politics, a nonpartisan research group that studies campaign finance. Rather, the entire battle was fought between industry lobbyists and members of Congress, she said.

``It's a classic,'' Krumholz said. ``Not only are people not paying attention, but the lobbyists are such heavy hitters. There is such enormous and wealthy interests that the politicians are eager to collect campaign re-election funds from.''

Efforts to regulate managed health care organizations, on the other hand, did attract the public's interest. Polls show health care is consistently among the top two or three issues of concern to potential voters.

Still, the health care industry won when Congress didn't pass a bill. Members of the Health Benefits Coalition — which represents health care, insurance and business organizations — spent $28.5 million to lobby and gave $1.5 million to federal candidates between Jan. 1 and June 30. That comes out to $56,000 per lawmaker.

The Senate legislation, criticized by consumer groups and Democrats as supporting the health industry and failing to protect patients, passed 53-47, largely along party lines. Supporters of the bill received an average of at least $27,000 from the health care industry — including members of the Health Benefits Coalition — through Sept. 30, while opponents averaged $2,300, the AP computer analysis showed.

Right to Sue HMO

Likewise, while the House eventually passed bipartisan legislation that would give patients the right to sue their health maintenance organizations, lawmakers first rejected three substitutes that would have weakened the bill's consumer protections. In all three cases, lawmakers who backed the rejected versions averaged higher contributions from the health industry than those who voted against them.

Rep. Bill Thomas, R-Calif., chairman of the House Ways and Means health subcommittee, questioned the correlation between contributions and votes.

``Just because somebody votes a certain way doesn't mean they're bought,'' Thomas said. ``They could see the world the same way.''

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Jackson Urges More Community Investment By Insurers

by Peter Alan Harper
Associated Press

NEW YORK — The Rev. Jesse Jackson is pressing major financial institutions to ante up trillions of dollars for investments in minority businesses and neighborhoods.

Jackson said it's time to harness the legal commitments of the federal Community Reinvestment Act, a law requiring banks and insurance companies to lend money and make other investments in neighborhoods where they do business, especially low-income areas.

Strengthened community reinvestment requirements are part of a recently passed financial overhaul bill, which wiped out Depression-era restrictions that prevented mergers between banks, brokerage firms and insurers.

``We must see to it that the powerful business proposition created for the private sector leads to an equally powerful commitment to the communities in which they do business,'' Jackson said at a news conference previewing his third Wall Street conference, to be held in January.

That commitment means, Jackson said, not only aiding housing but using minority advertising agencies, media and construction firms and minority lawyers and accountants.

``By using the full range of our economic services, we enhance our communities' economic development,'' Jackson said.

President Clinton is expected to address the conference, scheduled for Jan. 12-14. Also scheduled to attend are Treasury Secretary Lawrence Summers, SEC Chairman Arthur Levitt. Sanford I. Weill, the co-chair of Citigroup, and C. Michael Armstrong, chief executive of AT&T.

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Gov. Whitman Nominates NJ Commissioner For State’s High Court

by Kathleen Cannon
Associated Press

TRENTON, N.J. (AP) — Gov. Christie Whitman has nominated Banking and Insurance Commissioner Jaynee LaVecchia to be to the newest state Supreme Court justice.

If confirmed by the Senate, LaVecchia will replace outgoing Justice Marie Garibaldi, who announced she will step down Feb. 1.

LaVecchia, of Morris Township, has headed the Department of Banking and Insurance since August 1998. Previously, she was director of the Division of Law in the Attorney General’s Office, acting as that office’s top counsel. She also served as the state’s chief administrative law judge.

``I’m still a bit numb from hearing Gov. Whitman ask the question that every lawyer would be thrilled to hear, which is would you be willing to serve on one of the finest courts in the nation,’’ the Rutgers Newark Law School graduate told reporters.

Candidate’s Credentials

Whitman said she nominated LaVecchia because she possesses a combination of a command of the law, a feel for real life issues and a handle on public policy.

``Jaynee has constantly distinguished herself for her acumen, her honesty, her compassion and her commitment,’’ Whitman said.

During LaVecchia’s tenure in the Department of Banking and Insurance, the state embarked on an ambitious auto insurance reform program.

She has handled cases in state and federal courts, and written more than 90 opinions as chief administrative law judge.

While she worked in the Attorney General’s Office, LaVecchia had a role in the approval of the controversial merger of the HIP Health Plan of New Jersey and PHP Healthcare Corp. that led to the death of HIP and stranded 165,000 patients without health care. She later told a Senate committee that it is unfair to judge in hindsight the actions of state officials on that deal.

Senate Democrats did not bring up LaVecchia’s involvement in the HIP controversy, and generally embraced Whitman’s nomination.

``She is a solid nominee whose record of accomplishment and conviction appears to be a good fit for the Supreme Court,’’ said Senate Democratic Leader Richard J. Codey, D-Essex.

Senate President Donald DiFrancesco said he hopes the Senate will confirm LaVecchia’s nomination before the current Legislative term expires Jan. 10.

``I know her work and her background,’’ he said. ``She has great experience at all levels and she’ll make a terrific member of the New Jersey Supreme Court.’’

``I have no problem with that,’’ she said of her nominee’s decision.

Garibaldi’s decision to step down five years before the mandatory retirement age of 70 gives Whitman still another opportunity to

leave an imprint on the Supreme Court. She has already nominated four justices; LaVecchia is her fifth.
Whitman said when she chooses her nominees she looks for someone with intellect, who is balanced, and who understands the roles of the different branches.
``It’s important for the court to understand the separation of powers and understand their job is to interpret the law and not to make the law,’’ she said. There is no litmus test as far as liberal, conservative, activist or not. Anyone can surprise me at any time,’’ Whitman said.
She said she does not choose nominees on philosophical grounds and she did not ask LaVecchia her views on abortion.
The governor said she did not purposefully choose a woman for the vacancy. Garibaldi was the first female justice, and was later joined on the bench by Chief Justice Deborah Poritz and Associate Justice Virginia Long, both Whitman nominees.

Limits and Coverages

General Liability:
• GL Limits up to $1,000,000/$2,000,000
• $25,000/$50,000 Sexual Molestation Coverage Included
• Optional Sexual Molestation Limits to $1,000,000
• Professional Liability Coverage Included for NO Additional Charge
• $1,000 Medical Payments At No Charge
• Rated on Daily Average Attendance

Property:
• Optional Building/Contents Coverage
• Special Form Available
• Replacement Cost for Personal Property Available
• Defense Outside the Limits on Child Molestation at Limits of $500,000 and $1,000,000

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Editorial Opinion Hearts and Minds

When Don Petteway one recent morning opened a cardboard envelope addressed to no one in particular, the mail center assistant at State Farm's regional office in Duluth, Ga., was in for a couple of surprises.
The first was the 5-inch stack of $20 bills that fell out. "I did a double take, then I locked the money up in a desk until the assistant manager came to work," Petteway said. Later, when the cash was counted, the total came to $5,520.
The second surprise was the anonymous note. The writer explained

the money was "restitution" for a less-than-honest claim made years ago. The writer said that having become a Christian, "I cannot have peace until I (have) paid back what I owe, plus interest."

"I realize that it is dishonesty which causes insurance rates to be so high," the former claimant added. The money was placed in a fund earmarked for general claim expenses.

The National Insurance Crime Bureau estimates that property-casualty insurance companies pay about $20 billion a year for fraud-related claims-and that means higher premiums for their customers.

Most of this money is never recovered. If an insurer has evidence that a claim involved insurance fraud, it may try to recover the claim payment. And then there are cases such as that of the letter writer in which a guilty conscience seemingly motivates someone who had cheated an insurer to give the money back.

How often does this happen? "It's not an everyday occurrence, but it's not rare either," according to Frank Hall, assistant vice president in charge of special investigative units for State Farm and a veteran claims management person.

"I've been involved in a number of cases like this, and I've noticed that a lot of them come up during the holiday season. It seems like this is a time when some people want to atone for their past sins, and that might include defrauding an insurance company."

Another fairly common scenario, Hall said, is a person who had a substance abuse problem and cheated State Farm because he was in financial trouble, but is now going through a recovery program that encourages repentance and "making things right." "A priest who had defrauded us out of $5,000 on a theft claim returned the money in a situation like this," he said.

"Whatever the reason, we're always pleased when someone who had committed insurance fraud realizes that honesty is the best policy and tries to do the right thing. The vast majority of our policyholders are honest, but when someone who has been dishonest sees the light and wants to make amends, that's great. Honesty in making claims is one thing that helps us keep our premiums as low as possible."

On occasion, however, the outcome of a "guilty conscience" case isn't what might be expected. Earlier this year, a man sent State Farm a check for $10,000, explaining that he had torched his car about 20 years ago and claimed the fire was accidental. But he evidently had a change of heart; before State Farm could cash the check, he stopped payment on it.

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For those who have been around awhile, the news that the Massachusetts Association of Insurance Agents has stopped affiliating with PIA National is fraught with emotion.

As Bruce Cochrane said of the decision, “My heart said ‘no’ but my head said ‘yes’.”

Cochrane and 23 other “heads” on the MAIA board unanimously decided that paying dues to both IIAA and PIA was wasteful. They determined they got more for their money from IIAA. It wasn’t even close when they compared services from the two national associations.

But in the hearts of agents across New England, PIA will always be close. They remember the fast-growing Independent Mutual Agents of New England (IMANE) and its successor, the powerful Professional Insurance Agents of New England (PIANE) with its conventions that rivaled national gatherings.

Who can ever forget Hap Petrarca and the many PIANE leaders over the years?

They will not be forgotten. Their legacy can be found in many of the programs and ideas at work in agencies and companies across the region to this day.

As MAIA’s Frank Mancini notes, his association blended the best from the two associations when it was formed by a merger back in 1992. He and others hoped that this experience would be a model for merging IIAA and PIA. Thay way, the best of both national organizations could be preserved.

PIA still has a strong presence in Conn., N.H., N.Y. and N.J. but losing Massachusetts, its largest state affiliate, is bound to affect PIA and the services and programs it can offer. Yet, PIA leaders stubbornly still avoid talking merger with IIAA.

Our head knows that MAIA made the right decision for its members in terms of how best to spend the state group’s time and resources.

Our heart wishes it had not come to this for PIA.

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Empire Blues Pays Fine

NEW YORK —The new York Insurance Department has fined Empire Blue Cross & Blue Shield $1.25 million for violations of the New York State Insurance Law. These violations occurred during the period from Jan. 1, 1997 to Dec. 31, 1998.

According to the stipulation, the company failed to make proper adjustments between guaranteed rates and approved rates within 12 months after the end of the contract year or contract termination if earlier for certain Blue Choice HMO Group contracts.

