Insurance Times: Mass. System Discourages Auto Coverage Innovations
November 7, 2000, Vol. XIX No. 23

Proposals other than downward rate
deviations have difficulty getting approved

by Mark Hollmer
InsuranceTimes

BOSTON - It seemed simple enough eight months ago, when Plymouth Rock Assurance Corp. filed its proposed endorsement with the Massachusetts Division of Insurance for replacement cost coverage.

The company wants to offer a $50 per year, two-year package that gives customers the actual value of a new car if it's destroyed in an accident, rather than the depreciated value covered in a typical policy.

Eight months later, the company is still struggling to convince the DOI that the policy is legal and viable in the Bay State, and both sides appear to disagree about why the endorsement hasn't been approved yet.

"There is no particular, detailed, delineated process," explained Paula Gold, vice president and general counsel for Plymouth Rock (and former head of the Massachusetts consumer affairs department).

"We filed some time ago it's taking longer than we'd like and we'll continue to try and push forward, and to see what we can accomplish in terms of the (DOI)," she said.

But as the DOI sees it, Plymouth Rock's proposed endorsement was already considered and rejected on a timely basis back in March after at least one resubmission. Subsequent meetings intended to salvage the concept legally haven't borne fruit.

"We do not believe we can do what they would like us to do (but) we hope that we can try and give them some ideas (under the existing law)," said DOI Commissioner Linda Ruthardt.

"(They) already knew last March that as submitted, (the endorsement) was not approvable (and) nothing new has been submitted," Ruthardt said.

The Plymouth Rock endorsement, she added, "is the sort of endorsement that would be filed in a state that is totally competitive" and not Massachusetts, which is heavily regulated.

"Our state law is not designed for individual companies to sell different things. That's the bottom line with very, very few exceptions."

Individual company endorsements are unusual in Massachusetts because state law established a "fix and establish" system, where the commissioner approves the auto policy and uniform rates.

The law allows for "downward deviations" in price from the approved rates (i.e safe driver discounts); they must be filed within 30 days of the state rating hearing.

According to Ruthardt, Plymouth Rock's proposed endorsement reflects an upward deviation rather than a downward one and so it doesn't work under the state's current system.

Plymouth Rock filed its proposal with the DOI in January and then re-filed again in January with some additional details DOI staff wanted concerning pricing, Ruthardt said.

In March, DOI staff wrote Plymouth Rock a memorandum stating the proposed endorsement was not legally possible, but they could submit a written memorandum arguing why they though state law allowed it.

The memorandum, submitted March 9, was not successful, Ruthardt said.

Since then, Ruthardt said, she or other DOI officials have met with Plymouth

Rock representatives at least twice (by phone and in person) in an effort to hash out a solution and perhaps pursue the endorsement another way.
The most recent meeting, on Oct. 6, did not produce a solution, Ruthardt said.
Still, while Massachusetts is limited by its "fix and establish" system, the state is not without endorsements.
The Automobile Insurers Bureau has successfully sponsored some minor industry-wide endorsements over the years, establishing supplemental coverage for such items as sound reproducing equipment, said AIB Senior Vice President Richard Derrig.
But there hasn't been much incentive to develop individual company endorsements because of the established rates system, Derrig said.
For its latest effort, the AIB last December proposed an optional, industry-wide endorsement that would cover the use of original equipment manufacturer parts to replace crash-damaged ones.
Ruthardt approved legal aspects of the proposal in June and recently signed off on a mechanism to calculate rates, but the numbers will be set using 2001 rates.
AIB officials, however, have said that the rate allowed by the DOI may not make the endorsement profitable enough for companies to use.
The case of Premier Insurance of Worcester is a little different.
For more than four years, Premier has pursued establishment of an optional individual company endorsement that would give policy holders a 15 percent discount on personal injury protection and medical payments coverage as long as they used managed care services.
Originally, Ruthardt approved the managed care endorsement without a hearing, but the Massachusetts Academy of Trial Attorneys sued, arguing the endorsement clashed with the state's "no fault" statute and that Ruthardt should have held a public hearing.
Ruthardt subsequently suspended her approval and held hearings.
As of last week, Ruthardt approved the endorsement itself but the rate hasn't been set and as a result it can't be marketed yet.
Still, the endorsement has reached approval stage, a point Ruthardt said happened for a simple reason: "a downward deviation allowed by the law the same as the safe driver discount."
But progress or not, Susan Scott, Premier's general counsel, said the endorsement process for her company has been a long, frustrating journey.
"The amount of time it's taken to get this endorsement approved is unacceptable," she said.
"We are required by statute to contain costs and we have something here that we think will (do that) and pass those savings onto insurers," she said, "and we've been unable to" use it.
So is the endorsement process in need of tinkering?
It depends on whom you're asking.
Speaking generally, DOI spokesperson Christopher Goetcheus said delays aren't necessarily unusual, because "each case presents its own circumstances..." and changes that affect auto insurance coverage must be considered carefully.
Scott, of Premier, suggests that lawmakers could make changes "that require approval (of endorsements) within certain periods of times."
Ruthardt said the existing law has produced two major benefits in the last two years: safe driver discounts and the new optional AIB endorsement for original equipment manufacturer parts.
These accomplishments in a tight regulatory environment, Ruthardt said, should serve as an example for other companies to keep trying.
"We would encourage people to try and use the statute to try and help consumers to buy what they want to buy," she said.
"One reason we met with Plymouth Rock (Oct.6) was to try and give them ideas as to how they might sell (new car) protection even if you can't do it through the auto policy."

Ruthardt said a change in the law could alter the process but she would not say either way if she supports new legislation to speed up endorsements.
"I don't tell the Legislature what to do," she said, noting that previous attempts to introduce more consumer choice into the state's auto policies have failed on Beacon Hill.

Insurance Times: New IIAA President

November 7, 2000, Vol. XIX No. 23

New England's own William Hofmann
of Belmont, Mass. was sworn in as president of the Independent Insurance Agents of America last week in ceremonies at the IIAA annual convention in Orlando. In his inaugural remarks, Hofmann promised that IIAA would "leave no agency behind" in its efforts to promote and protect the American Agency System.

Also at the IIAA meeting, Rev. Jesse Jackson urged the industry to embrace a future of diversity.

And the results are in from IIAA's 2000 Agency Universe Study: agencies are stable, more diverse and younger.

Insurance Times: Vermont's Costle Tackles Civil Unions, Privacy, Health

November 7, 2000, Vol. XIX No. 23

Interview reveals issues before region's longest-serving state regulator

by Penny Williams
InsuranceTimes

MONTPELIER - While Elizabeth Costle was busy working on insurance regulations to implement the state's new civil union law, voters were deciding whether to return her boss, Gov. Howard Dean, a supporter of the controversial law, to office.
If Dean wins, Costle will likely be reappointed as Commissioner of Banking, Insurance, Securities and Health Care Administration and only face the Senate confirmation process that occurs every two years. Costle, who serves at the pleasure of the governor, is already the longest-serving insurance regulator in the New England states.

Civil Unions
In a recent interview, Costle talked about the civil union regulations, health insurance markets, privacy, workers compensation, the sale of insurance over the Internet and a host of other issues and how her department is approaching them.
The recent Vermont law which legally recognizes unions between same sex couples makes it necessary for the department to issue a draft rule.
"We've had a hearing and we're working on a bulletin," she said. "We are also working closely with the industry on sample endorsements they can put on policies to deal with civil unions. I think it is going quite smoothly, although

there are still some unanswered questions, more in the area of how the state law works when you get federal taxation questions."

Health Market

Like her counterparts in New Hampshire and Maine, Costle is troubled by the individual health insurance market, as well as the small group insurance market, and feels some regional cooperation might be part of the answer.

"The big problem is medical costs are going up because people are getting older and the doctors and hospitals can do so much more for people," she said.

"Our costs will go up but our premiums should go up less this year than last year. Part of last year's increase was catch-up for the fact that there's been under-pricing prior to that as well as some mandates."

Costle would like to have more than the four companies now in the individual market. "I would like more companies in but we don't want companies coming in because they want to cherry pick the good risks and have a 50 percent loss ratio," she said.

Vermont is working with New Hampshire and Maine to see if a regional approach offering a tri-state market might look more attractive to carriers.

"It certainly appears to be something we want to look at and I think we are going to look at it in the individual and small group market," Costle said. "Individual market coverage is very expensive."

The three state governors are discussing creating the first in the nation multi-state prescription drug purchasing pool designed to assist people enrolled in Medicaid programs access less expensive drugs. The purchasing pool could also be available to others on a volunteer basis.

According to Costle there is a fairly low number of uninsured in Vermont but "every time the price goes up you worry that more will drop out."

The U.S. Census Bureau recently published figures indicating increased numbers of uninsured in Vermont. Costle takes exception to these figures, pointing out that Vermont insurance carrier and Medicaid program data show otherwise.

Workers Comp

Having a safer workplace is the best way to hold down workers compensation rates, she said. "The more we can keep down rates, the better off we are. We had a small increase last time and not having seen the upcoming rate filing, I wouldn't even hazard a guess as to what's going to come in or what it will look like.

Some of the swings in individual workers compensation classes disturb Costle and she notes that there appears to be less discounting. But she views the current upward trend as part of the underwriting cycle. "Companies perhaps have gone a little bit too far so the market had to harden eventually," she added.

Vermont will probably not submit a bill on single producer licensing this session. "We already have reciprocity under GLB (Gramm-Leach-Bliley) Act) so we will be okay," she observed. "We will be looking at it in the future because we want to become uniform. We want to basically get a computer system to register agents - that's our goal - but I don't think we're going to do it this January."

Costle would rather let federal officials work out the kinks before dealing with the issue at the state level.

Level Privacy Field

There is no insurance privacy law in Vermont, however there is one for banks, a so-called opt-in version. Costle notes that since by law banks can't be discriminated against in rules, the state must do something to level this field.

The department is in the midst of gathering information internally and externally before drafting any insurance privacy regulations.

"We will probably try to stay as uniform as we can without discriminating against banks," she said. She added that she does support the National

Association of Insurance Commissioners' (NAIC) model law on privacy. However, given 50 different jurisdictions, and despite basically opposing federal regulation, she believes "to get a real uniformity in privacy it will probably at some point move to the federal level."

Because she feels it is important for insurers to understand what they have to do, and because she feels strongly about medical privacy in particular, she plans to place a privacy regulation on the books. "If the legislature wants to do something different that's fine," she said. "But I just feel that I need to get something in place."

Federal vs. State

While granting that the federal government has a role to play in insurance regulation, Costle doesn't think it always does a very good job. In terms of consumer protections she believes states can do the better job because they are more focused on their consumers and can be more innovative.

At the same time, she sees room for improvement by state regulators. "The states really have to get their act together in terms of being more uniform and much more efficient," she maintained. She believes that an insurer should be able to file rates and forms once, have any problems worked out at one time, and then be accepted in all the jurisdictions.

"I think states can do a much better job of rate and form review," she said. "I don't buy the industry's wish to have everything file and use, however. I think that may be appropriate for certain lines - and I am looking at it for certain lines - but it's not appropriate overall."

Use of credit information for insurance purposes still bothers Costle even though she accepts that a connection exists between bad credit history and accidents in some cases. Her concern remains for those consumers whose credit history doesn't have any connection with their driving record. "There is a subset of people whom it doesn't apply to," she offered.

The Internet poses regulatory concerns but then so do 800 numbers and call centers, according to the Vermont regulator. The problem is being able to determine if the individual on a phone or at a web site is licensed to sell insurance in Vermont.

Costle believes the solution is more and better consumer education. "The best thing we can do is more consumer education," she said. "We clearly can't monitor everything out there on the net. Consumers need to be educated so that they can protect themselves."

She hopes to soon provide consumer access on the department's web site to all licensed agents and companies.

Insurance Times: Conn. WC Insurers Seek Assigned Risk Rate Increase But Market Still Considered Stable

November 7, 2000, Vol. XIX No. 23

by Mark Hollmer
InsuranceTimes

HARTFORD - Seven years of decreasing workers compensation rates in Connecticut are about to end.