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Insurers Boost SDIP Discounts; Trust Discount Hearing Delayed

by C.A. Soule
Insurance Times

BOSTON – Several insurance companies selling auto insurance in Massachusetts increased the discounts they offer consumers in the waning weeks of December, cleaving more closely to the 6% discount offered the state’s best drivers (Step 9) by 14 companies, including Liberty Mutual Insurance Co. and Commerce Insurance Co.

Hanover Insurance Co. and Holyoke Mutual Insurance Co. increased their discounts from 5% to 6%, while Arbella Mutual Insurance Co. increased its filing from 4% to 6%.

MassWest decided to discard its previously filed 6% discount for a 10% offering.

Companies have chosen not to match Amica Mutual Insurance Co.’s 15% offer for the state’s best drivers, a marketing push which the Lincoln, R.I. insurer says netted it a 5% increase in its Massachusetts market share last year.

John Donahue, chairman of Arbella Insurance Group, said that price is not everything. “Customers look at the whole package,” Donahue said. “Arbella offers good service, with over 500 committed agents. We have not seen a loss of any market share to Amica in the last year. “

Trust Insurance Co. postponed the hearing on its proposed 6% discount to Step 9 drivers, saying it needed to “supplement” its filing. The move raised eyebrows in the industry, in light of the company’s 1999 surplus shortfall and its attempts to lure a buyer.

William E. Ryan, a Trust spokesman, said that the company wanted to re-examine the ratios it used in making the filing. The move came, however, after the company was reported to be mulling an offer from New York-based AIG to purchase Trust.

~~ Mass. SDIP Discount Filings

Company	Step 9	Step 10	Step 11	Step 12	
Amica	15				5
Arbella		6	2		
Berkshire Mutual	6				
Casco Indemnity	12				12
10 8					
CGU	5				
Clarendon National	12	9			
CNA	6				
Commerce	6				2
Commonwealth Mutual	6	2			
Electric	8				3
Fireman's Fund	6				
Fitchburg Mutual	6				2
Hanover	6				
Holyoke Mutual	6				2

Horace Mann/Teachers	11	3	1
Liberty Mutual	6		2
MassWest	10		
Metropolitan P&C	6		
National Grange	4		
New England Fidelity	6.5	2.5	
Norfolk & Dedham	5		
People's Service	6		
Plymouth Rock	6		2
Premier	8		4
Quincy Mutual	7		3
Safety	6		2
Sentry	6		2
Trust	6		2
USAA	15		10

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St. Paul Acquisition

SAINT PAUL, Minn. —The St. Paul Companies has agreed to acquire MMI Companies, Inc., a Deerfield, Ill.-based provider of insurance services to the healthcare industry.

In the 12 months ending September 30, 1999, MMI reported net written premiums and fees of $432 million.

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PIA Of NH President Donald Flanders

Concerned about industry consolidation

Will fallout from the consolidation trend erode the tradition of New Hampshire, and other New England states, as strong agency company territories?

by Penny Williams
Insurance Times

LACONIA, N.H. — Donald Flanders has been around for awhile and seen a lot of change, good and bad, and the veteran agent knows there is more to come.

Throughout his 44 years in the insurance business, what has kept him most optimistic about the industry is what has not changed: the preference of his state’s consumers for independent agents.

He is now worried that this independent agent tradition of his state is being jeopardized by the continued consolidation of

insurers.
Flanders, who is president of Byse Agency in Laconia, is also the president of the Professional Insurance Agents of New Hampshire (PIANH). The title isn't really all that new for him, however. Back in 1976 when there was a regional Independent Mutual Agents of New England (IMANE- which later became the Professional Insurance Agents of New England), long before the break-ups and mergers of agent groups began, Flanders served as IMANE president. He has also served as state national director for PIANH.

Challenging Time

Citing alternative marketing, new competition and reduced agency values, Flanders concedes these are challenging times for independent agents and their regional agency companies.
Despite all the dramatic changes, he insists, agents remain well-positioned.
"Fortunately, what remains the same is the fact that most of our customers still see the value-added of doing business with a local, independent insurance professional. There is no way a faceless 800 number or direct mail campaign can match the level of service or offer the variety of options that we can provide."
Yet, he warns, cut-throat competition coupled with diminished investment returns is putting pressure on regional companies to consolidate and this could eventually reduce the options available to agents and consumers who have grown accustomed to doing business with local people.
"This may be the primary challenge facing property and casualty insurers today," he said.
"The trend toward industry consolidation calls into question the survival of our traditional regional carriers and stand-alone entities," he observed. With continued ownership changes, decisions increasingly will be made at more remote levels. The pressure on New Hampshire agents to combine with other agencies in some fashion will grow in order to satisfy volume requirements, he predicts.

Erode Tradition

He fears that the fallout from the consolidation trend could erode the tradition of New Hampshire, and other New England states, as strong agency company territories. Regional agency companies wrote 37 percent of the property casualty business compared to 29 percent for national agency companies and 34 percent for direct writers, according to A.M. Best.
While these may be trying times for agents and insurers, consumers have never had it so good, Flanders contends.
"If anything, consumers' challenges lie in having to wade through and sort out the myriad offers and distribution channels."
He warned, however, that customers should be "wary of the marketing trend which suggests that buying insurance is equivalent to buying a sofa or a new jacket. Selecting the correct insurance product is fundamental to the financial

security of families and businesses. It is a disservice bordering on irresponsibility to represent it as a 15-minute operation that can be undertaken on a do-it-yourself basis. Needs change, situations change and the policy you bought last year may no longer be the policy you need. We as independent agents have to reinforce with consumers the perils of mail-order, cookie-cutter thinking."

Flanders is struck by the number of new competitors agents face today, noting the most recent entry the student loan program, Sallie Mae.

"Virtually every association has specialized insurance programs tailored to its members, whether AAA and AARP for personal lines or trade and professional groups for business coverage," he declared. "Car manufacturers, CPAs and credit card companies are getting into the act. Facilitating these deals are the strategies of insurance companies including traditional agency companies, which are striving to get access to large groups of potential customers, preferably at or near some point of sale."

Flanders believes that companies opting to invest in alternative distribution methods are "misguided" and maintains that even multiple distribution companies are finding that professional agents "still produce the most profitable business at the least cost."

Invest in Technology

Companies would be wiser to invest more in technology than in multiple distribution, he believes.

"Our industry finally appears to be embracing the Internet as a means of communicating not only with customers, but with one another," he said. "Moving to an Internet platform for agency-company communications has the potential to greatly reduce costs and increase efficiency."

Companies that don't catch the technology express will be left at the station simply because outdated proprietary systems are simply too expensive for agencies to do business with when compared to what the Internet offers, he added.

"Investment in the technology that will further reduce that cost for agencies and companies alike should be the focus of companies which currently owe their existence to the agency force," said Flanders. "Agents do not like to see their partners of 20, 40 or more years making deals and rolling out systems that directly undercut their agents' relationship with their clients."

Flanders has empathy for fellow agents who have worked hard to build their businesses over the last 10, 20 or more years only to be faced now with an environment where the value of their agencies is down.

"From an agent's perspective, the most dramatic change has been the reduction in the value of agencies and the change in their valuation methods," Flanders said. "Today's price is not based on the agency's track record. Instead buyers require sellers to share some of the business risk through a retention-based pay-out. These changes have agents working harder to stay even, while

feeling less secure."
Agents not interested in selling their agencies are beset by pressures to merge, cluster or otherwise combine forces with other agencies. He notes there are about the same number of insurance agency employees in the marketplace, but agencies are larger and fewer.
"Every agency," said Flanders, "wrestles with the problem of gaining negotiating leverage with companies and keeping them satisfied; realizing economies of scale; and maintaining momentum. Often the answer is to band together."

Regulatory Challenges
Regulators, too, face challenges and changes, adds the PIANH leader. While New Hampshire has an "excellent" regulatory environment in his opinion, he expects the state "will be affected by outside forces which are quietly working toward a dual, if not a predominantly federal, regulatory scheme. This will go deeply against the grain here."
As president of PIANH, he said his main goal is to run the organization so that "it vigorously represents the interests of its members and provides those members with the information and services they need."
"I feel the greatest hurdle will come from industry forces which are working counter to the best interests of the independent agent," he said. "We will need to be pro-active in communicating to consumers the value of obtaining insurance counseling by professionals, and to communicate the business sense it makes to sell through a low-overhead, self-motivated sales force."
Flanders sees an important role for the PIANH and PIA National associations. By keeping focused on the needs of its members, he said, "we maintain an independence that allows us to comment frankly on industry developments as we see them."

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Alliance: OEM Cost 60% More Than Other Parts

A new study by the Alliance of American Insurers demonstrates that original equipment manufacturer (OEM) parts cost an average of 60 percent more than identical certified aftermarket parts.
The new study is a follow-up to the Alliance's annual cost study of replacement parts, which has identified the higher cost of OEM parts by estimating the cost of rebuilding a car with these parts. This figure is typically triple the original manufacturer's suggested retail price. In 1999, the subject of the Alliance study was a new Toyota Camry LE. The manufacturer's suggested retail price was $23,263. However, if rebuilt with OEM parts, it was found that the car would cost $101,335.55—more than four times the original retail value.

The Alliance recently commissioned a new study that shows the OEMs charging 60 percent more than distributors selling identical certified aftermarket parts.

“Incredibly, the OEMs expect consumers to pay 60 percent more just for the ‘privilege’ of buying a part with their label on it,” said Kirk Hansen, Alliance director of claims.. “The car companies don’t even manufacture replacement parts themselves. They subcontract out their replacement parts to independent manufacturers, in the U.S. and abroad—many of which are the very same manufacturers producing aftermarket parts. How can Detroit slander the quality of aftermarket parts when they buy parts from the same sources and stick a ‘Genuine Part’ label on them?”

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P/C Loss Ratio Rose In 3d Quarter

The property/casualty industry’s combined ratio rose in the third quarter of 1999, and net premiums written increased, according to A.M. Best Co. data. At the same time, surplus declined 3.6% since year-end 1998.

The industry’s reported combined ratio for the nine months ended Sept. 30, 1999, was up more than two points, to 106.3 from 104.1 in the comparable prior-year period. A 2.2-point increase in the loss and loss-adjustment expense ratio drove the increase in the combined ratio.

“The loss-ratio increase is larger than it had been after six months due to a deterioration in loss reserves and catastrophe losses in the third quarter of 1999,” said Karen Horvath, a vice president in A.M. Best’s property/casualty division.

However, catastrophe losses for the year are 1.1 points lower than the first nine months of 1998. Catastrophe losses during the first three-quarters of 1999 were $7.4 billion compared to $9.6 billion in the same period in 1998.

“Reserve corrections, combined with the continued impact of price competition, are still the leading drivers of loss-ratio deterioration,” Horvath said.

The deterioration in both calendar-year and accident-year results is consistent with A.M. Best expectations, but modestly exceeded earlier projections. As a result, based on the nine-month results, A.M. Best believes its originally projected combined ratio of 106.8 for the full year will be modestly exceeded.

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AIG Offers Mass. Brownfields Act Coverage

American International Group, Inc. (AIG) has announced that AIG Environmental, a division of the American International Companies, will provide environmental coverages in conjunction with the Commonwealth of Massachusetts' Brownfield Redevelopment Access to Capital (BRAC) program.

BRAC legislation supports private financing for the remediation and redevelopment of contaminated property. The program is administered by the Massachusetts Business Redevelopment Corporation, a private corporation that provides financing and financial services to growing companies.

AIG Environmental will offer companies participating in the BRAC program environmental insurance coverages designed to insure developers for escalating cleanup costs or unknown legal liabilities and cover lenders for loan defaults on properties with environmental conditions. Coverages offered through the BRAC program are intended to address the environmental liabilities related to brownfield redevelopment, helping promote private financing.

“Lenders and developers often fear their involvement in brownfield redevelopment projects will ultimately result in responsibility for the clean up of contamination they did not create, which makes it difficult to obtain the capital necessary to develop these properties,” said Joseph Boren, President, AIG Environmental. “The availability of insurance coverages through the BRAC program can help ease these concerns and facilitate the financing and efficient completion of remediation projects.”

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E-Commerce Places New Demands On Underwriters

Impacts notions of theft, privacy, copyright, business structure and other losses

NEW YORK, Nov. — Liability insurance underwriters, risk managers and insurance brokers must understand how the Internet works and the unique set of challenges it presents to commercial organizations and their insurers, panelists told a packed room at the 12th Annual International Conference sponsored by the Professional Liability Underwriting Society (PLUS).

There are few barriers on the Internet and this creates an opportunity for misuse, noted Emily Freeman, senior vice president and national practices leader, for e-commerce at Marsh, describing the ways in which the Internet demands a new way of looking at risk exposures.

Anonymous Users

Freeman pointed out that the Internet is a fertile ground for “scams and other crimes. It is growing so fast that it difficult to keep up with the players in any market and its technology allows users to remain anonymous, she observed. But the threat doesn’t always come from outside the organization.

“We tend to associate computer crimes with 15-year-old hackers but at least 50 percent of attacks on systems come from trusted insiders,” said Freeman.

The Internet insurers have expanded the traditional notion of perils and losses caused by fires and windstorms, she said. “But electronic theft, unauthorized disclosure and damage to electronic data can hurt a business as severely as a windstorm,” she explained, unless there are systems in place to assure the confidentiality and security of information.

Local Advertising Laws

Other concerns, she said, include the possibility that computer viruses will be unleashed to test security systems and that companies marketing globally will run afoul of local content and advertising laws. As an example she cited the prohibitions in some countries against competitive advertising which would preclude the use of ads that suggest competitors are not as competent.

James H. Kallianis, Jr., a partner at the law firm of Bates Meckler Bulger & Tilson, discussed insurers’ use of the Internet and offered reasons why companies use it mostly to distribute information rather than for transactions.

“A major factor has been the industry’s resistance to change,” he said, “and the threat of disintermediation –eliminating the middleman – or in D&O and commercial liability, changing or limiting the middleman’s role.”

Equally important are the regulatory limitations placed on carriers and agents and brokers, Kallianis noted. Quoting a saying that applies to businesses that rush their products to market, `Ask forgiveness, don’t seek permission,’ he said “insurers operate in a slow regulatory environment where permission is almost always necessary.”

In addition, they must comply with each state’s rules and regulations, in particular, Unfair Trade Insurance Practices which in some cases may be unique to a single jurisdiction, he said. Kallianis also observed that insurance regulators are slowly recognizing the need to allow insurers to participate in the electronic age.

The National Association of Insurance Commissioners has issued some recommendations, primarily in the area of security and privacy, he said.

Copyright Liability

Joseph Louis Kish, a member of the law firm of Severson & Werson, suggested that some insurance industry professionals may perceive the risks of doing business on the Internet as greater than the benefits of e-commerce. He enumerated some of the many areas in which insurers may face legal liability, including copyright and trademark infringement, misappropriation of trade secrets, breach of contract and privacy.

On the subject of copyrights, he said, "If you're using the Internet, you must know what the laws say about copyright infringement. Copyrights are infringed when copyrighted material is used without the owner's permission" to advance business ventures. "It's easy to do because the material is so readily available," Kish explained.

Privacy is becoming a major issue here and abroad, Kish continued.

"Consumers want to know what you do with the information you get from them."

Lawsuits have been filed against banks in Minnesota and California alleging misuse of sensitive computer data. "While these suits have so far named financial institutions and credit card issuers, other industries may become targets, including insurance companies, if insurance companies use customer data in the same manner," he warned.

In considering liability insurance coverage for Internet exposures, "it's critical to identify the policyholder's network activities and the coverage triggers associated with these," said Gregory F. Gamble, vice president, miscellaneous E&O, Reliance National

"The Internet represents a new business structure that requires different ways of thinking about familiar coverages," Gamble said

There is a difference between the digital and material worlds, he noted.

"Data can be wiped out by digital exposures," said Gamble. "We have to ask ourselves how and whether traditional coverages, such as business interruption and errors and omissions, respond to cyberspace activities."

One solution is affirmative coverage grants that state actual coverage, he suggested. Another is to define, but not necessarily restrict, what is meant by property and data. "Definitions are stable even though the pace of change is rapid," Gamble said. "They can hold true years later, sometimes with only minor tinkering."

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Study Shows Consumers Shop For Safety In Automobiles

In the latest public attitude survey conducted by the Insurance Research Council (IRC), nearly eight in ten respondents who purchased or leased autos in the past three years rated vehicle safety as important to their purchase decisions. Sixty-eight percent of auto consumers sought at least one type of vehicle safety information before making their selections.

Specific Features
More than half (54 percent) of recent auto consumers looked for information about the specific vehicle safety features of prospective vehicles, such as airbags or anti-lock brakes. One in four sought information on the manueverability or driveability of prospective vehicles, while 23 percent obtained crash test information.

Interestingly, consumers most often sought safety information from car salespeople (37 percent). Other sources of vehicle safety information used by consumers included Consumer Reports (29 percent), newspaper reports and car magazines (18 percent), auto manufacturers (17 percent), and friends (15 percent).

Public attitudes on the safety of sport utility vehicles (SUVs) were also examined in this report. Nearly half of all survey respondents reported that they had seen or heard news stories about the performance of SUVs in collisions. The reported content of these stories most often centered on the high risk of rollover accidents associated with SUVs and the extensive damage that may be caused by SUVs in multiple car collisions. However, public opinion was mixed on whether SUVs provide more protection than large passenger cars in single-vehicle accidents.

Public indecision regarding SUV safety is one example of how, even when information is available and relatively widespread, consumers can reach different conclusions about vehicle safety.

"It is clear that consumers are very concerned with buying safer cars," commented Elizabeth Sprinkel, senior vice president of the Insurance Research Council, "but knowing which cars are safer can be hard to judge."

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Cost Of Risk Rises Even As Markets Remain Competitive

Risk managers securing higher limits and insuring new exposures

For the first time in six years flat premiums and substantially higher retained losses have driven the average cost of risk in the U.S. upward. This is according to the newly released 1999 RIMS Benchmark Survey - which is co-produced annually by the Risk and Insurance Management Society, Inc. and Ernst & Young LLP.

Back to 1996 Rate
After reaching a low of $5.25 in 1997, the average cost of risk (for respondents other than banks) rose to $5.71 - a rate almost identical to that of 1996. This change corresponds closely with the change in overall operating ratio for commercial insurers – which declined steadily over the past few years until a jump in 1998 – the same time the cost of risk is shown to have risen.

“Despite the overall cost of risk being higher, the survey results demonstrate that the market remains competitive,” says James Gamble, senior manager with Ernst & Young’s Business Risk Solutions practice. “However, the volatility of self-assumed losses may be a harbinger of a turn in market conditions,” notes Gamble.

To take advantage of the competitive market, many companies have opted to shift more of their risk to insurance carriers by purchasing guaranteed-cost insurance or increased limits of protection.

“Because of the market’s competitiveness, risk managers are securing higher coverage limits with insurers and insuring exposures not previously considered, such as employment practice liability insurance,” says Sue Anne Mitro, vice chair of the RIMS research committee, member of the Benchmark Steering Committee and manager risk & insurance with The Hillman Company.

“The increase in the overall cost of risk was driven primarily by higher retained liability losses,” says Gamble. The study shows that retained liability losses for this year’s respondents have increased dramatically - from $1.17 to $1.62. Overall the survey reports, liability costs per $1,000 of revenues increased from $1.93 in 1997 to $2.43 in 1998, while average liability premiums were roughly flat, increasing only four percent from $0.76 to $0.79.

Other key findings in the 1999 RIMS Benchmark Survey include:

- Workers compensation cost-control methods are being widely applied.
- Interest in program integration is rising.
- Employment practices liability exposures are increasing.
- Service providers continue to specialize.

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Interview With Connecticut Insurance Commissioner George M. Reider, Jr.

Umpiring the industry competition
by C.A. Soule

HARTFORD – In a recent interview with InsuranceTimes reporter C.A. Soule, Connecticut Insurance Commissioner George M. Reider, Jr. reflected on the past year, including industry issues, the regulation of insurance in Connecticut, and his role as head of the National Association of Insurance Commissioners in 1999.

What do you feel were the key issues facing the insurance industry in 1999?

On financial modernization…

I think the most significant happening was the financial modernization bill that was ultimately adopted by the House and the Senate and signed by the president. The [National Association of Insurance Commissioners] has spent considerable effort over the last several years to present to Congress our concern that functional regulation remain in place.
As the bill turned out, if we had our druthers we would have some things changed a bit, but I think it clearly preserves the state oversight of insurance, and protects consumers.

Citigroup...
A significant happening that occurred not this year, but a year-and-a-half ago (and it all ties together), was the Travelers/Citicorp merger, forming Citigroup.
The windfall was that we have been able to work very closely with the Federal Reserve Board. So while the Congress was moving toward financial modernization, and the question was, “who is going to be the regulator of that,” we have been able to show that we can work together, and we have developed a remarkable working relationship.
There is a difference between protecting a depositor or an investor, and protecting a policyholder. It is a different arena, and they can’t be intermingled. I think the legislation draws a wall so that we can look after policyholders and their capital, and their long term protection. If an insurance company wishes [to move capital] from the insurance arm to the banking arm, and they can show that they can move capital appropriately, we would allow that.

Confidential information...
We were the first state to sign an agreement with the Federal Reserve that allowed for an exchange of confidential information. You can’t regulate effectively if you do not have a full hand, and in this instance we were able to reach an agreement between the state and federal government on the exchange of confidential financial information.
I don’t think you will suddenly see mergers of all the banks and all the insurers. I think what you will rather see is a very measured approach. You’ll see strategic alliances being formed between different interests. I think it’s going to be more an evolution than a revolution, and I think that is good.
But if there is a change, we are prepared to look at that, under the law we have the authority to look at that. Whereas when the legislation was originally proposed, we didn’t have “affiliation authority.” If a bank wanted to come in to Connecticut and buy a company, they could come in without any involvement of the state regulator. One of the things we worked very hard on at the NAIC was that citizens of the state should have the benefit of knowing that their regulator has had a chance to look at it.