Advisory lost cost numbers won't change overall for the voluntary market but rates should rise an average of more than 12 percent for the assigned risk plan, according to the recent filing by the National Council on Compensation

Insurance.
Ken Christiansen, the NCCI's state relations executive, said his organization's latest filing does not necessarily mean workers compensation rates are heading for large increases after years of going the other way.
"I would say that the market is stable," he said, "but the years of the effects of reform have started to go away. You have certain benefit levels that increase annually a little bit you have medical inflation."
The Connecticut Insurance Department will hold a public hearing to address the filing on Nov. 14, beginning at 10 a.m. at the Insurance Department offices on 153 Market St.
In Connecticut's case, Christiansen said, the number of workers compensation claims is "pretty much flat" but the "cost of claims has started to go up."
Many states across the nation are facing small increases in similar situations, he said, and California has even been socked with an 18 percent rate increase.
John Cucci, the Alliance of American Insurers' executive vice president, northeast region, agreed.
"From what I understand, the claims costs are going up (and) medical costs have increased considerably as of 1998, so the rates have to be adjusted to reflect those rising medical expenses in Connecticut," he said.
New York is among states starting to experience a similar gradual increase, he said.
"The number of workers compensation claims submissions in New York were on the decline, but they recently took a turn upward," he said. "Payments for lost salary have been even but medical costs have started to escalate that's a situation that's going to have to be addressed here in New York (too)."
The NCCI, in its Connecticut rate filing conclusion, said "the latest national data show that workers compensation loss ratios are increasing.
"In many states," the rate filing reads, "efforts have been made to erode legislative reform, increase benefits and weaken the exclusive remedy provision in workers compensation. Some reports also indicate that the savings from reform, managed-care, safety awareness and fraud prevention may have begun to run dry.
"All these signs point to a workers compensation system that is in a state of change continued diligence is needed by Connecticut workers compensation stakeholders to ensure that the system remains strong and competitive."
Insurance Commissioner Susan Cogswell, in a written statement, pointed out that Connecticut rates have decreased 47.2 percent overall since 1993, and that this will be the first year without an overall proposed rate reduction.
The NCCI is proposing no overall change in the advisory lost cost for the voluntary market, but recommends a 12.2 percent overall rate increase in the assigned risk plan rate.
Assuming Cogswell approves the voluntary market loss cost filing, some industrial classifications for the voluntary market advisory lost costs will actually see small increases or decreases. Manufacturing loss costs, according to the filing, would rise 5.6 percent and contract rates would increase 3.1 percent. Office and clerical rates, however, would decrease 3.2 percent and goods and services will go down 1.7 percent. Farming and other miscellaneous professions would dip 6 percent.
The maximum individual loss cost increase within the manufacturing classification could reach 26 percent; with the maximum decrease at 14 percent.
And while overall rates for the assigned risk plan would rise, some individual employers' rates would actually decline, according to the NCCI.
Manufacturing involuntary market rates will drop 9.2 percent under the NCCI filing, but contracting rates are calculated to jump 6.6 percent. Proposed office and clerical rates would inch up just .1 percent, and goods and services rates in the involuntary market would increase 1.6 percent. Miscellaneous rates will dip slightly by 2.8 percent.

If approved, individual insurance companies can adopt the voluntary market advisory loss costs. To produce a final rate they would then add in their own expenses, profit and other relevant information.

Insurance Times: Maine, N.H., Vt. Ready Prescription Drug Purchasing Group

November 7, 2000, Vol. XIX No. 23

Three governors announce next move to lower drug costs by banding together to create nation's first regional purchasing alliance

by Mike Recht
Associated Press

CONCORD, N.H. - Govs. Jeanne Shaheen of New Hampshire, Howard Dean of Vermont and Angus King of Maine said the three states are ready to take the next step in a plan to lower prescription drug costs.

In July, they agreed to organize a regional buying pool to negotiate lower drug costs and to provide discounted prices, and now they are putting the plan out to pharmacy benefits management companies for bids.

First in Nation

They expect to review the bids in January, choose one in the spring and start the plan July 1. It would be the first multi-state drug-buying pool in the country.

The expectations are that it can add 10 to 15 percent in savings to previous plans, cutting 23 to 35 percent off prescription drug costs.

``Too many people are struggling to pay for the prescription drugs they need to stay healthy, and too often they can't afford them,'' Shaheen said in one of three news conferences held by the governors in their states.

``For businesses and governments, the increasing cost of prescription drugs is also straining budgets.

``The Northern New England prescription purchasing pool is a creative, common sense solution to a challenge facing all of our states,'' she said.

Save Taxpayers

She said it will save state government, taxpayers, businesses and uninsured people money.

``This is crucial in holding down the cost of prescription drugs, especially for seniors, who are literally having to make choices between buying food and paying for medications,'' Dean said.

King called it ``literally life and death.''

``I don't think there is any more important issue right now. What's really being purchased here is quality of life,'' he said.

``We've decided that you can get old waiting for something to happen in Washington.''

Shaheen echoed that observation.

``We can't wait for action at the congressional level or who gets elected president,'' she said.

King also said he thought the plan would continue to go forward even if Shaheen or Dean lost re-election bids.

The buying pool first would include Medicaid recipients in the three states,

about 330,000 people, then the hope is to open it later to such people as municipal employees, state workers and businesses, Shaheen said.
Jeff Trewhitt, spokesman for the Pharmaceutical Research and Manufacturers of America, a trade organization in Washington, D.C., representing about three-quarters of those companies, said the plan has potential.
``It depends on whether it involves the pharmacy benefit manager truly negotiating with pharmaceutical companies in the competitive, private marketplace,'' he said.
But he cautioned, ``We would have concerns if existing Medicaid programs would be combined with the PBM plan we think Medicaid is a well-established program that should remain separate.''
He said the companies also would have a problem if the plan is government mandated.
He said about 60 percent of the pharmaceutical marketplace involves managed care groups that, in most cases, negotiate good discounts for their clients. The manager of this plan would be in a position to do the same, he said.
Donald Shumway, the New Hampshire director of Health and Human Services, said the plan would not be combined with Medicaid. It would use one or the other, depending on which offers the best cost benefit.
In addition, he said the plan does not include any government mandate.
The states already have tried other plans on their own.

NH Discount
Last December, New Hampshire offered a senior discount of about 16 percent, but many pharmacies did not take part, and it was offered only in part of the state.
Three weeks ago, New Hampshire announced the SenioRX plan to offer deeper discounts to an estimated 72,000 people who individually earn less than $25,050. Shaheen seeks a federal waiver to create the plan.
Under the latest pool plan, the discounts would be paid by drug manufacturers and managed by a pharmacy benefits management company.

Insurance Times: Insurer Groups Back NY Claims Rule Change

November 7, 2000, Vol. XIX No. 23

New York - Changes in New York's no-fault auto insurance regulation (Regulation 68) will help prevent fraud and lower costs, according to an amicus brief the National Association of Independent Insurers and the American Insurance Association are seeking to file in the Appellate Division of New York State Supreme Court.
The brief seeks to support the state Department of Insurance's (DOI) appeal of a lower court ruling in June that overturned the new regulation. Also joining in the brief are State Farm Mutual Automobile Insurance Co., Nationwide Mutual Insurance Co. and the New York Insurance Association.
The regulatory change requires earlier notice of claims and health care billing in auto insurance cases aimed at reducing the number of fraudulent claims.
Trial lawyers and health care providers challenged the changes in court.
Backers of the change maintain it will save money without causing any hardship on claimants.

Insurance Times: Mass. Agents Agree To $1 Auto Commission Hike

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The State Rating Bureau, Attorney General's office and the Massachusetts Association of Independent Agents recently agreed to the deal as part of the state's ongoing annual auto insurance rate case.
Insurance Commissioner Linda Ruthardt and the hearing officer also signed off on the measure.
What this means is that agents will receive a $111.50 per vehicle commission for 2001, versus $110.50 in 2000.
MAIA announced the agreement in an Oct. 15 bulletin to agents, noting that the increase is the third in three years.
In its advisory filing, MAIA had asked for a $118.78 commission, which equals the $114.43 it originally wanted for 2000, trended forward using various trend factors.
Meanwhile, rate hearings are continuing. The AIB filing proposes 2001 rates that are about the same as this year, though guarantee fund assessments for Trust could change the number. The SRB wants a 14.1 percent rate decrease and the Attorney General's office is also seeking lower rates.
In its bulletin, MAI made mention of the "spirit of cooperation and willingness to negotiate demonstrated by the SRB, the AG and the Division of Insurance..."

Insurance Times: Insurer Ordered To Pay $100,000 Dog Bite Claim

November 7, 2000, Vol. XIX No. 23

QUINCY, Mass. (AP) - A dog bite four years ago may bring a Plymouth woman more than $1 million in damages.
Diane Moores was visiting the Marshfield home of Michael Callahan to give an estimate on seal-coating his tennis court when Callahan's dog Harley, a black Labrador retriever and German shepherd mix, bit her thigh.
Moores say she lost five pounds of flesh in the 1996 attack.
Since then, Moores has undergone several surgeries and skin grafts, but doctors have not been able to replace the flesh she lost.
Moores sued Callahan, and the Massachusetts Appeals Court ruled that the company that insures Callahan's Marshfield home must pay up to $100,000.
Callahan also has homes in Randolph and Tuftonboro, N.H. The companies that insure those homes have each agreed to pay $500,000.
Moores has separate lawsuits pending against Callahan and the Town of Marshfield.
In the three years before Moores was bitten, Harley bit two phone company workers, an insurance appraiser, a jogger, a UPS delivery man and a Greenpeace solicitor, according to the town's animal control officer.
He was put to sleep after attacking Moores.

Insurance Times: Federal Judge Puts Maine Drug Law On Hold

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PORTLAND, Maine (AP) - A federal judge has put Maine's pioneering prescription drug bill on hold, finding that the drug industry presented an ``overwhelming'' constitutional argument against the law.
The Pharmaceutical Research and Manufacturers of America, known as PhRMA, asked U.S. District Judge D. Brock Hornby for a preliminary injunction to keep the law

from taking effect until its constitutional challenge is heard.
The law would allow Maine to negotiate lower prices for 325,000 residents without insurance coverage for medications.
PhRMA, which represents about 100 U.S. drug companies, contends that the Maine Rx Program is unconstitutional because it would regulate transactions outside the state and because it conflicts with federal Medicaid law.
In granting the injunction, Hornby suggested that PhRMA has a strong likelihood of winning its federal lawsuit filed in August.
``For purposes of the preliminary injunction motion, the record is essentially undisputed. On that record, I find the plaintiff's likelihood of success on the merits of most of its constitutional challenges to be overwhelming,'' he wrote.

Insurance Times: Vermont Department Earns NAIC Accreditation

November 7, 2000, Vol. XIX No. 23

MONTPELIER - Vermont was among the four states at the recent Fall Meeting of the National Association of Insurance Commissioners (NAIC) that received second round accreditation certificates from NAIC's Financial Regulation Standards and Accreditation Program. The total of states receiving second round accreditation now stands at forty.
The accreditation program requires accredited state insurance departments to undergo a top-to-bottom review every five years to assure they still meet the baseline standards.
Following an analysis of the program by NAIC members and other interested parties, the membership adopted a revised set of Second Round Accreditation Standards that continue to emphasize the membership's commitment to strong financial regulation programs within the state insurance departments. The standards are considered more flexible and focus on critical solvency issues.

Insurance Times: Insurbanc Clears Major Hurdle; Officials Eye 2001 Start Date

November 7, 2000, Vol. XIX No. 23

OTS finally agrees application is complete

by Mark Hollmer
InsuranceTimes

InsurBanc, the IIAA's response to increasing bank competition, cleared a major hurdle recently and could open for business by early next year.
After two years of submitting documents and answering questions, the Office of Thrift Supervision decided recently that InsurBanc's application was complete. OTC approval would come next and is anticipated.
"Management is highly confident that the application will be approved," said Michael Herlihy, InsurBanc president and CEO since last November.
"We do expect to hear shortly, within a few weeks."

The Federal Deposit Insurance Corporation is also reviewing the application, and, Herlihy added "we're confident that we will receive good news from them," too.

In addition, the fledgling bank is already in the process of hiring its first six "management people" and is close to signing a lease for space in Farmington, Conn., where the bank will be based.

The Independent Insurance Agents of America has pushed for an association-affiliated bank for years to give agents a tool through which they can offer better and more diverse financial products. Organizing efforts kicked into high gear in 1996, when the IIAA invested $1.5 million in seed money. W.R. Berkley Co., a regional insurance holding company has also contributed $13 million in start up funds.

The OTC approval process has been a lengthy one, Herlihy said, and it began with more than 150 initial follow-up questions that were gradually addressed and whittled down.

Bank officials tinkered with their plan over time to address OTC concerns, Herlihy said, but "the primary function of the bank really remains the same" as far as scope, rollout of products and services and the bank's mission" to serve independent agents.

InsurBanc, once it opens, is intended to provide banking products and services to member agents and their customers, and employees.

The OTC granted a bank charter in a similar proposal earlier this year, to Assurance Partners Bank in suburban Indianapolis -- an outgrowth of The National Association of Mutual Insurance Companies.

Regulators had reservations about the proposal, but Assurance Partners addressed their concerns, particularly about how agents would refer business to the bank, and how the bank would be able to control independent agents' professional conduct relating to its services.

Similarly, OTC regulators have expressed reservations about how InsurBanc will work with independent agents, but Herlihy said the OTC is now satisfied with how the system will work.

"We addressed those issues through a comprehensive training program to make the agents aware of what policies are, and various consumer laws."

The goal of the InsurBanc training program, he said, will be to help agents "understand the process and understand rules and regulations involved in marketing and referring bank products."

William Berkley, of the W.R. Berkley Co. spoke briefly about the bank's progress following a breakfast speech at the CPCU Society, Central Massachusetts Chapter meeting held in Worcester on Oct. 19.

Berkley was asked about InsurBanc's status and said the bank should open for business by January.

"It will change the way insurance agents are perceived by customers," he said. "We think it is an exciting thing."

Insurance Times: Cell Phones Raise Public Safety Issues For Some Lawmakers

November 7, 2000, Vol. XIX No. 23

by Elisabeth J. Beardsley
State House News Service

BOSTON - Battle lines are forming up over the use of cell phones in cars, with

state legislators, Cellucci administration officials and industry representatives staking out their positions.
The Public Safety Committee appears poised to file legislation for the next session cracking down on yakking while driving. Critics say the distraction of dialing and talking leads to reckless driving and more accidents. The issue has been thrown into sharp relief since a driver allegedly talking on a cell phone struck and killed Medfield police officer Daniel McCarthy, a father of five, last month.