Mergers and acquisitions
My predecessors tell me that in four-and-a-half years as

commissioner, I have overseen more change in control, [including] affiliations, mergers and acquisitions, than if you combined all the commissioners in the 135-year history of the department. I think it speaks to the times that we are in, and I don't think that's bad. Certainly it is a challenge, but it points out that the world is changing.
[In Connecticut], we are in the eye of that. Here in Hartford we have major carriers in all lines of insurance, and downstate we truly are the United States capital of the reinsurance world, with the large companies that are concentrated there.

What were key accomplishments of the Connecticut Department of Insurance in 1999?

On company and agent licensing, the effect on the market, and sharing information…
[An} item that's been important is for each of the states to try to become more efficient and more effective and gain greater commonality, so that we don't have people jumping through 50 different hoops. I think we are making good progress. There's total reciprocity with the state of Connecticut now with all the states.
We have moved towards the "producer information data base," which allows for the exchange of information between a given state and the companies relative to its producers, as well as to share information among the states. Consumers are best protected when there is common knowledge, so when you have a producer that goes adrift in a given state, the other states should be informed about that as quickly as possible.

SERF...
Another area is the SERF [System for Electronic Rates and Forms Filing]. Prior to that almost all the information that came to us on rates and forms from companies came to us in boxes and paper. Today that can be transmitted electronically through the SERF.

Licensing...
Four-and-a-half years ago, there was a backup of over 100 companies that were waiting to be licensed in the state of Connecticut. Since then we have licensed an additional 170 companies. There were about 75 companies that were not accepted, or withdrew their license application. The point I make here is that even though we have been successful in licensing, we've been very careful to look at each and every application. The benefit to the consumer is that these companies bring greater competition, and competition brings a greater availability of product and a lower price.

Auto Insurance...
If you take the auto area for example, our rates went down four percent. Our assigned risk pool which stood at over 50,000 five

years ago is down in the area of 5000 today. That means you have consumers who have richer coverage for a lower price. The market is reaching into that assigned risk arena and providing people a voluntary market. I believe in free enterprise because that creates better competition, and competition creates better markets for consumers.

Right now, with State Farm and Farmer's coming to Connecticut next year, we have all of the top-25 auto carriers in the country here in Connecticut. We think that is good, because that is consistent with a competitive market.

Anyone in the auto arena in Connecticut, and in a number of other states, are in a very competitive market. They have to be mindful of the competition, regarding their presence, pricing and product. It's a challenge when you are in business in a competitive market. The market is very sophisticated.

On the Internet…

Another area that we are challenged with, in all arenas, and certainly in insurance, is E-commerce, the Internet. The American people demand that they have the benefit of technology to buy almost everything today, including insurance. We should not impede that commerce as regulators, but what we are required to do is to make sure that when our citizens in the state of Connecticut purchase an insurance product, they have the same protections as if they had purchased it in any more conventional way. And that means we have to look after the solvency, and also look after the market conduct..

Internet site...

We also have developed an Internet site, and we have received a lot of compliments. We try to have that be as up-to-date as we possibly can. There is barely a week or two that we don't do something to it.

We don't want to overwhelm people, but the benefit of the Internet is that if you put it up there, [people] can sort it out pretty quickly and get to where they want to be. So we have put a lot of effort in that. And the volume of inquiries has grown considerably. We first started to get 50 or 25 [inquiries], and today we get as many as 400 or 500. On the average, always 200 to 300.

On Y2K…

With regard to Y2K compliance, I think we are going to be OK. There are going to be glitches. There is going to be something you do not expect [that] happens, but generally I believe that the insurance industry is well prepared, as is the insurance department, to function without difficulty.

The department has been at it for quite a while. We have been overseen by our department of information technology. They give green, yellow, and red marks, and the department has all green marks.

If there are any glitches, we have back-up [systems]. For example, if there were a breakdown in telephone, where if people were calling the department and for some reason could not get through, we have banks of phones available to us at the NAIC. We can switch quickly and we will have whatever resources needed to ensure that people can be in touch.

On continuing education and training…
Our new continuing education program offered a product that we thought did the job. We are looking forward to having a well-educated, up-to-date agency force.
I believe in the importance of training. In order to be an effective regulator you have to know as much as the people you regulate. We have concentrated a lot of time and effort in being certain that we have the training necessary to being at the front end. Each of our people in the department [is] required to have one hour of formal training a week, or the equivalent thereof. We use state facilities for training purposes, as well as the NAIC.

On consumer outreach and health insurance…
[A} big thing that that we have done here is increasing our outreach to the public. We have an obligation as an insurance department to do as much in that regard as we possible can.
We are going about it in several ways. We have people who spend a considerable amount of their time going out to senior affairs to talk about health insurance, and [make sure] that people are not abused by fraud. We've contacted thousands of people in sessions such as that.
The health insurance arena is an area that consumes a lot of our time today. If you take the consumer affairs arena and look at it 10 or even 5 years ago, well over 50 percent of the calls related to property and casualty. Today, 80 percent of the calls relate to either health or life and health.
We have published a managed care comparison guide, listing all the managed care organizations, and their market share
Unfortunately, I think there is a lot of rhetoric surrounding health insurance today. It's not always productive, and it is important for all of us in all parts of the government and business to try to be as factual as we can, and try to educate and enlighten people on the facts, and not confuse people with less-than-accurate statements. You hear so much about gag clauses, and we don't know of one gag clause in the state of Connecticut. So there is a lot of rhetoric.
On the other hand, there is a responsibility for all of us in government to work hard, to be sure people are properly educated in the health care arena, and protected. We were the first state to actually go on-site and do utilization reviews of organizations.

On NAIC accreditation of the Connecticut Department of Insurance…
After a very intensive review, we were [accredited] by the NAIC. That was a highlight, obviously. We received very high grades.

That was accomplished through a lot of hard work on the part of our people, as well as the legislature and the governor providing additional resources. The last four years we have had the ability to hire an additional 40 or 45 people, and that has been important to us.

Will the Illinois State Farm court decision affect Connecticut regarding the use of after-market parts for automobile repair?
I think the key there is that consumers understand what they are buying. Whenever somebody is buying a policy, I think it is the responsibility of the company to make sure that, if after-market parts are part of the program, the consumer understands what it means from the standpoint of quality, from the standpoint of price, and that a conscious decision is made.
We are going to evaluate the decision and make a determination into whether it merits any change here.

Will commercial lines deregulation which failed to advance in in 1999 be a focal point again in 2000?
I think that it will come back. The department is trying to work with the legislature, the companies, and the agents to determine how resources are best used. The question is, where is the breaking point? Last year the original legislation suggested $25,000 in premium. The department felt that was not a significant-enough level. The legislation which ultimately failed, but which came forward, was at $50,000 in premium. The department's position is [that] commercial deregulation has merits, but it has to be done in a way so that we do not hurt the less-than-sophisticated purchaser of insurance.

Should commissioners have a shelf life?
I personally believe that rotation at the division is good. I don't think there is a proscribed number of years. When I served as the chair of the council in Farmington, I served two terms, and then I felt it was time to move on and let somebody else do that. I think that in public service it is well to have a changing of the guard occasionally.
People ask me, "George, how are you enjoying your job?" My answer is, "most days." It's a rewarding job, a challenging job, and a job that does offer some frustration by the nature of it. I can sit here one day, and make a decision, and know that it is the absolutely right decision, and yet you know you are going to face some criticism.
It is a little bit like being a baseball umpire. Nobody knows who you are until you make the wrong call, or they think you did, and only then do they lift the mask up.
It is a good job. Also, and I don't mean this in a self-serving way, but it is a public service position. I think serving the public is important. I think it is important for all of us to find some way to serve, whether it be in government, or whether it be in Little League, or in some community effort.

How do you look back on your year as head of the NAIC?
I think it was a very enlightening, a very rewarding experience. I think we accomplished a lot, to make sure that financial modernization protected consumers, to the greatest extent possible.

What will be your next challenge, when the day arrives that you decide to step down?
I always tend to do the job I'm doing, and not worry about the future, because things tend to have a way of unfolding. I have reached a point in life where I have some options, and one of them is that I would like to consider the possibility of teaching in college or the university. But I have made no determination at this point.

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Insurance Times • 2000 Northeast Meetings Calendar •

Insurance Times

01/11/00 Annual Convention
Waldorf-Astoria Hotel New York City Property/Casualty Ins. Joint Industry Forum
212-669-9203

01/23/00 Executive Roundtable Seminar The Registry Resort Naples, FL
Natl. Association of Independent Insurers
847-297-7800 www.naii.org

01/30/00 26th Annual Conference Fairmont Princess Scottsdale, AZ
Professional Insurance Marketing Assoc.
301-951-1260 www.pima-assn.org

02/01/00 Videoconference
"Hidden Liabilities from M&A" National Broadcast from Washington, DC
CPCU Society
800-932-2728 www.cpcusociety.org

02/02/00 Mid-Year Meeting
Mid-Year Educational Workshop
Scottsdale, AZ
Natl. Assoc. of Prof. Surplus Lines Offices 816-741-3910 www.napslo.org

02/04/00 Mid-Winter Conference The Radisson

Burlington, VT
PIA/Young Ins. Prof. of NY, NJ, CT and NH
800-424-4244

02/08/00 Mid-Year Meeting Basin Harbor Club
Vergennes, VT Vermont Insurance Agents Association
802-229-5884

02/13/00 Annual Conference 2000 Insurance Fraud Management Conf. Rio Suite Hotel & Casino Las Vegas
ISO & National Insurance Crime Bureau
800-856-7730 www.iso.com

02/17/00 Seminar
"Creating a Regulatory Approach to Insurance for the Next Century"
Omni Sheraton Washington, DC
Natl. Assoc. of Insurance Commissioners 816-374-7192
www.naic.org

02/20/00 Annual Conference Independent Producer Marketing Conf. Hilton New Orleans Rvrsde New Orleans LIMRA International
860-285-7827 www.limra.com

02/21/00 Brokerage Conference Hilton New Orleans Rvrsde New Orleans LIMRA International
860-285-7827 www.limra.com

02/25/00 Spring Conference New Orleans
National Council of Insurance Legislators
518-449-3210 www.ncoil.org

02/27/00 Annual Conference Waldorf-Astoria Hotel New York City Eastern Claims Conference
914-828-8542
03/01/00 Annual Issues & Research Conf. Cambridge Center Marriott Cambridge, MA Workers' Compensation Research Institute
617-661-9274

03/01/00 Annual Meeting Augusta, ME
Maine Assoc. of Ins. and Financial Advisors 207-945-4776

03/12/00 Annual Meeting
24th National Conference
Caesars Palace Las Vegas
AMS Users Group
800-456-7799 www.amsug.org

03/15/00 Mid-Year Meeting
Center of NH Holiday Inn Manchester, NH Independent Insurance

Agents of NH
603-224-3965

03/18/00 Conference
Field Officers Conference
Marriott Copley Place Boston
LIMRA International
860-285-7827 www.limra.com

03/19/00 Annual Meeting Boston
General Agents & Managers Association
202-331-6088 www.gamaweb.com

03/21/00 Annual Convention Foxwoods Resort
Mashantucket, CT
Professional Insurance Agents of CT
800-424-4244 www.piact.org

03/23/00 Mid-Year Meeting Providence
Independent Insurance Agents of RI
401-732-2400

03/26/00 Conference
2000 Claims Conference
Sheraton & Marriott Chicago Property Loss Research
Bureau
630-724-2203 www.claimsconf.org

03/29/00 Annual Meeting
Foxwoods Resort/Casino Mashantucket, CT Natl. Assoc. of
Insurance Women Region I
860-520-2713

04/01/00 Seminar
“21st Century Data Issues”
St. Regis Philadelphia Insurance Direct Marketing
Association
212 669-0496

04/09/00 58th Annual Meeting The Breakers
Palm Beach, FL National Assoc. of Surety Bond Producers 202-
686-3700

04/12/00 80th Annual Sales Congress Grand Hyatt New
York New York City N.Y. City Assoc. of Ins. and Fincl.
Advisors 212-221-3500 x301 www.nycalu.com

04/12/00 Seminar
“Suretyship A to Z”
Omni Inner Harbor Hotel Baltimore Surety
Association of America
202-463-0600 www.surety.org

04/16/00 Annual Meeting
Ritz Carlton Buckhead Atlanta Alliance of American Insurers
603-724-2187 www.allianceai.org

04/16/00 Annual Meeting Scottsdale, AZ
Inland Marine Underwriters Association
04/17/00 Annual Conference Legislative & Gvmt. Affairs Training Conf. Empire State Plaza-Conv. Ctr. Albany, NY NY State Assoc. of Ins. and Fncl. Advisors 518-462-5567
www.nysalu.com

04/26/00 Seminar
“Issues Symposium” Orlando
Natl. Council on Compensation Insurance 561-997-4700

04/27/00 IBANY Spring Reception New York City
Insurance Brokers Assoc. of the State of NY
877-644-0405

04/30/00 Annual Convention 38th RIMS Annual Conv. & Exhibition Moscone Center San Francisco
Risk and Insurance Management Society 212-286-9292
www.rims.org
05/01/00 Legislative Conference
Washington, DC
Independent Insurance Agents of America 800-221-7917
www.independentagent.com

05/04/00 Annual Meeting Regional Awareness Program
Leonard’s of Great Neck Great Neck, NY Professional Insurance Agents of NY
800-424-4244 www.piany.org

05/07/00 Annual Meeting
Hilton Washington Hotel Washington, DC Association of Advanced Life Underwriting 202-331-6081

05/09/00 Sales Cong. and Annual Mtg. Center of NH Holiday Inn Manchester, NH NH Association of Ins. and Fincl. Advisors 603-223-9973

05/09/00 Annual Meeting Annual Meeting/Trade & Vendor Mart Hyatt Regency Grand Cypress Orlando Amer. Assoc. Managing General Agents 816-444-3500 x269 www.aamga.org

05/09/00 Mid-Year Meeting
Mid-Year Conf. & Annual Golf Tournament Hudson Valley Resort Kerhonkson, NY Professional Insurance Wholesalers of NY
800-424-4244 www.piany.org

05/17/00 Video Teleconference
Broadcast Nationwide
Society of Financial Services Professionals 800-392-6900
www.financialpro.org

05/20/00 Annual Conference Society of Insurance Training and Education 415-621-2830

05/21/00 ACORD Tech Conference Orlando
ACORD
914-620-1700 www.niia.org

05/23/00 Annual Convention Annual Conv. & Leadership Training Conf. Turning Stone Casino Verona, NY NY State Assoc. of Ins. and Fincl. Advisors 518-462-5567
www.nysalu.com

05/23/00 Annual Conference Annual I Day
Warwick, RI
National Assoc. of Ins. Women, RI Chapter 800-766-6249

05/24/00 Annual Convention Keystone Resort
Keystone, Co Natl. Assoc. of Independent Ins. Adjusters
312-853-0808 www.naiia.com

05/31/00 Annual Conference Quality Business and Compliance Conf. Hilton Palacio del Rio San Antonio LIMRA International
800-235-4672 www.limra.com
05/31/00 Annual Meeting Lake George, NY
New York Insurance Alliance
315-451-7412

06/01/00 Client Conference 2000 Harrah's Hotel & Casino Atlantic City, NJ Marshall & Swift
800-451-2367 www.marshallswift.com

06/01/00 Annual Convention Aqua Turf Club
Plantsville, CT
Independent Insurance Agents of CT
860-563-1950

06/04/00 Regulatory Affairs Conf.
JW Marriott Washington, DC National Association for Variable Annuities 703-620-0674 www.navanet.org

06/04/00 Annual Conference Educational Conference & Business Show Marriott Wardman Park Washington, DC
Insurance Accounting & Systems Assoc. 919-489-0991
www.iasa.org

06/04/00 70th Annual Conv. & Trade Show Renaissance

Convention Center   Cleveland   Natl. Association of Health Underwriters
703-276-0220   www.nahu.org

06/07/00   2000 National Convention   Hyatt Regency Crown Center   Kansas City National Association of Insurance Women
800-766-6249

06/07/00   National Leadership Institute Alexis Park Resort   Las Vegas CPCU Society
800-932-2728   www.cpcusociety.org

06/10/00   Summer Meeting   Orlando
Natl. Assoc. of Insurance Commissioners   816-889-4400
www.naic.org

06/11/00   Annual Business Conference   Tropicana Casino & Resort   Atlantic City, NJ   Professional Insurance Agents of NJ
800-424-4244   www.pianj.org

06/11/00   Annual Convention   Basin Harbor Club
Vergennes, VT   Vermont Insurance Agents Association
802-229-5884

06/11/00   Annual Meeting
Bill Graham Civic Aud.   San Francisco Million Dollar Round Table
847-692-6378   www.mdrt.org

06/21/00   69th Annual Meeting   Marriott/Sable Oaks
South Portland, ME   Loss Executives Association
914-337-3052

06/22/00   Annual Conference   Boston Harbor Hotel
Boston
Risk and Ins. Management Society of MA
06/25/00   Annual Meeting
Hilton Head Resort   Hilton Head, SC   Ins. Marketing Communications Assoc. 480-443-8860   www.imcanet.com

07/07/00   Summer Meeting
New Orleans
Natl. Council of Insurance Legislators
07/23/00   Annual Meeting   Silverado Resort   Napa, CA   Federation of Insurance & Corp. Counsel
508-668-6859   www.thefederation.org

07/23/00   Annual Conference   Hilton La Jolla   La Jolla, CA Professional Ins. Marketing Assoc.
301-951-1260   www.pima-assn.org

08/06/00 International Convention
Hyatt Hotel Baltimore Honorable Order of the Blue
Goose, Intl. 301-423-8080 www.bluegoose.org

08/08/00 14th Annual Conference Sheraton Burlington
Hotel Burlington, VT Vermont Captive Insurance Association
8026588242 www.captive.com/assoc/vcia

09/08/00 PIA Annual Conference & Expo Hyatt Regency
New Orleans National Assn. of Professional Ins. Agents
703-518-1348

09/09/00 Annual Convention Orlando
National Assn. of Ins. and Fincl. Advisers 202-331-6063

09/09/00 Fall Meeting Dallas
Natl. Assoc. of Insurance Commissioners 816-889-4400
www.naic.org

09/10/00 Annual Convention
Red Jacket Mt. Resort North Conway, NH Independent Insurance
Agents of NH
603-224-3965

09/13/00 7th Annual Congress Doubletree Islander Hotel
Newport, RI Institute for Business & Home Safety
617-292-2003 www.ibhs.org

09/13/00 Health Insurance Forum Boston Marriott
Copley Place Boston
LIMRA International
860-285-7826 www.limra.com

09/13/00 Annual Meeting Coronado Springs Resort
Orlando
Life Communications Association
601-981-5332 x167 www.lcaonline.org

09/13/00 Annual Convention Chicago
Natl. Assoc. of Prof. Surplus Lines Offices 816-741-3910
www.napslo.org

09/13/00 Grp. Ins./MC Sales Conf.
Westin Copley Place Boston
LIMRA International
860-285-7827 www.limra.com

09/17/00 Annual Conference Hudson Valley Resort
Kerhonkson, NY Professional Insurance Agents of NY
800-424-4244 www.piany.org

09/17/00 19th Annual Empl. Ben. Sym. Hyatt Regency
San Diego Intl. Soc. of Cert. Employee Ben. Specialists
262-786-6710 www.ifebp.org
09/17/00 Meeting Rockport, ME
Maine Insurance Agents Association
207-623-1875

09/24/00 107th Annual Convention Trump Plaza
Atlantic City, NJ Independent Insurance Agents of NJ
609-587-4333 www.iianj.org

09/24/00 Annual Meeting Nashville
Natl. Association of Mutual Insurance Co.s 317-875-5250

09/30/00 Insurance Leadership Forum Greenbrier
White Sulphur Springs, WV
Council of Insurance Agents & Brokers
202-783-4400 www.ciab.com

10/02/00 Fall Legislative Meeting The
Fairmont Hotel Chicago
Natl. Association of Independent Insurers

10/04/00 Annual Meeting
New Orleans Marriott New Orleans Defense Research Institute
312-795-1101 www.dri.org

10/10/00 Annual Convention Sheraton Islander
Newport, RI Independent Insurance Agents of RI
401-732-2400

10/11/00 Annual Conference Tampa, FL
IVANS
800-288-4826

10/15/00 9th Annual Meeting Atlanta Marriott Marquis
Atlanta, GA National Association for Variable Annuities
703-620-0674 www.navanet.org

10/15/00 Annual Conference Riviera Hotel Las
Vegas
Assoc. of Ins. Compliance Professionals
407-834-6688 www.aicp.net

10/15/00 Annual Meeting Chicago
Society of Actuaries
847-706-3541

10/16/00 National Conference MGM Grand Hotel Las Vegas
Society of Financial Service Professionals 800-392-6900
www.financialpro.org

10/17/00 Annual Conference Los Angeles
National Managed Health Care Conference 888-882-2500

10/21/00 Market Tech 2000 Trade Show Ritz-Carlton Tyson’s Corn. Washington, DC Professional Insurance Marketing Assoc.
301-951-1260 www.pima-assn.org

10/21/00 National Conference MGM Grand Hotel Las Vegas
Society of Financial Services Professionals 610-526-2580
www.financialpro.org