'Responsible' Bill
At an informational State House hearing, Senate Chairman James Jajuga (D-Methuen) announced that the committee would file a "comprehensive, responsible" bill in December. Noting that cell phones have proliferated from 500,000 nationwide in 1983 to over 100 million today, Jajuga wondered aloud whether the Bay State should "follow Suffolk County's lead." The New York county last week banned the use of hand-held cell phones in cars, authorizing a $150 fine for violations.
With two million wireless phone users in Massachusetts alone - that's one third of the state's population - Jajuga conceded that people love the convenience associated with their mobile phones. But there are more drivers, more registered cars and more traffic than ever before, not to mention road rage, he said.
"Throw into this mix the motorist that's using a hand-held cell phone, sitting in traffic, stop and go, he's frustrated, she's frustrated, they're dialing on the cell phone. They certainly can't be paying attention to the road, can they?" Jajuga said. "We're going to try to find a balance between consumer convenience and public safety."
But most of the testifiers urged lawmakers to step back from the regulatory brink, arguing that there's no conclusive evidence on the risks of cell phone use, that the benefits such as emergency communication are often ignored, and that rapidly evolving "hands-free" technology ought to solve many problems.
Using a cell phone while driving "definitely poses a risk," but that risk is much smaller than many commonplace encounters, said David Ropeik, director of risk communication for the Harvard Center for Risk Analysis, which conducted a study on cell phones this summer.

Risk While Driving
The risk of being killed while using a cell phone in a car is about 6.4 in 1 million - about half the risk of driving a small car instead of a big one, eight times less risky than driving without a seatbelt, and five times less risky than driving drunk once per month, Ropeik said. The risk of being killed by someone else using a cell phone is even smaller, at 1.5 in a million. That's 10 times less than the risk of being hit by a "large truck" and 15 times less than the risk a pedestrian will be killed walking down the street, he said.
In interviews with cell phone users, law enforcement and emergency personnel, the center found that wireless capability boosts workers' productivity, improves social networking and solidifies family connections, Ropeik said. Paramedics reported faster rescues because cell phone callers helped pinpoint crash victims, and police reported better luck catching drunken drivers and clearing accident scenes.
"The Harvard Center for Risk Analysis is neither for nor against cell phones while driving," Ropeik said. "We simply don't think there is enough reliable information yet to make an intelligent decision."
Cellucci administration officials also expressed reservations. Public Safety Secretary Jane Perlov said that in all the time that she was responding to accidents as a New York City cop, she never concluded that cell phones were a primary factor. Existing evidence is "basically anecdotal," she said. People do lots of dangerous things in their cars, like tweeze their eyebrows or read the

newspaper, she said. "I think it's premature to put legislation at this time," Perlov said. "What we want is quantitative data on both the benefits and risks of cell phone use."
State Police Colonel John DiFava said that of the 21,127 car accidents his department investigated in fiscal year 2000, only one was directly attributable to a driver using a cell phone. That works out to less than five one-thousandths of 1 percent. DiFava said police have plenty of laws at their disposal, including reckless driving, marked lanes violations, care in turning, care in stopping, and a law requiring drivers to keep one hand on the wheel while using a mobile phone or citizen band radio. "There's thousands of reasons to stop and cite a motor vehicle," DiFava said. "If people are acting in an inappropriate manner on a cell phone, they can be cited by a police officer."

RMV Testimony
While distractions such as drinking coffee, smoking cigarettes and switching radio stations have come to be par for the course, the novelty of cell phones makes them an easy target, said Registrar of Motor Vehicles Dan Grabauskas. Likening proper cell phone usage to adjusting speed according to weather conditions, Grabauskas said, "common sense really has to be the order of the day."
"It ought to be allowed, but conditions both inside and outside the car ought to be taken into account," Grabauskas said. "Technology's likely to be the solution to this whole thing."
At Jajuga's request, Grabauskas promised to incorporate industry videotapes of cellular safety tips into the driver education courses that all young drivers are now required to take.
Representatives from six wireless companies told lawmakers they support state efforts to gather data on all forms of driver distraction, but said drivers should not be compelled to switch to hands-free phones, which can cost several hundred dollars. The companies said they want to continue their own consumer education efforts, and develop newer, cheaper technologies. "We don't think it's fair to punish responsible drivers. We believe our customers should have the option to pick what's best for them," said Thomas Welton, director of public affairs for Cellular One. He added that legislating phone design is virtually impossible because, "Three years from now, I don't know what a phone's going to look like."
Verizon Wireless is the exception to the industry's position. Verizon supports statewide legislation mandating that cell phones in cars be "hands-free." Verizon's support hinges on certain conditions, however, including an "explicit" exemption for emergency calls, uniform statewide applicability, a three-year phase-in period, and penalties no greater than current "careless driving" charges.

Insurance Times: Lumber Insurance Latest Mass. Insurer To Enter Receivership; Sale Or Run-Off Expected

November 7, 2000, Vol. XIX No. 23

The company has reportedly struggled for months and attempted to find a merger partner

by Mark Hollmer
InsuranceTimes

The receivership ax fell on Lumber Insurance - a 100-plus-year old Framingham company - last week as InsuranceTimes went to press.

Division of Insurance officials and the Attorney General's office filed a receivership petition with the Supreme Judicial Court on Nov. 1.

A judge appointed Insurance Commissioner Linda Ruthardt as receiver late that afternoon.

The petition calls for cancellation of the company's 16,000 remaining policies in force across the country by the end of the year, according to DOI Spokesman Christopher Goetcheus.

Formed in 1895, the company offers insurance for the lumber industry through Lumber Mutual and North American Lumber, and offers commercial insurance to New England businesses through SEACO Insurance Co.

All branches are known collectively as Lumber Insurance Companies on the company's web site, www.lumberins.com. Lumber Insurance employs 175 people in Framingham and 250 across the country.

Goetcheus said the receivership would try to manage the company's assets, pay claims, and attempt to determine if Lumber Insurance can be sold. If not, the company would be run-off - which means its business would face a gradual winding down and closure.

But a run-off isn't the same as liquidation, Goetcheus said, because the guarantee fund isn't required in that case. And the DOI won't be heading down that road just yet.

"At this point and time we don't anticipate needing the guarantee fund," he said. This "could be subject to change further down the road, but we don't anticipate a liquidation order in the immediate future."

According to the receivership request, Ruthardt has been conducting an examination of the company since the middle of this year.

Lumber Insurance's troubles come from a number of areas, according to the request documents.

Among the DOI's concerns:

• Lumber Insurance lost its reinsurance as of the end of this year.

• The company reported a $39.2 million surplus as of Aug. 31, which is a $17.7, or 31 percent drop since Dec. 31, 1999. In 1999, the company reported a $32 million, or 36 percent drop in surplus.

• As of August, Lumber Insurance reported a net loss of $884,859, and DOI officials believe the company "will continue to incur operating losses throughout the remainder of 2000," according to the receivership petition.

• In light of the financial examination of the company, Ruthardt concluded that Lumber Insurance's surplus wouldn't be enough to keep the company going without receivership.

• A.M. Best was expected to downgrade its rating of Lumber Insurance's financial condition to "C" or weak.

"Such a downgrade will make it extremely difficult for (Lumber Insurance) to retain desirable business and obtain reinsurance at rates which will permit them to operate profitably," the receivership request read.

Right now, the company's web site lists its rating as B++, or very good.

Lumber Insurance has apparently struggled for months, and hired an investment banker to look for an investor or company with which to merge, according to the receivership request.

Back in March, Lumber Insurance brought in a former bank president -- Neal Finnegan - as its new president and chief executive officer.

Finnegan was the former chairman and CEO of U.S. Trust Co.

Lumber Insurance's pending receivership follows the ongoing liquidation of Trust Insurance and the pending liquidation request for New England Fidelity.

Insurance Times: MAIA To Administer CIC, CISR Programs
November 7, 2000, Vol. XIX No. 23

New England insurance agents will no longer have to call a Texas number to set up some of their professional classes.
The Massachusetts Association of Insurance Agents (MAIA) has expanded its collaboration with the National Alliance for Insurance Education and Research, which for years has administered Certified Insurance Counselor and Certified Insurance Representative courses in New England.
Now, the Texas-based National Alliance will cede that job to the MAIA. In addition, the MAIA will administer Certified Risk Manager courses and the Dynamics series of programs.
"We will be taking over that role for them," said Frank Mancini, the MAIA's executive vice president.
The switch begins this January.
"To most agents it will be invisible and in some cases where an agent may have called an 800-number in Austin to get information they'll call an 800-number in Framingham to get information," Mancini said.
For more information, visit www.scic.com

Insurance Times: IIAA Urges Clinton To Sign Tax Package With Installment Sale Feature
November 7, 2000, Vol. XIX No. 23

WASHINGTON, D.C. - A tax-cut package with small business tax relief, retirement-savings boosting measures and health-care incentives has been approved by Congress but faces an anticipated presidential veto.
The proposal offers considerable benefit for a wide swath of people, including independent agents, says the Independent Insurance Agents of America (IIAA) Executive Vice President Robert A. Rusbuldt.
The House approved the omnibus tax, retirement incentive and health care legislation by a 237-174 vote, clearing the bill's path to the White House where President Clinton already has said he will not sign the bill into law.
In a letter sent to House Speaker Dennis Hastert (R-Ill.) and Senate Majority Leader Trent Lott (R-Miss.) Clinton outlined White House concerns with the bill's Medicare/Medicaid, school construction, health care, and pensions provisions. In the letter's primary message, Clinton said: "If this current tax and Medicare/Medicaid package is presented to me, I will have no choice but to veto it."
"This legislation contains several very important provisions for independent agents and other small business owners," says Rusbuldt. "We applaud Congress for completing its work on this complicated but nonetheless important package, however, we are deeply troubled that the Administration will not support the proposal. We believe the bill to be a delicate balance between meeting the needs of small business people while at the same time maintaining fiscal discipline."

Agent Highlight
The highlight of the package for independent agents is the reinstatement of the installment sales method for tax purposes. The so-called installment sales

method was repealed late last year. This repeal required the immediate payment of all taxes owed even if the seller receives installment payments over several years.

IIAA has been leading an effort on Capitol Hill to reinstall the availability of the provision, which would allow business owners to sell their entity for a series of payments and pay the taxes as the money is received. A proposal to accomplish reinstatement has garnered significant support in both chambers of Congress, but has been relegated to inclusion in this omnibus tax bill instead of being moved on its own through the legislative process.

"The reinstatement of the installment sales method is a top priority for independent agents and thousands of other small business owners across America," says Maria L. Berthoud, IIAA vice president of government affairs.

"It is both unfortunate and tragic that this critical provision is being caught in the crossfire from the controversies surrounding other proposals.

"Many small business sales are on hold because of the negative impact the repeal of the installment sales method has had on the tax side of the equation," continues Berthoud. "Until Congress and President Clinton are able to break this logjam, current and prospective small business owners will continue to be punished and sales of existing enterprises will come to a stand still. This will only lead to stifling of the American economy, which any novice economist knows is driven by small business."

Other Provisions

The bill also includes several retirement security provision backed by IIAA. These provisions would raise IRA limits to $5,000, increase contribution limits for 401(k)-type plans to $15,000, increase portability of retirement plan assets making it easier for employees to roll over assets when they change jobs, and simplify pension system to encourage small businesses to offer pension plans.

"The simplification of the pension system would mean that more small businesses will be able to offer retirement security to their workers," explains Rusbuldt.

Other proposals contained in the bill include providing immediate 100 percent deductibility for health insurance for the self-employed, creation of a health care deduction for people who purchase health care outside of their employer, a substantial deduction for long-term care expenses, and a $1 raise in the minimum wage over a two-year period.

"IIAA calls on Congress and the Administration to iron out the dividing issues in this tax-cut package," says Rusbuldt.

Insurance Times: Federal Privacy Comments Open Until Dec. 4

November 7, 2000, Vol. XIX No. 23

WASHINGTON (AP) - Federal regulators are seeking public comment on rules spelling out how banks, brokerages and insurers under the same corporate roof must give customers the right to block them from sharing personal financial data.

An example: banks would not be able to deny consumers credit or charge them higher interest because they asked for their data not to be shared.

The new rules were published October 20 by the Federal Reserve, the Federal Deposit Insurance Corp., the Office of the Comptroller of the Currency and the Office of Thrift Supervision.

Comments from the public are due by Dec. 4.

"You have a very limited right to privacy'' under the new rules, said Edmund

Mierzwinski, consumer program director for Public Interest Research Group.
Under the proposed rules, financial companies wishing to share customer information with affiliated firms must first give consumers a notice telling them of their right to block such sharing by written request, the release says.
They also would be required to give consumers "a reasonable opportunity and convenient means to exercise this right,'' it says.
In contrast, consumers would not have the right to prevent the sharing of their checking account history and other data related to transactions.
The banking industry is "going to look at this a little bit harder and participate in the rule-making process,'' said Catherine Pulley, a spokeswoman for the American Bankers Association.
Supporters of the change, including the Clinton administration, have said one-stop shopping for checking accounts, loans, insurance policies, mutual funds and other investments will save American consumers some $15 billion a year in fees and commissions and give them greater choice and convenience.
But consumer groups and privacy advocates have worried that, for example, people applying for loans from their banks could be turned down because the loan officer found out from the affiliated insurance company that the applicant has cancer or AIDS.
Newly affiliated banks, investment firms and insurers want to share customers' personal data because it can help them find potential customers for new products in their marketing campaigns.
Comments on the proposed rules can be sent to Mary M. West, Federal Reserve Board Clearance Officer, Mailstop 97, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Insurance Times: Berkley: Cut Expenses And Add Technology

November 7, 2000, Vol. XIX No. 23

Change creates opportunity for those who are prepared, W.R. Berkley founder tells CPCU chapter

by Mark Hollmer
InsuranceTimes

WORCESTER, Mass. - Eliminate duplication of expenses, slash overhead costs and adapt to modern technology.
In short: change or get run over.
That's what businessman William Berkley says is needed to successfully sell insurance into the future and keep companies competitive.
"Distribution is too expensive," said Berkley, founder of the W.R. Berkley Corp. and chairman of many of the billion-dollar company's subsidiaries.
Berkley talked about the future of insurance distribution during an Oct. 19 speech before the Central Massachusetts Chapter of the CPCU Society, at the Holiday Inn in Worcester.

Distribution Costs
According to Berkley, insurance distribution eats up about 20 percent of a company's budget, but technology and competition can help reduce that figure in a number of ways.
"Companies spend billions marketing policies to agents and insurers (on paper). In a day of electronic movement of information it's a huge waste," Berkley said.

But the ability to deliver products and insurance information over the Internet will lower overhead by reducing the use of paper, Berkley said, and "low-cost administration will deliver value to customers."
Brutal competition between phone companies is also helping insurance companies, Berkley said, as telephone costs continue to decline.
"They're down 50 percent now and going lower," he said.
An audience member asked about the progress of InsurBanc, the national bank spearheaded by the Independent Insurance Agents of America and other investors. (See related story.) Berkley is a major investor in the project.
InsurBanc is close to final approval and could be open for business by January, Berkley said. Agents will use the bank to sell a broad arrange of products to customers, like bank credit cards.
"It will change the way insurance agents are perceived by customers," he said.
Berkley said InsurBanc is a good example of how an insurance company's distribution system must be modern because it "needs to compete with banks."
In addition, Berkley urges companies to look at general distribution costs and eliminate duplication of expenses. The factor doesn't affect agents per say, but lower overhead will allow agents to "make more money by keeping service high," he said.
Berkley is trying to follow his own advice. He said his own company is switching to heavy use of the Internet, and the electronic system will benefit affiliated independent agents.
"Agents with Berkley won't have to keep any files," he said, adding that other companies will likely follow.
In the end, Berkley offered some general recommendations for insurance professionals faced with changing technology and growing competition.
"I can tell you to be thoughtful examine what's going on (and) identify your needs," he said.
And then, Berkley said, insurance professionals should ask themselves: "is my business structured to meet those needs?"
The modernized distribution of insurance products, through the Internet or other means, is good in the long run, Berkley said.
"These are exciting times. Change creates opportunity and you've already taken (some of) those steps.
"We are fortunate to be in a society that rewards independent performance and the ability to deliver," he said.
Overall, Berkley said, insurance professionals should keep looking ahead, anticipating change and seeking ways to do their business more efficiently.
"Change is what this is all about," he said. "What you need is to be armed and thinking."

Insurance Times: OpinionExchange
November 7, 2000, Vol. XIX No. 23

The Independent Insurance Agents of America should be commended for its recent minority outreach efforts at its annual convention, where Rev. Jesse Jackson addressed a Big I audience that included members of the National African-American Insurance Association and the Latin-American Association of Insurance Agencies.

Figures from IIAA's most recent Future One study highlight why the industry and IIAA must do more to reach out to women and minorities.

The good news is that more women and minorities are owning agencies. Agency ownership by women has increased by about 25 percent.

But whites still own 81 percent of agencies. Only 6 percent are now owned by Latino/Hispanic owners, 3 percent by Asian Americans and 1 percent by African-Americans.

As Jackson said, reaching out to minorities is not just the morally right thing to do, it's also smart business.

He maintained that blacks, Hispanics and other minorities represent an $800 billion insurance market waiting to be served.

They are also waiting to be trained for insurance jobs and groomed for agency ownership in an industry that needs diversity in its ranks.

"If we are going to insure the world, we have to know who they are," Jackson told agents at their meeting in Orlando.

Setting aside race, just who are today's independent agencies?

The Future One study paints a rather surprising picture.

While not exactly Generation Xers, independent agency owners are also not as old as they used to be, according to the Future One study.
That's because more young people have been getting into the agency business. Two-thirds of primary agency principals are between the ages of 45 and 64, four years ago 89 percent of agencies were run by owners between the ages of 55 and 69.

How big are today's agencies? Well, while there are more larger agencies with multiple locations than ever before, not all are large businesses. Some 64 percent of agencies have annual revenues less than $500,000, according to the study.

The study also contradicts the notions that no new agencies are being started. While the overall number of agencies declined slightly due to mergers, of the total 42,000 independent agencies in operation, 17 percent of all agencies were established since 1995 and about 8 percent in 1999 alone.

For the most part, the study shows that these are good times for independent agencies. The decline in agencies has stopped. More agencies are growing, hiring and changing.

The question raised by Rev. Jackson and others is whether independent agencies can continue to grow, hire and change without further embracing the diversity of America.

In his inaugural speech, new IIAA President Bill Hofmann vowed to "leave no agencies" behind as the association helps its members meet today's challenges of education, markets, technology and regulation.

Hopefully, the IIAA and its state affiliates will seize the spirit of their uplifting convention to also develop actual programs to encourage more minority ownership, hiring and marketing, thereby leaving no opportunities behind.

Insurance Times: NY Enacts Law Creating Life Broker's License

November 7, 2000, Vol. XIX No. 23

by Mark Hollmer
InsuranceTimes

Until recently, only agents could sell life insurance and annuities in New York; brokers were not allowed.

That all changed on Oct. 4, when Gov. George Pataki signed a new law that creates a broker's license to sell life insurance and other related products, including annuities; disability, accident or health coverage, and HMO contracts and legal services insurance.

The law actually becomes effective in April.

New York consumers have always been able to buy property casualty products from either agents or brokers, but were restricted to agents for life insurance.

The New York Association of Financial & Insurance Advisors (formerly NYSALU) was a big supporter of the change.

Potential Brokers

According to Benjamin Brewster, the association's director of government affairs, the change may not affect a whole lot of potential brokers because many agents deal with a number of carriers, which makes them de facto brokers anyway.

The impact of the new law, he said, "may not be tremendous" but it is of some significance to some people.

"There are a growing (number) of men and women in the life insurance business who have no company affiliation (and) it gives them capacity under the law to act on behalf of insurers without being licensed with them."

Brokers can legally list and make quotes for a person from a company they're not licensed with yet, but agents must be licensed first with all companies they deal with.

The Professional Insurance Agents of New York detailed the new law in a recent news release.

According to PIANY, there is overlap between the new life broker license and the current property/casualty broker license, because the latter "allows the licensee to broker 'any and every kind of insurance, except life insurance and annuities."

A property/casualty license will still be available, according to the agents association.

Persons are eligible for a life broker's license if they've been licensed to sell life, accident and health insurance for at least five years.

Anyone applying must take a 40-hour licensing course, versus the 90-hour version for the property casualty broker license. But work experience can be counted in place of the course.

The New York Insurance Superintendent can also waive all or part of the exam depending on the applicant's professional designations or academic degrees.

Insurance Times: MEMIC Reports 'Great' Progress In NH Market

November 7, 2000, Vol. XIX No. 23

MANCHESTER, N.H. - Officials at MEMIC Indemnity Co. are pleased with their early success in introducing New Hampshire employers to the safety, loss control and claims services championed by its Maine parent, Maine Employers Mutual Insurance Co. (MEMIC).

MEMIC brought in former Wausau Insurance Co. executive Russ Shakelford to be the chief operating officer of MEMIC Indemnity. John Leonard, MEMIC's president and chief executive officer, has assumed the same positions in the subsidiary.

MEMIC Indemnity wrote its first account August 31 and since then has added 12 to 14 additional accounts totaling just over $1 million. Shakelford said the accounts include "one large account with the balance being a mix of small and medium-sized accounts."

According to Shakelford MEMIC Indemnity is not only "on target for where we want to be come January," but also is actually "ahead of where we expected to be at this point. We are very pleased with the size of the accounts we have and with what we're also getting in. Our progress is great and I am elated."

MEMIC Indemnity has appointed about 15 agents throughout New Hampshire and Shakelford thinks that this is about the right number for now. "We're very well represented throughout the state with the possible exception of the southwest corner," he said.

The Manchester office has been staffed with an underwriter, a claim representative and a loss control representative. Shakelford calls these people "the New Hampshire connection" to the full MEMIC resources in Portland, Maine. But, he hastened to add, these representatives are attuned to the New Hampshire market and issues while having all the tools and resources of the Portland operation at their fingertips - something that has been the big selling point, Shakelford said.

Insurance Times: Specialty Insurance Adds Hospitality Package

November 7, 2000, Vol. XIX No. 23

Specialty Insurance, Of Brielle-N.J., has added A- rated Republic Western Insurance Co. for hospitality accounts. Accounts in the program include restaurants, taverns, bars, pizza parlors, caterers, fast foods, hotels/motels and others.

Specialty Insurance has written more than $300 million in profitable premium volume in this niche market since 1984, making it the longest running program in the country.

The new package policy is available through appointed brokers in 13 states, including Connecticut, Delaware, Illinois, Massachusetts, Maryland, Maine, Michigan, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont.

The coverages include property; general liability and liquor legal liability with limits of $1 million per occurrence/$2 million aggregate; business income; crime; employee dishonesty; inland marine; employee benefits; and umbrellas up to $2 million. In addition, a Plus D Endorsement is available that adds 21 different enhancements, such as money and securities, mechanical breakdown, EDP equipment systems breakdown, back-up of sewer/drain; accounts receivable, extra expense, ordinance or law, outdoor signs, fine arts, fire department service charge, building glass and property in transit.

For additional information, call 1 800 836-1400 or fax 732 223-4676.

Insurance Times: Five Agencies Join Gencorp Insurance Network

November 7, 2000, Vol. XIX No. 23

EAST GREENWICH, R.I. - The Gencorp Insurance Network recently added five new affiliates to its network throughout New England.

The new independent agencies in the Gencorp family are Northgate Insurance, Springfield, Mass.; Lynch & Conboy, Brockton, Mass.; A to Z Insurance, Hamden and Hartford, Conn.; D.W. Mughmaw, Rindge, N.H. and McShea Insurance, Hyannis, Mass. Gencorp currently has affiliates with close to 50 offices writing more than $100 million in premium across New England.

Insurance Times: XL Unit Targets Weather Insurance Products

November 7, 2000, Vol. XIX No. 23

Hamilton, Bermuda- XL Capital Ltd. has formed a new unit, Element Re, to provide weather risk management insurance, reinsurance and financial products. Element Re will offer customers a range of non-catastrophic weather risk mitigation products designed to protect against the negative impact that normal weather fluctuations can have on the financial performance of companies operating in a variety of industries.

Initially, energy and utility companies were the primary market for weather-related risk management products, company officials said. Now, companies from agriculture, construction, retail, transportation and entertainment are realizing the effects weather can have on the bottom line.

Visit www.elementre.com

Insurance Times: Software Tracks Home Improvements, Valuables

November 7, 2000, Vol. XIX No. 23

Innovative Software has released Version 1.0 of The Complete Home Journal, a program for Windows that allows homeowners to organize their home improvement project details and keep an inventory of everything they own.

The software allows the homeowner to easily track any improvements to the interior, exterior and mechanics of their home from window treatments to a kitchen or bath remodel. In addition, a complete inventory of everything in the home can be kept either by room or category. Detailed reports can also be created for the home journal and inventory information which can be a valuable tool for home resale and insurance purposes in case of a loss.

Homeowners can print detailed reports to keep in a safe location such as their safe deposit box.

The Complete Home Journal can also handle multiple homes, making it useful for keeping track of a vacation home or investment property.

Visit www.thehomejournal.com.

Insurance Times: IVANS Focus Group
November 7, 2000, Vol. XIX No. 23

Small businesses look to agents for help buying coverage over the Web

GreenwicH, Conn. -Trust and lack of customer service functionality are the major factors blocking small business owners from obtaining business insurance online, according to a study and focus groups conducted by IVANS, an e-business integrator for the insurance industry.

Only four percent of those surveyed said they would definitely buy business insurance online; while more than half (51%) are interested in researching business insurance online.

The role of the agent will be important, the focus group participants said, in guiding small business owners through online transactions and extending the trust of traditional agent/customer relationships to the Web.

As the fastest growing part of the United States economy, and one that is becoming increasingly connected to the Internet, small business owners represent an untapped market for online business insurance. Small business owners said they are happy with traditional channels, however, they would like their agents to move to the Web where both agent and customer could access information more easily 24 hours a day, seven days a week.