10/22/00 Annual Meeting & Seminar Marriott Rivercenter San Antonio CPCU Society
800-932-2728 www.cpcusociety.org

10/22/00 Fall Meeting Charlotte, NC
Financial Institutions Insurance Assoc. 415-924-8122
www.best.com/~fiia
10/22/00 55th Annual Meeting Walt Disney World Dolphin Orlando Natl. Association of Independent Insurers
847-297-7800 www.naii.org

10/23/00 Annual Meeting Atlanta Marriott Marquis Atlanta
LIMRA International
860-285-7885 www.limra.com

10/24/00 Annual Meeting Anaheim, CA
Self-Insurance Institute of America
714-504-4920 www.siia.org

10/26/00 Fall Reception The Downtown Assoc. New York City Insurance Brokers Assoc. of the State of NY
877-644-0405

10/28/00 Annual Meeting Marriott Orlando World Center Orlando Independent Insurance Agents of America 800-221-7917 www.independentagent.com

11/03/00 Annual Convention
Marriott Financial Center New York City Professional Insurance Wholesalers of NY
800-424-4244 www.piany.org

11/04/00 Annual Convention
Marriott Copley Place Boston
Massachusetts Assoc. of Insurance Agents
508-628-5452 www.massagent.com

11/05/00 The Big Event
Marriott Copley Place Boston
New England Agents

508-628-5430

11/08/00 Annual Conference
San Antonio
Professional Liability Underwriting Society
800-845-0778 www.plusweb.org

11/09/00 Annual Convention
The Hilton Towers Washington, DC
Natl. Assoc. of Ind. Life Brokerage Agencies 703-610-9020
www.nailba.com

11/12/00 Annual Meeting
Westin Hotel Seattle
American Council of Life Insurers
202-624-2000

11/12/00 Annual Meeting San Antonio
Society of Insurance Research
770-426-9270

11/17/00 Annual Meeting New Orleans
National Council of Insurance Legislators
www.ncoil.org

12/02/00 Winter National Meeting
Marriott & Westin Hotels Boston Natl. Assoc. of Insurance Commissioners
816-889-4400 www.naic.org

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MDRT Sets 2001 Table Requirements

In 2000, financial services professionals must earn at least $60,000 in eligible commissions to qualify for the 2001 Million Dollar Round table (MDRT).
The production requirement, which must be paid or credited to the writing agent's account, can include earned or advanced (annualized) commissions, or both.
To qualify for membership in the 2001 Court of the Table, an applicant must submit proof of production equal to or greater than $180,000. To qualify for membership in the 2001 Top of the Table, proof of production equal to or greater than $326,000 in eligible commissions will be required.
The production requirement for MDRT is separated into two groups: core products and non-core products.
At least 60 percent of an applicant's eligible commissions must come from the core products, which include individual and group

life; individual and group annuities; term policies and riders (level, increasing and decreasing); individual and group pension cases; individual and group disability income contracts; and group accidental death and dismemberment.
Up to 40 percent may come from non-core products such as group and individual health; long-term care; individual pensions from non-life companies; and mutual funds.
For more information, call 847 692 6378 or visit www.mdrt.org.

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NEF Enhances Zenith Flexible Life

BOSTON — New England Financial recently enhanced its single life variable universal product, Zenith Flexible Life, by reducing the mortality and expense risk charge from 75 to 60 basis points on a current basis.
“This change will affect both the death benefit and the cash value of the product,” noted Paul LeClair, vice president for individual product management.
The company also modified two features that reflect today’s longer lifespans. Zenith Flexible Life now offers a rider to extend the maturity date and face amount of the policy for those who live beyond the original maturity date. The company also increased the product’s availability age from 80 to 85 on a limited basis. The extended maturity rider has been approved in most states but not yet in Mass., Conn. or N.Y.

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Lincoln National Splits Life And Annuity Units

FORT WAYNE, Ind. — Lincoln National Corp. is splitting its life insurance and annuity operations into two separate divisions.
The annuities business will be headquartered in Fort Wayne. The life insurance division will be based in Hartford, Conn.
The split will take the last remnant of Lincoln's original life insurance business from Fort Wayne, where it was founded in 1905.
The corporate headquarters moved to Philadelphia in August.

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Insweb Adds Annual Renewable Term Online

InsWeb has launched a comparative marketplace for annually renewable term life. InsWeb's term life marketplace offers products from 15 brand-name life insurance companies, including Metropolitan Life, John Hancock, State Farm, Western Southern Life, Zurich Kemper, and Mutual of New York.

"InsWeb's new, comparative marketplace for annually renewable term life furthers our objective of providing the Internet's most comprehensive selection of insurance products from the nation's most trusted insurance companies," said InsWeb Vice Chairman James M. Corroon. "Annually renewable term life is a strong complement to our term life marketplace and it offers consumers more options to select insurance products that best fit their individual needs."

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Forts Agents Obtain LTC Materials Online

Marketing materials are now only a mouse click away for agents selling Fortis long-term care products. The insurer has developed an online catalog of marketing materials on its web site at www.fortisltc.com.

“Online ordering will eliminate processing time and cut turnaround time. For many point of sale items, delivery time can be as quick as the speed of the agent’s printer,” claimed Steve Wnuk, vice president of marketing for Fortis Long Term Care.

The site gives managing general agents access to all materials, including training and recruiting materials. General agents will have access to all point of sale and consumer products. Producing agents will have access to printable point of sale documents only.

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Kennedy, Industry Agree On New Law To Help Disabled People Find Jobs

BOSTON (AP) — Disabled people using crutches and wheelchairs crowded into Bell Atlantic's marble lobby recently to deliver an emotional thank you to U.S. Sen. Edward M. Kennedy, D.-Mass., who last month scored an important victory by passing a bill that could allow millions of disabled people to find jobs and keep their health insurance.

President Clinton has already signed the Ticket to Work and Work Incentives Improvement Act, a bill that Kennedy views as one of his most significant legislative successes during this decade — and one that may emerge as a key accomplishment of the 106th Congress.

Industry Backing
It’s also one that has earned the enthusiastic backing of business and insurance groups.
``As someone who's been very much in the disabled movement — my son lost his leg to cancer, my sister Rosemary is retarded — I'm a great believer in this,'' Kennedy said.
``It's a new Declaration of Independence for the disabled,'' he said. ``It's just incredibly important to them.''
For many people with disabilities, the 1990 Americans with Disabilities Act promised to give them independent lives. That promise has gone unfulfilled for many who cannot work without losing their health benefits.
Medical treatment allows them to get jobs, but federal laws prevent them from continuing to get government-financed health benefits because they would earn too much money to qualify for the benefits.
Kennedy sought to solve that dilemma through a package of benefits, incentives and regulatory changes costing about $800 million over five years. The bill expands Medicare and Medicaid benefits to include disabled people while they work, and will pay for itself if 70,000 people leave the disability benefit rolls, Kennedy said.

Approximately 9 million working-age adults now receive disability benefits, according to Kennedy's office. Administration officials say people with muscular dystrophy, Parkinson's disease, diabetes and AIDS are most likely to take advantage of the program.
During one of his recent weekly radio addresses, Clinton called the bill the most significant milestone for the disabled since the ADA in 1990.
The measure went to Clinton's desk for his signature after passing 95-1 in the Senate and 418-2 in the House of Representatives.
Kennedy first filed the bill three years ago, but it got a boost this year when former Senate Majority Leader Bob Dole, who lost the use of his right arm in World War II, testified the bill is about ``dignity and opportunity and all the things we talk about when we talk about being an American.''
Christine Griffin, executive director of the Massachusetts Disability Law Center, suffered a spinal cord injury in college 19 years ago.
She worried about getting a job, she said; worried about getting health care, worried about whether she'd be able to get important supplies, like her wheelchair.
``Was this going to be worth it? Did it make sense to get off benefits,'' she said she asked herself back then.
Kennedy's legislation has touched every disabled person in the country, she said.
``He's been our champion. He's been our hero,'' Griffin said, to sustained applause.
Atlantic was chosen for the event because the company is working

with the U.S. Department of Labor to recruit 2,000 entry-level workers from such groups as welfare recipients, laid-off workers, the poor and disabled.
The American Council of Life Insurance (ACLI) praised Congress for passing the legislation.
"This is great legislation for Americans with disabilities. It helps people who want to work and pay taxes, and we urge President Clinton to sign it without delay," said Carroll A. Campbell, Jr., president and CEO of the ACLI. More than 150 ACLI members provide disability income protection. Along with ACLI, disability income insurers have strongly supported the legislation.
More than eight million adults aged 16 to 64 receive more than $50 billion a year in benefits under federal disability programs – and that number rises every year. A 1998 Harris survey found that 72 percent of those disability beneficiaries want to work. Government figures indicate that for every one percent (80,000) of federal disability beneficiaries who return to work, taxpayers would save $3.5 billion.
One of the most prominent provisions is a "Ticket to Work" program that would allow private entities to provide vocational rehabilitation and to secure employment for federal disability beneficiaries. Those beneficiaries will be able to obtain vocational rehabilitation and employment services from their choice of participating public or private providers. Providers will be paid a portion of the federal payments saved once the beneficiary returns to work and achieves substantial earnings.
"The simple truth is, many people who become disabled want to go back to work. But they often need individualized assistance to do it. This bill addresses those issues," said Campbell.

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Pru Buys Network Of Accountants For Life Sales

NEWARK — The Prudential Insurance Co. of America has agreed to acquire a majority interest in Hochman & Baker, Inc., a Northbrook, Illinois-based firm which recruits and trains accounting professionals to become licensed to offer investment and insurance products to their tax and business clients.
The agreement, which was signed Dec. 20, 1999, enables Prudential to take advantage of the growing number of accounting professionals who offer financial advice and investment solutions. The transaction was expected to to close by year-end.
"This move is a clear reflection of Prudential's commitment to serving its customers through an advice-based business model. As accounting professionals become increasingly important providers of financial advice, Prudential looks forward to helping them meet their clients' insurance and investment needs," said Thomas

Crawford, president of retail distribution for Prudential.
The firm's two principals, Joel Hochman and Glenn Baker, who will retain a 20 percent interest, will lead the firm's plans for a nationwide expansion.
Hochman & Baker currently has a network of approximately 500 licensed representatives who are based in Illinois, Michigan, Wisconsin and Florida.