Untapped Market

"When it comes to small business insurance, customers rely on insurance agents to inform them of their options," said Clare DeNicola, IVANS vice president of sales. "Agents need to develop an Internet presence now to meet the growing demands of this untapped market. As comparative shopping and bidding via the Web becomes more common, agents and companies will need to be able to participate, respond, and keep pace with the process."

The focus group participants echoed findings from IVANS Storefronts on the Internet survey conducted earlier this year among 250 small business owners. Both survey respondents and focus group participants said they perceived online business insurance to be better than traditional methods in several respects, including filing claims and policy changes. Currently, the focus group participants said claims and renewals are typically handled by phone and fax, although some were communicating with their agents occasionally by e-mail.

Overall, the focus group participants were open to the prospect of using e-mail more extensively to communicate with their agents or insurance companies and predicted the Web and phone communications would be the primary methods for researching, comparing, selecting, and maintaining complicated business insurance policies. They also envisioned that in the not-too-distant future the ability to research or purchase "standardized" types of business insurance via the Web.

Transactions Sought On Web

For now, survey respondents said accessing policy information (59%) and billing inquiries (56%) topped the types of transactions they would like to conduct via the Internet, with the ability to make policy changes (46%) and claims/notice of loss (44%) following closely behind.

"A well-focused Web site has the potential for playing a critical role in conveying expectations of relevant expertise and responsive service to both current and potential customers," explained DeNicola. "Companies and agents who excel in small business insurance have the opportunity to powerfully reinforce and extend their expertise via the Web. For instance, small business owners should have the opportunity and convenience to download insurance certificates or e-mail policies for review."

Many questions resulting from the complexity of business insurance, small business owners say, pose a higher risk of failing to acquire appropriate coverage via the Web. The lengthy applications online currently make an already complex transaction more difficult, therefore, small business owners say they seek the knowledgeable, responsive service of their agent to guide them through the process. But knowing they are dealing with a "real person" presents another issue. Small business owners said they would need to authenticate the identity of their agent in order to have the trust necessary to conduct business insurance transactions online.

Traditionally, those who had experienced business growth or changes in business conditions, had concerns about cost, or were disappointed with the expertise or responsiveness of their agents, did not hesitate to "comparison shop," typically by allowing other agents to review their current polices and submit alternative recommendations.

"The amount of time spent on billing inquiries does not facilitate productivity for agents and carriers," added DeNicola. "If billing inquiries could be pushed out to the end user via the Internet, time and cost savings and improved customer satisfaction would likely result. The bottom line is if agents and carriers are not positioned to provide the service desired, small business owners will click somewhere else for their answer."

Small business owners participating in the study and focus groups represented retail and personal services, such as dog kennels, building repair shops, photographers, and delicatessens.

Insurance Times: Population And Wealth Drive U.S. Flood Damage Costs, New Study Finds

November 7, 2000, Vol. XIX No. 23

BOULDER, Colo. - Societal changes, much more than increased precipitation, spurred a steep rise in flood-damage costs in the United States over much of the past century, according to a new study published October 15 in the Journal of Climate.

U.S. annual flood losses, adjusted for inflation, rose from $1 billion in the 1940s to $5 billion in the 1990s.

Important Role

"Climate plays an important but by no means determining role in the growth of damaging floods in the United States in recent decades," write the authors, Roger Pielke Jr. and Mary Downton, both of the National Center for Atmospheric Research. NCAR's primary sponsor is the National Science Foundation.

Pielke and Downton examined 10 different measures of precipitation. They found a strong relationship between flood damage and the number of two-day heavy rainfall events and wet days. They also found a somewhat weaker relationship between flood damage and two-inch rainfall events in most regions. However, these relationships could not explain the dramatic growth in flood losses, according to the authors.

Precipitation

In a series of recent articles, including this one in the Journal of Climate, Pielke, Downton, and colleagues looked at the role of increasing precipitation, population, and national wealth. They found that population growth alone accounts for 43% of the rise in flood damages from 1932 to 1997, with a much smaller effect from increased precipitation.

"Most of the other 57% increase is due to burgeoning national wealth," says Pielke. Downton's work suggests that more detailed disaster reporting also contributes to the trend.

Climate scientists have observed a rise in precipitation in some areas of the United States and elsewhere over the past century. The Intergovernmental Panel on Climate Change (IPCC) has written that a warmer climate could lead to more heavy-rain events. The Pielke-Downton paper found that flooding increases with precipitation, depending greatly on the time and location of the rain or snowfall. However, "even without an increase in precipitation," they write, "total flood damage will continue to rise with the nation's growing population and wealth unless actions are taken to reduce vulnerability."

Pielke, a political scientist, has often stated that his work "is consistent with the conclusions of the IPCC," whose consensus view is that the earth's climate is changing at least partly because of human activity. "But," he argues, "debate over the science of global warming need not stand in the way of effective actions to better address climate impacts."

"We know enough to act now," said Pielke in a recent presentation at NCAR. "We can manage spiraling flood costs without waiting for precise answers from climate change research. In this sense the debate over global warming misses the mark." Disaster mitigation policies regarding floodplain management are already in place and can curtail the rising costs, he said.

Globally, between 1970 and 1995 floods killed more than 318,000 people and left more than 81 million homeless. During 1991-95 flood related damage totaled more than $200 billion worldwide, representing close to 40% of all economic damage attributed to natural disasters in that period.

Contact the National Center for Atmospheric Research at 303-497-8604, or fax, 303-497-8610.

Insurance Times: Medical Fraud, Staged Auto Accidents, WC Scams Top Fraud Concerns

November 7, 2000, Vol. XIX No. 23

DES PLAINES, Ill. - Medical fraud rings, staged auto accidents, arson, and workers compensation scams top the list of fraud concerns for the nation''s insurance companies, according to a recent survey compiled by the National Association of Independent Insurers (NAII).

In working toward the development of its National Insurance Crime Training Academy (NICTA), NAII -- along with the National Insurance Crime Bureau (NICB), the FBI Academy, the National White Collar Crime Center, the International Association of Special Investigative Units (IASIU), and other public-private groups -- surveyed more than 350 insurers about what they wanted from NICTA.

Respondents included AIG Specialty Auto, GEICO, Harleysville Group, Kemper Insurance, Liberty Mutual, MetLife Auto & Home, Progressive Insurance Company, SAFECO, State Farm, The St. Paul, Travelers, and USAA.

Common Bond

"While NAII is taking the lead on NICTA, the companies that are committed to becoming involved with NICTA transcend NAII membership," said John G. Eager,

director of claims services for NAII. "Active NICTA participants and survey respondents include insurers of all sizes, locations and specialties. The common bond is a determination to eliminate insurance fraud."
NICTA is a not-for-profit partnership between private entities like insurers, and public entities including the FBI and the National White Collar Crime Commission. NICTA's initial anti-fraud training, which will incorporate distance learning with hands-on training for law enforcement and insurance investigators, will focus on improving the detection, investigation, and prosecution of organized insurance crime. Online and "live" courses should be available early next year.

Order of Importance
Survey respondents ranked the following fraud concerns in order of importance:
* Medical fraud rings. More than 78 percent of respondents rated medical fraud rings as "very important" for NICTA to address.
* Staged accidents. Almost 71 percent of the respondents considered auto physical damage and staged accident "very important."
* Crime committed by organized groups. Almost 64 percent of respondents considered this a "very important" concern.
* Arson. For homeowners' arson, 44.6 percent of respondents considered arson a "very important" problem, and 33.3 percent viewed commercial dwelling arson as "very important."
* Workers compensation fraud. More than 35 percent of respondents ranked capper/runner investigations as "very important" in preventing fraud.
* Vehicle fires, slip-and-fall schemes, insider fraud. Respondents who ranked these type of fraud as "very important" at 40 percent, 32.3 percent, and 32.3 percent, respectively.
Other concerns rated "very important" by respondents included catastrophe fraud (26.2 percent), cyberfraud (15.4 percent), and contractor fraud schemes (9.2 percent).

Investigation Methods
Survey respondents were also asked about which investigation methods they considered to be most important to their companies. For the following types of fraud, respondents considered the following types of anti-fraud training as most important, in a range from 1 to 5 (highest to lowest):
* Medical fraud. Illegal activity involving medical clinics was ranked most important at 1.7.
* Staged auto accidents. Claim pattern analysis was ranked most important at 1.7.
* Arson. For homeowners, determination of fire origin and cause, 2.1; for commercial dwellings, scene investigation involving lack of verifiable contents loss, 1.6.
* Crime committed by organized groups. Russian Mafia rings were ranked at 1.9.
* Workers compensation. Medical claim analysis involving extensive or unnecessary treatment for minor subjective injuries was ranked 2.0.
Finally, respondents were asked about type and cost of training they preferred. On delivery, more than 41 percent preferred a traditional classroom structure, while 28.4 percent wanted self-taught, with interactive CD, and 24.2 percent preferred Internet study. On cost, more than 27 percent assumed that each ten-week class should range from $101 to $200; 15.3 percent expected to pay $302 to $300; 11.9 percent expected $50 to $100 per course; 10.2 percent expected to pay more than $300; 8.5 percent said courses should top out at $49; and 27.1 percent were not sure.
"The needs assessment survey is an invaluable blueprint for NICTA to develop, deliver and price its course offerings," Eager said. "It will provide us with a clear idea on what direction to take in the development of an organization to

serve everyone involved."
NAII, based in suburban Chicago, represents property-casualty insurance companies.

Insurance Times: Deer-Auto Collisions Cause 120 Deaths

November 7, 2000, Vol. XIX No. 23

NEW YORK - The months of October through December are the most prevalent times when deer-auto collisions take place. Last year, 750,000 deer-vehicle accidents occurred nationally, up from 500,000 the previous year. These accidents resulted in 120 deaths, thousands of injuries and more than $1.2 million in property damage.
Deer/auto collisions cost the auto insurance industry about $2,000 per claim, according to the Insurance Information Institute (III).
The deer population has proliferated, according to the Insurance Information Institute.
In the 1980's the deer population was approximately 10 million. Today, there are more than 25 million. Losses due to deer and car encounters will only increase as the deer population continues to grow and urban habitats encroach upon rural environments.

Insurance Times: 7 Essential Questions Shaping Future Of Workers Comp

November 7, 2000, Vol. XIX No. 23

by Bill Schrempf
President and CEO
National Council on Compensation Insurance

In the summer and early fall of each year, those of us located in South Florida begin to scan the skies anxiously and we never venture far from a radio or television for fear that we might not learn of an approaching hurricane.
That same nervous sense and worry of an impending storm on the horizon might also be applied to the current situation in the workers compensation insurance market. Certainly, storms are brewing in the marketplace - with perhaps the darkest clouds and strongest winds since the very conception of workers compensation insurance as a national standard.

Year 2000 Environment:
A Time of Major Change?
Of late, there have been a significant number of market events and trends that we have been tracking at NCCI - all with the ability to have a significant impact on the nature and future of workers compensation. Among the most pronounced trends that we have been following are:

- New calls for comp benefit increases
- Proposals to roll back reforms
- Attacks on managed care
- Privacy goals that could limit ability to manage claims

- Federalization proposals
- Rapidly rising loss costs
- Challenges to Comp as the sole remedy for injured workers
- Inadequate returns and deteriorating profits for insurers

These changes could not come at a worse time for most insurers. Over-capacity and aggressive competition has resulted has led to deep price discounting - in many cases to levels that are simply unsustainable if a company is to realize a return anywhere near its cost of capital. For example, NCCI estimates that the in-force book of Comp business in 1999 produced a 9% loss of surplus. By contrast, the current cost of capital is probably in the neighborhood of 12-15%.

In addition to the above concerns, some of the most fundamental assumptions of the social contract under which Comp was created are being called into question. In fact, from our perspective, there are seven essential questions whose answers will shape the future of workers compensation for the next decade.

These questions, as well as a broad discussion of the implications and issues surrounding each follows.

Seven Questions That Will Shape the Future of Comp

1. What is driving frequency declines - and can it last?

Although worker injury frequency has been on the decline for some time now, expecting continued decreases appears to be counter-intuitive. A booming economy such as ours, for example, typically causes an increase infrequency if for no other reason than the record levels of untrained and unskilled workers who are brought into the workforce.

Some of the potential reasons for such changes include broad demographic workforce changes such as fewer young workers and an increasing percentage of women in the workforce. Most states and employers have also been effective at establishing better (and faster) return-to-work programs.

Further defining and understanding frequency trends will be critical to understanding the future health of the worker comp system and market participants will need to continue to collaborate in examining the issues driving frequency.

2. Will We Have a State, Federal, or Blended System?

It's hard to recall a time when there was more workers comp-related activity at the Federal level. Among the current Federal initiatives that involve comp (and their potential costs) are

- OSHA ergonomics ($4-18 Billion cost)
- Safety in the home Workplace
- Black Lung changes ($3-7 Billion Cost)
- Nuclear exposures (Beryllium)
- Medical privacy restrictions

Not only are these initiatives broad and expensive, most propose far higher benefit levels than needed to restore wage loss. The proposals also typically broaden the definition of injury and could encompass almost all smoking related illnesses. Finally, proposed medical privacy rules, even as they exist today, could dramatically change claim processes and increase costs

3. Will Comp Remain the Sole Remedy for Injured Workers?

Since its inception, one of the most fundamental assumptions of the workers comp system has been that it is the sole, exclusive remedy for injured workers. Employers are mandated to participate and they agree because of the sole remedy provision - in other words, they do not face other related legal or medical

exposures.
Today, that assumption is under attack, both at the Federal level and in individual states. The costs, if the exclusive remedy standard becomes seriously weakened, are unpredictable and hard to track - leading to a less stable market. It's also possible that, if exclusive remedy goes away, employers will ultimately conclude that they would be better off without workers comp laws. As in other parts of our litigious economy, the rare injured worker might be better off however, it seems very unlikely that the average worker would benefit from such a change.

4. Will Compensability Definitions Be Broadened?
In today's market, compensability standards are closely related to the exclusive remedy standard. As such, exclusive remedy challenges - or even reform roll-backs -- could also lead to a broadening of compensability definitions.
For example, the new Federal proposals on items such as ergonomics, Black Lung disease, etc., broaden the definition and compensability standards of injury. In some cases, the proposals appear to call the very nature of the 'workplace-based-injury' standard into question, allowing outside behaviors or injuries to be considered compensable by workers comp. The ergonomics proposals, for example, seem to suggest that anything that "could have happened at work" should be compensable. New Black Lung proposals appear to cover any smoking related illness whether they were aggravated by work or not.

5. What Impact Will Changes Have on Costs? Return to Work? Fraud?
The existing workers compensation market represents a very complex system wherein a seemingly simple change in one system aspect can have many unanticipated consequences. For example, a procedural change in administrative law intended to be 'benefit neutral' might actually increase the time before a hearing can be held.
That extended time can increase total benefits awarded, which often leads to increased attorney involvement -- and an even more extended period before the worker is returned to the worksite since most lawyer-involved claims lead to longer return to work periods. In other words, the unintended consequences of many of the proposed changes could be substantial, and their costs and impacts will be very difficult to estimate. Thus, a "benefit neutral change" could lead to increased disability benefits and lawyer involvement.

6. How Will Decision-Makers Strike a Balance Among Competing Interests?
Given all of the proposals and pressures outlined above, market participants can expect the 2001/2002 legislative sessions to be more frenetic than usual -- with proposals for benefit increases, reform roll-backs and perhaps even a voter initiative or two.
Not all of these proposals are bad. In fact, some benefit increases may well be warranted, particularly if unintended consequences can be avoided. To be clear, such changes will also raise risks of reduced competitiveness and slower job growth.
Clearly, there are third parties -- lawyers, medical providers and doctors among them -- who will seek to expand their role and income during this debate, potentially, siphoning money from employers and benefits from injured workers. For their part, employers - insulated by the extreme competition in the comp marketplace -- are concerned about increased regulation and increased costs but have not yet begun to taste their costs and consequences.

7. How Will Political Decision-Makers Assess the Risk of Accountability?
Clearly, insurers are losing substantial amounts on workers compensation today - driven by over-capacity. Among the current facts:
• The accident year 1999 combined ratio suggests a return on surplus of -9%

nationally and -14% for California
• Reserve deficiencies are estimated to be about $18.3 billion or 28%
• Medical and indemnity costs appear to be poised to rise

Policymakers' assessment of these realities, along with their judgements about potential political risks will play a critical role in what happens next. If they conclude that substantial price increases for comp are inevitable and will occur in the next few years, they may hesitate to be the last one given credit for changing the system. It may be far more appealing to let price corrections work their way through the system before considering any changes that could increase system costs.

If they advocate and accomplish benefit changes, will they be blamed for all the resulting price changes including any competitive correction, especially if that correction is very severe? In the end, if governors, legislatures and regulators understand the market conditions as outlined above -- but believe action will hurt their political futures -- it is very likely that costs and benefit changes are likely to be fewer and smaller than might be necessary.

Can a Stable Loss Cost Environment be Maintained?

Beyond simply posing questions, it is instructive to look at the market context in which these debates will take place. On the positive side of the ledger, comp loss costs have been stable, premium rates have declined and frequency is down 24% over the last 10 years - which has been a huge benefit.

The bad news is that premium declines are a one-time windfall -- they are not sustainable. Plus, the industry is losing 9% on surplus, has an $18 billion reserve deficiency (28%), and claims costs appear to be rising rapidly by a margin of at least 10-15%.

In real terms, the future stability of workers comp will depend heavily on: the degree of Federal control established over benefits and eligibility; on the willingness of politicians to risk being blamed for rapidly rising rates, and on political assessments and actions regarding the relative merits of a "competitive" comp system versus the needs of injured workers.

So what is our forecast for the future of the workers compensation market? To refer to our earlier hurricane analogy, it seems safe to say that comp's now under a hurricane watch - participants need to know that conditions exist for a worsening environment and they need to begin to act to protect their interests. Whether or not the 'watch' conditions will escalate to a 'warning' and an actual storm remains to be seen. For now, it is simply safest to say that people should be prepared for the worst. We stand on the edge of what could be the greatest change in comp since it was created waiting to see whether the storm will strike land and how much change it will wreak.

Insurance Times: Mass. Registry Chief Touts Improvements In Agency

November 7, 2000, Vol. XIX No. 23

Former consumer affairs chief who is now running the agency the public loves to hate tells MAIW meeting that progress is being made

by Mark Hollmer
InsuranceTimes

Daniel Grabauskas is trying to make life better for Massachusetts' 4.4 million licensed drivers.

He once ran the Bay State's Department of Consumer Affairs and Business Regulation, which oversees the Division of Insurance. But today, Grabauskas is the top official at the state's Registry of Motor Vehicles, an arm of the state bureaucracy not exactly known for stellar customer service.

Grabauskas told a recent audience that he's trying improve service for the millions who must deal with the RMV - including auto dealers and insurance agents.

"My old job in some ways led me into this job (as far as) my appreciation of what you do," he said.

"I want to make the Registry work for you."

Grabauskas talked about some of the Registry's recent improvements during his Oct. 10 speech at the Massachusetts Association of Insurance Women, Norfolk chapter meeting.

Insurance agencies regularly use RMV branch offices (and specialized RACE units) to place or renew clients' automobile registrations. Some agents complained that sparse staffing or poorly managed lines caused annoying delays for their businesses in addition to the public.

In his first year on the job, Grabauskas said, he's focused on a "multi-pronged" effort to improve customer service.

The Registry expanded and improved branch staff and service, he said. He is also looking at expanding locations, increasing its Internet presence and focusing on service partnerships with "the auto industry and now, hopefully with some insurance agents."

Right now, about 390 auto dealers and 160 insurance agents are online using the RMV's Electronic Vehicle Registration program. Grabauskas is hoping to add more insurance agents to that number.

Online Program

The RMV's online program actually began a few years ago with a dealer-friendly system (also used by some agents).

But the California technology vendor AutoStory should bring more agents onto the web to conduct registrations. RMV officials are working with the Massachusetts Association of Independent Agents and AutoStory to train agents to use the new program (See related story.)

Both computer systems let agents or automobile dealers complete new registrations, title transfers and other services for clients right from their offices.

EVR probably isn't for small agencies, Grabauskas said, but larger agencies that handle multiple registrations a day could benefit from it.

And greater agent participation in auto registrations would help both the RMV and agents do a more efficient job, he said.

"We have so much work at the RMV, that we can use some assistance from .other resources," he said.

Improvements

Here's a breakdown of some other RMV improvements:

- The RMV now has a "zero tolerance policy for long waits and discourteous service" as well as "untidiness" at the office, Grabauskas said. To that end, RMV branch offices now use Wal-Mart-style greeters and more staff are working customer windows. The Registry has hired 47 additional employees for branch offices and has a new request for 47 more.
- RMV officials are also planning to modernize the department's phone and computer systems. Grabauskas added the RMV purchased its computers second-hand in the early 1980s, and that "young people coming into get their learning permits are actually younger than some of the computers we're using."
- The RMV continues to try and improve its "turnaround" service for processing registrations for customers including insurance agencies.

Additionally, RMV officials are also working to improve the department's Internet service, Grabauskas said.
Among them: customer can now change their address online, and many more are renewing their registrations by mail or through the Internet, Grabauskas said, sometimes at "1, 2, or 3 a.m."
Grabauskas said the RMV isn't worried about online fraud regarding change of address, but would consider using bank-style pin numbers if problems crop up.

Insurance Times: Autostory Aims To Put Registry Procedures Online For Mass. Agencies
November 7, 2000, Vol. XIX No. 23

by Mark Hollmer
InsuranceTimes

What once took an hour or more has been whittled down to minutes.
Kirra Kotsiopoulos uses this time comparison to describe how she now helps clients register their automobiles.
Kotsiopoulos is a licensed broker from the Lawrence F. Briggs Agency in Brockton. In the past, she'd help auto insurance clients fill out their forms, and then a runner trucked them daily to the Registry of Motor Vehicles office - a process that took "an hour, plus."
But now with a computer and some clicks of a mouse, Kotsiopoulos can register a client's automobile and even give them a license plate -- on the spot.
The new way, she said, takes as little as eight minutes.
"It's great customer service because the insured really doesn't want to wait at the Registry," she said.
Kotsiopoulos is among 30 independent agents who have trained to use AutoStory, a new Internet-based system that lets agents issue passenger normal, special and commercial plates right from their offices, as well as the registration and decal. Agents can now also handle transfers.
Another 200 agents have begun their three-day free training programs, said Donna McKenna, the Massachusetts Association of Insurance Agent's (MAIA) director of communications and registry liaison. The Registry conducts two days of training while MAIA and AutoStory handle the third.
The web-based pilot program began in July. It represents a growing industry change that allows agents to use technology to register clients' vehicles right from their office, by accessing the RMV via computer.

Other RMV Plans
The RMV has actually pursued an online vehicle registration program for a few years, beginning with DRIVE, a system that let dealers issue plates, process transfers and handle registrations online.
That system evolved into the EVR, or Electronic Vehicle Registry Program, which improved the DRIVE program and expanded to insurance agencies.
RMV officials have worked with one vendor - Computerized Vehicle Registration - since they launched the DRIVE program.
Many dealers, agents (and direct-writer Amica) already use CVR, which offers comparable services to AutoStory, but AutoStory is the first to work directly with both the RMV and Bay State insurance agents.
AutoStory is coming to Massachusetts through a cooperative agreement between the RMV and the MAIA, which is offering a training program to member agents.

AutoStory has also inked a similar deal with Safety Insurance, which allows the company's agents to access its service through Safety's Agent's Virtual Community web program.

AutoStory is a year-old California-based company that offers a web-based business-to-business framework that lets businesses and government exchange information on the Internet. Businesses pay a fee up front for each transaction and AutoStory covers costs to create secure links between their servers and government processors.

In the past, agents either sent an employee or a runner to the RMV on behalf of a client to handle automobile registration.

But that system isn't as convenient because the Registry limits agency branch transactions to two a day, McKenna said. She added that the regional processing centers set up for agencies and runners (RACE units) aren't always convenient.

With AutoStory, the big change is that agents will no longer have to visit the Registry to process paperwork, because the paperwork can all be processed online.

The new system will save agents' valuable time, and add to what they can offer clients, McKenna said.

RMV does allow for individual electronic registration online and some agents have already used the system as a customer convenience.

But using an RMV individual electronic registration doesn't get provide an automatic registration form in hand. Customers get an Internet confirmation and the registration is mailed later.

Everything At Once

The AutoStory registration, McKenna said, gives customers everything at once.

"It's instant gratification, so to speak," she said, adding that consumers will benefit.

"Most of their transactions will be able to be handled right in their agent's office, and it's a service that agents can provide a lot more cheaply than when dealers do it," McKenna said.

"One dealer in Massachusetts charges $245 for doing the same work that agents are doing for anywhere from free to $30."

McKenna adds that the Registry won't charge agents for the service.

Kotsiopoulos said the new system is very easy to learn, similar to navigating America On Line.

But not everyone is running to serve as both an insurance agent and the RMV.

Donnie Hull, marketing manager with Rogers & Gray Insurance - six locations with a South Dennis headquarters - said the new system is "the wave of the future" and "would be great for the customer."

But she said her bosses are "just looking into this" and studying the matter first.

"We're insurance people. We're not Registry people," she said. "You'll get a whole lot of different opinions on that this has been in the works and talked about for a long time we're not sure that we've made up our minds.

"We want to do what's best for the customer but I'm not sure it's going to be great initially for the agent because it's going to involve a lot of time and effort, and making sure that we do achieve what we're trying to achieve for the customer, which is better service."

Hull said some issues to be resolved include figuring out how to effectively train employees in multiple-office agencies, and deciding to use the system in every office or just one.

But Kotsiopoulos said the system will help the insurance industry and keep independent agents competitive.

"It's one-stop shopping (where a) customer busy a car, comes in here, purchases insurance, has (the car) registered and leaves happy.

"Car dealers have been doing it and it's just keeping up with the times."

Insurance Times: William F. Hofmann III, CPCU, CLU, AAI, CIC, LIA
November 7, 2000, Vol. XIX No. 23

Belmont, Massachusetts
IIAA President

William F. Hofmann III, CPCU, CLU, AAI, CIC, LIA, partner in Provider Insurance Group, Inc., was installed as President of the Independent Insurance Agents of America (IIAA) during the association's 105th annual convention last week in Orlando. The following excerpt is from Hofmann's inaugural address at the convention.