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Born Into Slavery, Merrick Started Largest Black-Owned Insurer In U.S.

by Kelly Brewington
Associated Press

DURHAM, N.C. — The tiny cranberry-colored books with tattered edges and yellowing pages are precious to Constance Merrick Watts. When visitors ask to look, she allows them to, but she also keeps them within sight.
She never lends the books to anyone, not even her own children who one day will inherit them. One copy was lost years ago and now only three remain.
Her family legacy is bound in those old books, copies of ``John Merrick: A Biographical Sketch,'' by a prominent black lawyer from Durham named R. McCants Andrews.
Written in 1920, the book describes the life and legacy of Watts' paternal grandfather John Merrick, former slave and co-founder of the nation's largest black-owned insurance company, Durham's own N.C. Mutual Life Insurance Co.
When talking about her grandfather, Watts, 79, smooths her hand across the book's faded cover. She never knew the man who helped start one of the nation's most successful black businesses; he died in 1919, a year before she was born.
Also in those books is a brief history of a legacy just as prominent on her mother's side. Watts' maternal grandfather was Aaron McDuffie Moore, Merrick's cohort, business partner and one of Durham's first black physicians. More than a century ago, the duo launched a business to provide assistance to black families of modest means when white insurance companies wouldn't.
Constance Watts and her husband of 54 years, Durham physician Charles Watts — who worked for N.C. Mutual as medical director and vice president for 28 years — are part of the legacy that is N.C. Mutual.
Charles Watts, 82, is known by many as the company historian. Together, their memories and anecdotes fill the gaps that many accounts have skipped over.
The founders were ambitious men with a simple purpose: to bring wealth into Durham's black communities, say the Wattses.

Merrick, Moore and later C.C. Spaulding, believed in the popular late 19th-century concept of a mutual benefit society. Often started by ministers or other prominent members of a community, these organizations offered burial plans and survivors' benefits for their members.

Now Multimillion Dollar

What began in 1898 as an agreement to offer small policies to families turned into a multimillion-dollar business operating in 22 states and Washington, with about 150 employees working in its home office on West Chapel Hill Street and more than 300 in field offices. In 1998, the company recorded more than $210 million in assets, with a premium income of $61.5 million.

Born into slavery in Clinton in 1859, Merrick left his hometown at age 12 for Chapel Hill. He worked much of his youth as a mason, later helping to build one of the first buildings at Shaw University in Raleigh. In Raleigh, Merrick shined shoes in the barbershop of W.G. Otey, where he met prominent white Durham businessmen such as Washington Duke and his sons, Julian Carr and others.

``The white gentry of Durham went to Raleigh to get their haircuts, and John Merrick developed quite a clientele,'' says Charles Watts, sitting in the living room of his house he shares with his wife on Lawson Street across from N.C. Central University. ``That included the Duke family, the brothers and their father, who told him if he opened a shop in Durham, they would provide the customers.''

Merrick barbered for these men for many years, which Constance Watts says exerted a big influence on her grandfather.

``He didn't go to school and had the advantage of learning from very educated men,'' she said. ``Being around them helped with his general education.''

Many accounts state that Merrick accompanied the Dukes on out-of-town trips as more than a barber, as a companion. But some have written that Merrick was little more than a servant. ``They said he was bowing and scraping to white people. An Uncle Tom.''

The Wattses dispute that.

Racist Views

``They were his patrons, says Constance Watts. He was just trying to make some money.'' Carr, like most whites, held views that today would be condemned as racist, but he considered Merrick one of his ``favorite Negroes,'' states Walter B. Weare in his 1973 book ``Black Business in the New South.''

One reason N.C. Mutual prospered, many say, is because Durham symbolized the New South, its emphasis on new industries relatively unencumbered by a plantation mentality. While equality was far from reality, Durham's whites as well as blacks were industrious and looking to prosper in a new town. And many did.

``The rigid racial structure had not been put in place in Durham,'' said Charles Blackmon, current senior vice president at N.C. Mutual. ``There were fewer barriers to jump.''

Durham seemed ripe for the venture, but the men weren't the first blacks in the nation to create such a business.
Like the others, they faced an uphill battle. Black-owned insurance companies often went bankrupt nearly as quickly as they were set up, said Charles Watts.
``Usually there was one enthusiastic, charismatic figure,'' he said. ``And usually when he died, the company folded.''

Five Barbershops
Merrick was such a figure. He opened at least five barbershops, some of which catered to whites. He owned other real estate, including the six-room cottage in which he lived on Fayetteville Street, in the thriving black business section of Hayti.
Merrick leaned on his experience with mutual benefit societies. He was an agent for a group called the United Order of the True Reformers, started in Richmond, Va., in 1881. In 1883, he combined with other leaders in Durham to launch a fraternal insurance society called the Royal Knights of King David. Like many other benefit societies, it served only its members and their families.

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Life Insurers Low Mortgage Failures

The delinquency rate of life insurers' commercial mortgage loans fell in the second quarter of 1999 to the lowest level ever recorded in the 34-year history of the American Council on Life Insurance’s (ACLI) survey.
The rate fell to 0.39 percent, shattering the old mark of 0.55 percent set in 1969. The life insurance industry registered its highest delinquency rate in the second quarter of 1992, the height of the national real estate crisis, at 7.27 percent.
"We are witnessing fewer delinquencies because life insurers have been investing in very high quality properties and continue to do so," said the ACLI’s Jack Nowakowski.
Over the past seven years, life insurer investments in commercial properties have been declining. In 1992, they represented about 20 percent of industry assets. They now represent about 9 percent.

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A.M. Best: Hmos’ Claims Outpace Premiums

Health maintenance organizations’ total net losses were $1.25 billion in 1998—45% larger than the industry’s 1997 loss—

resulting in a -11.5% return on equity, according to data in Best's Aggregates & Averages.

These results stand in stark contrast to the profitability achieved in 1994 and 1995, when net income amounted to $2.98 billion and $1.98 billion, respectively.

Operating results for 1998 continued to be impaired as a result of rising claim costs. Over the past four years, health-care expenses per member per month have increased 4.2% a year, compared with 2.5% annual growth in premium revenue per member per month.

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RI Blue Cross Extends Open Enrollment

PROVIDENCE — Blue Cross-Blue Shield of Rhode Island is extending its open enrollment to give certain subscribers of two other ailing health plans time to enroll.

Both Harvard Pilgrim Health Care and Tufts Health Plan of New England are pulling out of Rhode Island due to mounting financial losses.

Blue Cross will allow open enrollment through March 3 for its direct pay program, which covers people who do not get insurance through an employer. The insurance can include family coverage.

Blue Cross says there are hundreds of people enrolled with Harvard Pilgrim and Tufts who fully pay for their own insurance.

Harvard will stop offering insurance in the state at the end of the year. Tufts will stop doing business in Rhode Island soon after the start of the new year.

Blue Cross is the state's largest insurer with 476,000 members.

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Hospital Offers Aid To Harvard Pilgrim Patients

PROVIDENCE — Butler Hospital, a private psychiatric institution, is offering several services to help Harvard Pilgrim subscribers when the HMO pulls out of the state at the end of the year.

Physician volunteers and residents will be available two or three days a week for Harvard Pilgrim subscribers who need immediate help but are unable to get regular appointments, The Providence Journal reported.

In addition, the hospital is talking with pharmaceutical companies to help people obtain the medication they need and, starting on Jan. 3, Butler will operate a special telephone line to answer people's questions.

``We'll try and be a bridge to get these people through,'' said

Butler spokesman Jim Hallan.
Right now, it appears that many Harvard Pilgrim subscribers will be able to keep their same therapists after switching plans, because most of the HMO’s mental health service providers have found new jobs in the area.
But it remains to be seen how many seriously ill mental health patients will end up uninsured because they cannot afford other plans.
State Health Director Dr. Patricia Nolan has said that mental health care is the weak link in the state’s effort to ensure Harvard Pilgrim subscribers continue to get good health care.

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Mass. Hospitals Want Harvard Pilgrim To Pay

BOSTON (AP) — Massachusetts hospitals want Harvard Pilgrim to pay its debts to them if it gets a financial boost from a state bond deal.
The HMO’s ``claims and payment practices have created serious problems for Massachusetts providers,’’ William Lane, president of Holy Family Hospital and Medical Center in Methuen, said at a recent hearing of the Massachusetts Health & Educational Facilities Authority.
Lane spoke on behalf of the Massachusetts Hospital Association.
Last month, HEFA authorized a $147 million bond deal to help the region’s largest nonprofit HMO improve its troubled finances.
HEFA deputy director Janice Hayes-Cha said Lane was one of three people testifying.
``We understand the hospitals are under a great deal of pressure,’’ she said. ``However, because we’re not a regulatory agency, we can’t overstep our boundaries and get involved in the day-to-day operations.’’
She said HEFA could possibly refer the concerns to other agencies.
Alan Raymond, spokesman for Harvard Pilgrim, said the company has resolved differences with the hospitals over 1998 payments and is now negotiating 1999 payments.
``We have been working with the Massachusetts hospitals individually to resolve differences between what they think we owe them and we believe we owe them,’’ Raymond said.
He said the differences with hospitals should not be considered a factor in the bond proposal.

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Patients Worry As Hmos Drop Docs In Small Practices

Physicians told they must join large groups

by Leslie Miller
Associated Press

BOSTON — Dr. Scott Kerns says he has seen grown men and women cry in his Salem office over the past month, ever since they found out their insurance plan would stop reimbursing him at the end of the year.

In September, both Tufts Health Plan and Harvard Pilgrim Health Plan told Kerns, a sole practitioner, their contracts with him would end unless he joined a large group practice.

Letters to Physicians

Harvard Pilgrim sent letters to 900 doctors with the same message, and Tufts is ending its contracts with 60 primary care physicians.

Maybe a half-dozen actually cried, Kerns said. ``But I've had a lot of people very distressed, I've had a lot of people very angry and a lot of people frustrated that they haven't gotten intelligent answers from the HMOs, just a lot of gas and air,'' he said.

Massachusetts state law does not require health insurers to maintain the same level of services they promise to members when they enter into contracts with them.

``If when consumers choose to belong to HMOs, they must accept the reality that its network must change,'' Insurance Commissioner Linda Ruthardt wrote in a letter responding to a complaint from Kerns.

Both Harvard and Tufts say they are taking steps to ameliorate the inconveniences for members who must now find a new doctor.

Extend Coverage

Harvard Pilgrim announced it will extend coverage to all of its members whose primary care physicians do not join a group practice until the members have a chance to sign up with another health plan.

The managed care giant had initially decided to require physicians to join large group practices because it needed to simplify its relationship with them in order to give them better care information, said Eric Linzer, Harvard Pilgrim spokesman.

Many of Tufts' 60 sole practitioners told to join group practices have done so, said Patti Jacobs, a spokeswoman for the HMO.

``We are certainly aware of the importance of the situation,'' she said. ``As far as we are concerned, the situation is still fluid and we are reviewing it internally. We expect to be in communication with the physician involved soon.''

The situation nevertheless underscores the need for more regulatory authority over health insurance plans, said Secretary of State William Galvin, a frequent critic of managed care.

``It's clear there has been reductions in service,'' Galvin said. ``I hope people will begin to recognize the importance of having some sort of oversight.

Kerns agrees.

``These HMOs are too powerful now and they are not regulated now and they are channeling off millions of dollars to themselves and not to patient care,'' he said.

Wendy Krauss is a Marblehead nurse whose family has been seeing Kerns for 20 years, ever since she watched the way he worked with patients.

``We're very impressed with how he keeps up with everything, how he knows his patients, the fact that it's a one-man operation,'' Krauss said. ``You're not palmed off to a bunch of doctors. You call the office and they know who you are.''

Krauss considers herself lucky. Her husband, a pharmacist, was able to join another health plan with open enrollment before they ended their membership with Tufts, and they can continue to use Kerns as their primary care physician.

Others are not so fortunate. Of the 900 Harvard Pilgrim doctors told to join a group practice, about 100 — with 2,000 patients — have not done so.

``These people are left high and dry, or else they have to switch doctors,'' Krauss said. ``Some of them are cancer patients, some of them have been with long-term therapies.''

Some who wanted to keep their doctors faced the prospect of leaving their HMO and going without health insurance until their employer held an open enrollment period during which they could switch to another health plan. Kerns said 325 of his patients who belong to Tufts and 58 who belong to Harvard will be abruptly and involuntarily disconnected from him and his staff. Many, he said, have complex medical problems that he has carefully managed for up to 22 years.

``Some of them have been with me longer than some HMOs have been in existence,'' he said.

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Grades Don’t Affect HMO Enrollments

Despite the growing use of “report cards” in managed care, a new study from the Society of Actuaries shows that enrollment in managed care plans isn’t yet linked to plans’ “grades.”

The study, “Managed Care and Performance Measurement: Implications for Insurance Markets,” sought evidence tying managed care plans’ ratings to plan enrollment – and, by implication, to employee choice.

While the study noted “there is little current empirical evidence that consumers [employees of large employers] use this type of information in plan selection,” the researchers said the ratings may be valuable now to purchasers and could be more worthwhile in the years ahead for consumers because:

• problem areas found in the rating process may be corrected, leading to better patient care, cost savings or both;
• ratings reports may be refined, improving clarity for consumers and purchasers;
• ratings may be disseminated more widely, increasing usage by consumers.

Future research is needed, the researchers observed. Few studies to date have been able to focus on binding enrollment decisions made by employees. Furthermore, some important variables, such as family members' opinions of plans, have not yet been studied.
The study was conducted in light of the growing use of performance measurement systems, primarily HEDIS measures (Health Plan Employer Data Information Set). Large purchasers of managed care, such as corporations and state Medicaid programs, often require reporting of HEDIS ratings. Also, many purchasers require that plans be accredited by the National Committee for Quality Assurance (NCQA), which administers the HEDIS measures and uses them in the accreditation process.
Employers sometimes provide employees with NCQA accreditation status, specific HEDIS scores or both for plans offered, the researchers noted.
The report is posted on the Society's Web site (www.soa.org/library/mancare.htm).

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Prescription Drugs Fastest-Growing Segment Of Health Costs, EBRI Confirms

Drug expenditures grew at an annual rate of 14% from 1993 to 1997

Employers' health care costs appear to be rising again, possibly driven in part by increasing expenditures for prescription drugs, according to the nonpartisan Employee Benefit Research Institute (EBRI).
The number of new prescriptions ordered by physicians during patient visits increased 15 percent from 1993 to 1997, although the percentage of visits that resulted in a new prescription rose only slightly during that period. This seeming anomaly is explained by the significant increase in the percentage of patients receiving five or more prescriptions as a result of their physician visit.
"Although prescription drugs accounted for only 7.2 percent of all national health expenditures and 11.5 percent of all private health insurance expenditures in 1997, they are the fastest-growing segment of national health expenditures," said EBRI

President Dallas Salisbury.

He added that the major factors that appear to affect patient and physician behavior related to higher drug costs are direct-to-consumer advertising and differences in the way these drugs are prescribed.

Some of EBRI’s key findings:

• Total expenditures on physician services increased from $185.9 billion in 1993 to $217.6 billion in 1997, for an average annual growth rate of 4.3 percent. Total prescription drug expenditures increased from $50.6 billion to $78.9 billion over the same time period, for an average annual growth rate of 14.0 percent.

• Average annual growth rates for private health insurance payments for physician services and prescription drugs were 4.0 percent and 24.6 percent, respectively over the same period.

• There were 717.2 million office-based doctor visits in the United States in 1993 and 787.4 million in 1997, an increase of about 10 percent.

• New prescriptions were ordered in 57.0 percent of the 1993 doctor visits, compared with the slightly lower 56.4 percent of the 1997 visits. However, the number of new prescriptions ordered by physicians during these visits increased from 745.1 million in 1993 to 856.9 million in 1997, a growth rate of 15.0 percent. Visits resulting in five or more new prescriptions being ordered rose from 2.1 percent in 1993 to 3.7 percent in 1997.

• Females had more prescriptions ordered per visit than males. Whites and blacks had more prescriptions ordered per visit than other racial categories. Americans over age 65 had about 10 percent more prescriptions ordered per visit than those ages 45–64 in 1997.

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National Grange Appoints Eddy; MassMutual Names Gunton, Crispin; N&D Promotes Street

National Grange

Jeanne Eddy was named senior vice president and chief financial officer of National Grange Mutual Insurance Co., based in Keene, N.H. Eddy has more than 25 years experience in the insurance industry. Most recently the president of the manufacturing strategic business unit with the Zurich Insurance Group, she also held other positions with Zurich Insurance including president of the custom middle markets strategic business unit and of national accounts.

MassMutual

Massachusetts Mutual Life Insurance Co. announced two high level appointments. Howard E. Gunton was appointed senior vice president and chief financial officer, and Robert W. Crispin

joined MassMutual as executive vice president of individual life business.
Crispin was previously executive vice president of distribution and international operations for UnumProvident Corp. Before that he was vice chairman and head of investment opportunities for Travelers Corp.
Gunton replaces Daniel F. Fitzgerald, who is retiring. Gunton previously was senior vice president and CFO for AIG Life Companies (U.S.), the unit which MassMutual president and CEO Robert J. O'Connell had led before coming to the Springfield, Mass. company.

Dunlap Corp.
Sean Hood was promoted to regional vice president in the Manchester, N.H. office of the Dunlap Corp., an insurance, bonding, and claims management agency. Hood joined Dunlap in 1990 as an account executive in its Portland, Maine office, where he managed commercial lines.

Burgin, Platner, Hurley
Quincy, Mass. agent Eric Stoeckel merged his agency with Burgin, Platner, Hurley Insurance Agency, which has offices in Quincy and Hingham. Stoeckel is joining the firm as a producer for new business and client retention.

McDuffee Insurance
James E. McHugh was appointed to the positions of president and chief operating officer of the McDuffie Insurance Agency, based in Merrimack, N.H. McHugh previously spent 33 years with the Royal and Sunalliance Insurance Group. He is a resident of Salem, N.H.

Norfolk and Dedham
Robert G. Street, Jr., was promoted to senior division manager of claims by the Norfolk & Dedham Group. Street joined the company in 1986 as a casualty claims examiner, and in 1993 was named a casualty claims manager.

Signator Insurance Agency
Mary Virginia Bonarrigo was apointed sales manager of Signator Insurance Agency, inc., an affiliate of John Hancock Mutual Life Insurance Co.

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American Fire and Casualty Company
136 N. Third Street

Hamilton OH 45025

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact property and casualty insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license/ Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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The Ohio Casualty Insurance Company
136 N. Third Street
Hamilton, OH 45025

The above company has made application to the Division of Insurance for an amendment to its license/ Certificate of Authority to transact property and casualty insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for an amended license/ Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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December 21,1999

Professional Liability Insurance Company of America
Two Park Avenue, Room 2500
New York, NY 10016

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact Liability other than Auto, and Workers Compensation insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license/ Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston,

Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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Ohio Security Insurance Company
136 N. Third St.
Hamilton, OH 45025

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact property and casualty insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license/ Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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January 4, 2000

West American Insurance Company
6365 Castleplace Drive
Indianapolis, IN 46250

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact property and casualty insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license/ Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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Next Step Up To Lawmakers As Vermont Court Backs Gay Benefits

MONTPELIER (AP) — Creating what could be a springboard for the legalization of gay marriage, the Vermont Supreme Court ruled on

Dec. 20 that homosexual couples are entitled to the same benefits and protections as wedded couples of the opposite sex.
The high court stopped short of giving homosexuals the right to marry, leaving it instead to the Legislature to decide whether to legalize same-sex marriages or create some kind of ``domestic partnership'' status to ensure gay couples' rights.
Gay organizations hailed the decision as the most far-reaching ruling of its kind in the U.S. and said it represents their best chance of winning the right to marriage for the first time in this country.
``This is a glorious day,'' said Evan Wolfson of the Lambda Legal Defense and Education Fund. ``Vermont's highest court has ordered an end to unequal treatment of lesbian and gay families.''
Until recently, Hawaii had been gay couples' best hope. Hawaii's Supreme Court started the debate nationally when it ruled in 1993 that restrictions against gay marriage violated the state constitution. But last year, Hawaii approved a constitutional amendment against gay marriage.
``We hold that the state is constitutionally required to extend to same-sex couples the common benefits and protections that flow from marriage under Vermont law,'' Vermont's high court said.
``Whether this ultimately takes the form of inclusion within the marriage laws themselves or a parallel `domestic partnership' system or some equivalent statutory alternative rests with the Legislature.''

Insurance Access
The court said the benefits that gay couples should get include access to a spouse's medical, life and disability insurance, hospital visitation and other medical decision-making privileges, spousal support, certain rights of inheritance and homestead protections.
Writing for the court, Vermont Chief Justice Jeffrey Amestoy said the Vermont ruling provides greater recognition of same-sex relationships than any other state's high court except Hawaii's.
Both gay rights advocates and opponents of homosexual marriage went even further, arguing that the Vermont ruling was the strongest in support of gay rights by a state appeals court in the U.S.
``It really represents a slap in the face for marriage between a man and a woman,'' said Jay Sekulow, chief counsel for the American Center for Law and Justice, which opposes gay marriage.

‘Legal Milestone’
Mary Bonauto, a lawyer for the three gay couples who sued the state, called the decision ``a legal and cultural milestone.''
Democratic Gov. Howard Dean predicted the Legislature would pass a domestic partnership law. Same-sex marriage ``makes me uncomfortable, the same as anybody else,'' he said.
But Lt. Gov. Douglas Racine and the speaker of the Vermont House favor same-sex marriages.
The justices said they would give the Legislature ``a reasonable

period of time'' to act. They did not specify what that means.
The three couples at the center of the case sued in 1997 after being denied marriage licenses by their town clerks. A Superior Court judge rejected their claims. The couples then appealed to the Supreme Court. They argued that their inability to get married denied them more than 300 benefits at the state level and more than 1,000 at the federal level.

At least 30 states banned gay marriages, and Congress passed the Defense of Marriage Act, which denied federal recognition of homosexual marriage and allowed states to ignore same-sex unions licensed elsewhere.