Provider Insurance Group, Inc. has offices located in Belmont, Brookline and Needham, Mass.

Who is Bill Hofmann?

Hofmann is an unrelenting advocate for independent agents with legislators and regulators, as well as the public, the media, insurance companies and other industry organizations.

He was elected to the IIAA Executive Committee in September 1995.
Prior to serving on the Executive Committee, Hofmann chaired IIAA's Education Committee for four years, and in 1994 he received a Presidential Citation for his work in this area. He has been a member of IIAA's Membership and Dues Task Force, IIAJC and Finance committees. In addition, he teaches the ERC and IIAA Errors & Omissions Loss Control Seminar around the country.

On the state level, Hofmann served as president and state national director for the Independent Insurance Agents of Massachusetts. In 1980, he received the Mr. Chairman Award from the American Association of Managing General Agents for chairing its state's Education Committee.

Active in his community, he served as president and on the Board of Directors for the Boston Children's Service. He also has been active in the Belmont Youth Basketball program, Chamber of Commerce and Boosters Club, and he has served as chairman for the Belmont Red Cross and as treasurer for the Belmont Religious Council. Hofmann is an elected town meeting member, finance committee member, and registrar of voters in Belmont, as well as an elected member of the Republican Town Committee.

Hofmann holds a master's degree in business administration from Suffolk University in Boston, and a bachelor's degree in business administration from Boston University. He and his wife, Marilyn, have two daughters, Heidi and Kristy.

Insurance Times: Hofmann: IIAA Will 'Leave No Agencies Behind'
November 7, 2000, Vol. XIX No. 23

New IIAA President vows Big I will help agents change and renews call for merger with National PIA

by William Hofmann III

As independent agents we have witnessed rapid change.
Thirty-seven years ago when I first started out in the business, carbon paper was an integral part of my operations. Today we have copy machines, faxes and email.
And, we are in the midst of an e-commerce revolution.
Your association is leading many changes, both in the marketplace and in technology so agents can grasp new and exciting opportunities. The outlook is positive for all agents.
As your president, I will lead the effort to guide this change so no agency is left behind.
We are spearheading an exciting branding initiative, which your board of directors will vote on in January.
This program will tell consumers what I already know: that Independent Agents are the best way to buy insurance and financial services. A branding program will build market share -- and that is what the Big I is all about.
The catchwords today are download, upload and SEMCI.
I will use the Agents Council for Technology to push for greater efficiencies in the way we use automation.
Through ACT and our automation partners, we will revolutionize how we provide our customers the best service in the insurance-buying process.
We have one of the best government affairs teams not only in the industry, but also in our country.
As the front-line defense on Capitol Hill, they have expertly protected your interests in Congress.
I pledge to employ our professional lobbyists and harness our grassroots power to safeguard your interests on state insurance regulation, natural disaster reform, agent licensing reform and a host of other concerns.
I will infuse new energy into the Association's product offerings including Big I Markets, the E&O program, our retirement program and the Eagle Agency.
We will bring to your desktop the means to boost your professionalism and education through the Virtual University.
Our Best Practices, ACSR, InVEST, technical affairs and contract reviews are unmatched in the agent community.
We will continue to strengthen these programs.
As your president, I promise that the Big I will finish what we've started, bolster existing programs, and use your time and dues wisely.
We have heard a lot about disintermediation and more recently about reintermediation.
One has only to look closely at the latter to understand that decision makers see the positives of the agency system.
Companies that traditionally did business exclusively in other distribution systems recognize the value independent agents bring to customers. They are now turning to us to deliver their products to consumers.
The outlook is positive for Independent Agents.
During my presidency, IIAA will continue to protect and promote the interests of all members -- large brokers and small agencies alike.
No agencies will be left behind.
But, agencies will have to change the way they do business, and the Big "I" will

assist them with the process.
To infuse positive change into our business, we need new, young producers on board.
We must continue to build the future of our agencies and the agency system.
Giving these young faces opportunities will pay immense dividends.
To be truly successful, we must stop being order takers. We must go back to telling people about the value we bring to the insurance equation, the value added services we offer and to simply ASK consumers to do business with us.
We must reinforce why we are the best distribution system -- illustrate it to our company partners and prove it to them.
The changes we have witnessed already and the abundant opportunities is paying off in the form of increased market share for the agency system.
If we continue this trend, we will be the dominant providers of insurance.
To be more effective in the future, the agent community must speak with one voice.
We cannot afford to duplicate efforts.
To that end, I call on our colleagues at the National Association of Professional Insurance Agents to discuss merger with us. We must look beyond our differences and forward to the betterment of the independent agency system.
We need one voice and one trade association representing ALL independent agents.
Merged states prove that there are efficiencies created through joining as one.
We can create that same dynamic organization on the national stage through a union of the Big I and PIA.
I have learned a valuable lesson as a fan of baseball and the Boston Red Sox.
Real students of the game know that Babe Ruth was not just the home run king, but also the strikeout king.
The lesson is to swing for the fences and not be afraid to fail.
I will use that lesson as the guiding principle of my presidency.
We are blessed with a dedicated, professional staff at the national association that is totally focused on our future.
On behalf of all agents, I want to say thank you to them for all that they have done, and we look forward to working with them over the next year.
Tom Ahart and I will work closely together over the coming year for the benefit of all agents.
To my fellow agents, my promise is that you will have my undying commitment to this great association and to our way of doing business.
Thank you for the honor and privilege to serve as your president.

Insurance Times: IIAA Profile: Agencies Stable, Growing And Younger

November 7, 2000, Vol. XIX No. 23

ORLANDO - The last four years have been a period of financial growth and agent consolidation, according to the 2000 Agency Universe Study, a definitive study of the independent agency system conducted by Future One, a cooperative effort of the Independent Insurance Agents of America (IIAA) and 19 leading insurance companies.
The study also shows continued growth of woman and minority ownership, marked gains in technology use, modest staffing increases, and a greater presence of younger ownership.
The last four years have been a period of stable consolidation for independent agents. There are 42,000 independent agencies in operation in the U.S. today, a slight decrease (5 percent: 44,000) since 1996. By comparison, between 1983 and

1987 the number of agencies plummeted 23 percent, and between 1987 and 1992 the rate of decline was 14 percent.
Still, 29 percent of all agencies have been involved in a merger or acquisition in the past four years, generally resulting in larger, more profitable agencies. Sole proprietorships have declined and corporations have increased.
Most agencies (about 72 percent) classify their business as a corporation. Nine percent of agencies belong to networks, which have an average of 22 members; 11 percent are parts of clusters, or huddles, which have an average of 21 agency members.

Cultural and Gender Diversity
Workplace diversity is increasing as more women and minorities increase ownership of agencies. Agency ownership by women has increased by about 25 percent. Still, non-Hispanic whites own 81 percent of agencies, 6 percent are now owned by Latino/Hispanic owners, 3 percent by Asian Americans and 1 percent by African-Americans.

Revenues and Growth
The survey finds that 62 percent of independent agents reported revenue growth in 1999 over the year prior (just 15 percent experienced a decline). Commercial lines-dominant agents were highest with 68 percent growth; while 64 percent of balanced agencies and 57 percent of personal lines-dominant agencies indicated revenue increases.
Average agency premium volume is up 72 percent over the past 8 years.
Commercial-dominant agencies those with 70 percent or more of revenues derived from commercial lines report higher-than-average total revenues, while almost two-thirds (63 percent) of agencies that sell predominantly personal lines have total revenues of less than $250,000. About 7 percent of agencies produced more than $2.5 million in revenues, up from 4 percent in 1996.
The sources of revenue for the average agency remained consistent with 1996: 50 percent of revenues coming from property/casualty personal-lines commissions, 37 percent from property/casualty commercial lines and 5 percent from profit-sharing contingencies.
Ninety-eight percent of agencies report having some non-insurance revenue. About 19 percent of the agencies said noninsurance revenue exceeds insurance revenue. The major sources of non-insurance revenue for most agencies are investment-product commissions (29 percent), real-estate sales and services (20 percent) and banking product sales (8 percent).
Seventy-three percent of agencies have one location, 25 percent report having from two to 10 locations, and 2 percent say they have 11 or more locations. Six percent of agencies report operations in more than one state.
Continuation of the business is clearly a big issue for today's agency owners. Seventy-one percent of agencies have one or more perpetuation tools in place, 56 percent have a written plan. Fifty-nine percent are using life insurance as a tool to perpetuate their business, and 21 percent have retained earnings.

Employment and Ownership
Agencies polled in the 1996 survey predicted much larger increases in their staffing than actually occurred. While six-of-ten predicted they would increase their sales staff that year, less than one-of three did. One-half believed they would increase their support staff, but less than one-in-five did.
In the past four years, overall employment has increased only slightly, with the average number of employees per agency increasing from 10.1 to 11.4.
Seventeen percent of all agencies were established sine 1995; eight percent in 1999 alone.
The typical agency has three independent producer contractors, eight employees licensed to sell property/casualty lines of coverage and four employees licensed

to sell life and health products. On average, agency employees maintain nonresident property/casualty licenses in 3.5 states and nonresident life/health licenses in one state.

Younger Owners

An influx of younger people holding an ownership interest in agencies also is encouraging. Two-thirds of primary agency principals are between the ages of 45 and 64, four years ago 89 percent of agencies were run by owners between the ages of 55 and 69.

Fifty-nine percent of principals with the highest proportion of ownership are under age 55. Of those agencies with more than one owner, 68 percent of the individuals with the second-highest proportion of ownership are under age 55.

Insurance Times: Rev. Jackson Says Industry Future Depends On Diversity

November 7, 2000, Vol. XIX No. 23

ORLANDO - Rev. Jesse Jackson challenged insurance and the industry to make reparations for past discrimination and to become "broader, more diverse and better" in marketing and hiring in remarks before the 105th annual meeting of the Independent Insurance Agents of America (IIAA).

He said the industry should reach out to minorities as employees, agents and customers, not just because it is the right thing to do, but because it is good business.

Wall Street Initiative

He said that the insurance industry would be the main target of his Rainbow Coalition/PUSH event January 23-27, which he termed a "day of reckoning" where he will seek to address past alleged racial discrimination by the industry and build new alliances with the industry.

He said all of America has become better, and markets have been expanded, as barriers against blacks, women and others have been removed.

"Each barrier down, each bridge built is value added," Jackson told his audience.

Noting that Major League baseball has become better since racial barriers were struck down 53 years ago, he asked if "the insurance industry has caught on yet that diversity means more markets, more talent, more money and growth."

He added, "It's the morally right thing to do. It's also cost-efficient."

Baseball Example

He noted that since Jackie Robinson broke the racial barrier in baseball in 1947, baseball owners and other sports teams have prospered by seeking the best talent regardless of race or geography.

Unlike baseball owners, the insurance industry doesn't have to travel far to reach a giant untapped market, Jackson said. The "$800 billion market" made up of blacks, Hispanics and other minorities is easily within their reach.

"It's American - you can drive to it," he said.

"Behind the redline zone there are great athletes, actors, scientists, teachers and others who all buy insurance, sell insurance and think creatively," he said.

Jackson argued that the industry's own survival depends on it increasing its diversity.

"If we are going to insure the world, we have to know who they are," he said.

He urged the industry's participation in programs to improve the "economic

literacy" of minorities. His organization is bringing ministers to Wall Street so they can learn how to set up investment clubs in their churches.
"When people are more economically literate, they choose insurance over the lottery," he said. Too many poor people are "living on luck instead of a plan" and must be educated about finances.
"If they don't grow, you don't gain." he told agents, adding that his mission is to "build a bridge" between the insurance industry and the untapped market of minorities.

Insurance Times: IIAA Honors RI Agent, Sen. Bates

November 7, 2000, Vol. XIX No. 23

ORLANDO - David E. Bates, an architect and driving force behind the adoption of a landmark Rhode Island banks-in-insurance oversight law, was presented the Independent Insurance Agents of Americas (IIAA) highest individual government affairs honorthe Sidney O. Smith Award.
Bates was presented the honor during the IIAA National Board of State Directors meeting.
The Smith Award is bestowed annually by the Independent Insurance Agents of Georgia to an individual independent agent for his or her outstanding service to IIAA in the field of government affairs.
Bates is president and owner of A.N. Nunes Agency in Barrington, R.I. and a state senator in the Rhode Island legislature.
During the presentation, IIAA President William M. Houston, CPCU, ARM, lauded Bates for outstanding work on behalf of all independent insurance agents and IIAAs government affairs efforts. In his role as a state senator, Bates played an instrumental role in advancing the Rhode Island bank-insurance law through the state legislature to Gov. Lincoln Almond for enactment. The law was the first of its kind in the nation following the Supreme Courts Barnett Banks decision that effectively preempted state laws barring bank-insurance sales activities and opened the door to widespread bank entry into the insurance business.
The Rhode Island law spawned similar laws in 28 other states, all of which in part owe their success to the success Dave Bates achieved in his legislature, according to Houston.
Houston also praised Bates for his four years of service on the IIAA State Government Affairs Subcommittee and his continuing IIAA involvement as a member of the IIAA/Future One State Government Coordination Task Force.

Insurance Times: Tech Update

November 7, 2000, Vol. XIX No. 23

InsuranceTimes

by Mark Hollmer

Small businesses can now get better teeth through the Web.
But there's a catch: they must sign up with Delta Dental Plan of Massachusetts

and employ between two and 49 people.
Delta Dental Plan of Massachusetts recently launched a new online service geared to small businesses in the Bay State who want to look into or buy dental insurance over the Internet.
Here's how it works:
First, companies must log on to Delta Dental's web site at www.deltamass.com to obtain direct price quotes on Delta's four primary products.
Within minutes, employers can buy their favorite dental plan and also enroll their employees.
"Providing companies with product quotes on-line, on-demand (for) 24-hours-a-day is the wave of the future for the entire health industry," said Fay Donohue-Rolf, the company's senior vice president.
Delta Dental is the state's largest provider of private health coverage.

High technology came to Mickey Mouse country last month.
The Independent Insurance Agents of America held its 105th Annual Convention & InfoXchange in Orlando Fla. last week, and The Agents Council for Technology was to hold a new-technology demonstration on Halloween.
The goal of the presentation was to show how insurance agencies could use the latest ACORD XML standards to do their jobs better.
AMS/Towerstreet, Applied Systems, Ebix, Channelpoint, PMSC/MYND, Nekema, JCRS, IVANS, MetLife Home and Auto, Travelers, The Hartford and IBM/Lotus were among the presenters.

With all of the Web communities on the Internet, wouldn't it be nice to have one for property casualty insurers?
StarNex a Wrentham, Mass.-based business-to-business Web technology service company, is hoping to do just that.
StarNex already launched BrokersPortal in May, as an online insurance "marketplace" for life and health insurance brokers and companies to exchange quotes and proposals, industry information and also provide customer service.
BrokersPortal registered more than 6,000 people and about 40 vendors and carriers, according to a recent press release.
Next, the company hopes to expand BrokersPortal to the property casualty market.
"The industry response to BrokersPortal has been very positive," said John Unipan, the StarNex president and CEO.
"Having established both credibility and a number of key relationships, we are well-positioned to expand our reach."
For more information, call Jim Kerley at 1-800-903-7827, ext. 236 or email him at jim@brokersportal.com .

Companies now have a new way to communicate industry-standard ACORD transactions.
That's because IVANS Inc. and Applied Systems, Inc. have formed a joint venture that will allow customers to exchange data online.
The companies' partnership will focus on developing universal communication Internet engines for agencies and companies. In addition, the deal focuses on providing a single-source platform to launch industry-wide initiatives.
Companies can also use the exchange for non-ACORD transactions including the sharing of proprietary information.
The companies are focusing initially on more standardized communication between agencies and companies.
IVANS, based in Greenwich, Conn., is a consulting and e-business company that works with more than 500 insurance and healthcare companies in the United States and Canada. Applied Systems is a leading automation vendor for property and casualty agencies.

CIGNA.com has a shiny new look.
The company recently launched its redesigned Web site and is promoting it in a press release as "cleaner" and "crisper."
The site is also "written in the language customers understand," said William Bashan, senior vice president of CIGNA's E-Commerce office.
The web site, of course, is still at www.cigna.com.
New features include more self-service options, specialized gatewides, a "Benefits & Services" menu, a provider directory and a features section.
In the future, company officials said, the Web site will also feature online benefit plan enrollment and eligibility processing.
"As a leading provider of employee benefits, we believe the Internet is a crucial tool for improving the way we reach our customers," Bashline said, "and changing the way we can best meet their needs." p

BenefitMall.com is moving up to wireless.
The company is now offering its registered small group brokers wireless access to multi-carrier quotes.
The company's top-producing brokers will also receive a free Palm VII hand-held in early 2001 to help them more easily check case applications and edit quotes.

Insurance Times: Answer Financial teams with gfn.com
November 7, 2000, Vol. XIX No. 23

Online financial-service sites Answer Financial and gfn.com, the Gay Financial Network, have allied to provide gfn.com users with access to Answer Financial's array of insurance products via gfn.com's Internet portal. Alan C. Snyder, president and CEO of Answer Financial Inc., and Walter B. Schubert, gfn.com founder and CEO, made the announcement.
New York-based gfn.com, an online provider of financial and business news, information and services for gay and lesbian individuals and same-sex couples, has collaborated with Answer Financial to provide a streamlined online experience for gfn.com users interested in learning about and purchasing insurance products. Further, the two companies are collaborating on Answer Financial's agent-training program, to ensure an informed and effective service, tailored to handle insurance-related questions of particular interest to members of the gay and lesbian community.
Answer Financial, host of answercenter.com, delivers a variety of insurance, legal and healthcare products over the Internet to its 13 million-plus members of affinity and employee groups nationwide. Answer Financial's Web site is complemented by a 24-7 call center (888-888-3249) staffed by licensed, salaried financial professionals to help consumers 365 days a year.

NY Life adds to survivorship life series
NEW YORK - New York Life Insurance and Annuity Corp. (NYLIAC), a subsidiary of New York Life, has launched a new Survivorship Universal Life (SUL) product to add to the company's Survivorship Variable Universal Life and Survivorship Whole Life offerings. The survivorship policy covers two individuals and pays life insurance benefits after the death of the last surviving insured. The flexibility and affordability of this type of product is attractive to customers who are interested in estate creation/conservation, business planning, or charitable giving.
"We are proud to be one of the companies offering all three types of survivorship products. This new survivorship product will be particularly attractive to those seeking a large amount of permanent life insurance at an

affordable price," says Michael Gallo, senior vice president of the individual life department. "SUL enhances our existing menu of competitive products which are designed to address the wide variety of needs of our policyholders."
NYLIAC's SUL provides adaptable life insurance protection with a flexible premium payment arrangement to meet the policyholder's changing needs as well as accessible cash value through loans or withdrawals. Other benefits include liberalized underwriting and the fact that it is not limited insureds in spousal relationships.
Policyholders can customize the benefits to meet their needs using a no lapse guarantee rider, life extension rider, first-to-die rider, first-to-die monthly deduction or living benefits Rider .
This product is now available in 43 states.

Manulife changes universal life offerings
BOSTON - Manulife Financial has announced changes to its universal life products. Manulife Universal Life (MUL) and Survivorship Universal Life (SUL) maintain strong policy guarantees, and can be structured to provide lifetime guaranteed coverage or ultra low-cost death benefit protection, as well as flexible premium payments and flexible death benefit options.(1)
These insurance products will continue to offer competitive secondary guarantees in a Triple X environment.
MUL and SUL features include a pay up-front feature, which allows clients to prepay premiums at a guaranteed rate.
The latest additions to Manulife's Universal Life products include the Policy Protection Rider (PPR) which can protect the policy owner's coverage up to the age of 100 even if net surrender value falls to zero. And when the Policy Protection Rider is combined with Manulife's Age 100 Advantage, clients are assured guaranteed coverage for life.
In addition, the new Supplementary Term Insurance Rider (STI) allows the policy owner more flexibility to find the right mix of price and protection. These new features are in addition to existing policy riders, such as the estate preservation rider, the accelerated death benefit for MUL, and the policy split option for SUL.
Both of Manulife's Universal Life products provide death benefit coverage for beneficiaries at a reasonable cost and offer the liquidity to pay estate taxes or fund the transfer of closely held businesses.

Insurance Times: Insurers Advised Not To Miss Coming Boom In Annuities

November 7, 2000, Vol. XIX No. 23

NEW YORK - Insurers need to immediately commit substantial time and resources to education, marketing, product design, and distribution of payout annuities in order to benefit from the coming boom in the annuities sector, according to five speakers at a Briefing on Retirement that was sponsored by Tillinghast - Towers Perrin recently in New York City.
"Planning for retirement has never been so important," according to John M. Fenton, principal at Tillinghast - Towers Perrin in Atlanta. "With individuals retiring younger and living longer, the insurance industry needs to develop payout annuities that are more responsive to the unique needs of the modern retiree, who is actively looking for income that will supplement Social Security."
Fenton was one of the featured speakers at the Tillinghast - Towers Perrin

Briefing on Retirement, along with Nancy M. Kenneally, Jonathan Hecht, and Charles Wolstein of Tillinghast - Towers Perrin, and Farrell Dolan, Senior Vice President of Marketing at Fidelity Investments.

Tap Into Market
The speakers also noted that the insurance industry, though faced with a customer population that is ready for multiple retirement products, does not yet fully understand how to tap into this burgeoning market.
"While the amount of assets built up in some retirement products has grown dramatically in recent years, the payout annuities market has not yet fulfilled its potential," according to Mr. Hecht. "Given the available choices, such as deferred annuities, IRAs, 401(k) plans, and mutual funds, it is surprising that there has been so little growth in the sector. Even with current asset levels in excess of $6 trillion, there is still room for improvement. The industry needs better education, better marketing, better products, and better distribution."
"You need to change some attitudes before this market grows to its potential," Fenton said. "Customers need to recognize how annuities can supplement their savings and pensions. Insurers need to make these products more attractive for customers and distributors. It can be done, but someone has to take the first step." The briefing examined some of the barriers to acceptance in the annuities market, including:
Lack of product knowledge: In general, the population knows very little about payout annuities, how they work, and when they are appropriate.
• The complexity of annuities: These relatively complex products come in several forms, such as fixed versus variable and have multiple payment options. Consumers may have difficulty understanding the differences, according to the speakers. -
• The mindset problems: In addition to changing the emphasis from savings to income, there are other issues involved. For example, purchasers who invest in annuities may feel a lack of control over their own money. Also, there may be a gap between the perceived needs and the real needs of an individual's retirement plans.
In order to overcome these obstacles, the speakers called on annuity insurers to develop a four-part strategy for success, consisting of focused education, repositioning products in the retirement planning process, redesigning current products in order to make them more attractive and more practical, and implementing reliable distribution channels for the products.

Focused Education: Since both distributors and consumers have limited knowledge of payout annuities, insurers need to focus on educational tactics such as specialized marketing materials, agent training, and dedicated newsletters. "People are hungry for information," Wolstein said. "And we need to develop reliable distribution channels for getting it to them."

Reposition Products in the Planning Dialogue: Both insurers and distributors need to consider how annuities should be positioned in discussions of retirement, Fenton and Wolstein said. "Retirees need to know how annuities can fit into their big picture," according to Wolstein. "If the financial planning community were to embrace these products, we would see a quantum leap in activity."

Redesign Products: Kenneally noted that, although current annuity offerings have several features that could make them attractive to the average retiree, including lifetime income and favorable taxation, insurers need to develop more payout options in order to make them even more enticing to customers and distributors.

Develop Reliable Distribution: The industry needs to develop reliable, renewable methods of distribution for products and information about them. This means that marketing, sales, and administration must all be coordinated for maximum effect and benefit, according to Wolstein.
According to Tillinghast - Towers Perrin, the immediate annuities market has the capacity to grow from $5.6 billion in year 1999 to $19.2 billion in year 2003. "That's a potential tripling, or more, of investments in payout annuities. To get there, we need to start now. This opportunity may not happen again," Fenton added.

Insurance Times: Mass. Man Charged In Viatical Settlement Scam

November 7, 2000, Vol. XIX No. 23

BOSTON (AP) - A Gardner, Mass. man diagnosed with AIDS has been charged with defrauding life insurance companies of more than a half million dollars.
The U.S. Attorney's Office in Boston charged Darrin J. Stafford, with multiple counts of mail fraud and money laundering in connection with the insurance scheme, which allegedly netted Stafford at least $550,000.
According to the U.S. Attorney's Office, Stafford used so-called ``viatical settlements'' to harvest money from insurers. Such settlements involve selling shares of life insurance policies of terminally-ill policyholders to investors, who pay a portion of the value directly to the policyholder.
Viatical settlements allow dying policyholders the chance to get much-needed cash from their policy, but they are illegal if the terminally ill person lies about their condition.
Stafford, who was diagnosed with AIDS around 1995, allegedly applied for life insurance after his diagnosis and falsely answered questions on the policy applications relating to his medical history, according to U.S. Attorney Donald K. Stern.
Stafford then presented his $950,000 worth of insurance to brokers in order to obtain the percentage payment of the death benefit, according to Stern's office.
Stafford also allegedly applied for more than $7 million worth of life insurance under other people's names. He then gave his own medical records and false identification to viatical brokers to obtain payments, which he deposited into his bank accounts.

Insurance Times: Hancock Bank Fixed Annuity Attaches LTC Benefit With No Underwriting

November 7, 2000, Vol. XIX No. 23

BOSTON - John Hancock Financial Services recently introduced GPA Care, a fixed annuity with long-term care benefits that will be sold through banks.
The new product, which builds on Hancock's suite of Revolution variable annuities, is a single-premium fixed deferred annuity. GPA Care will offer individuals additional benefits in the event of a long-term care need, without requiring underwriting. It is the first fixed annuity to offer eldercare referral services and provider discounts.

Safeguard Assets
"With GPA Care, buyers of fixed annuities can build and help safeguard their assets," says Bruce Jones, vice president, annuity product management.
For banks, GPA Care will provide a vehicle for their representatives to help clients address long-term care as part of their retirement planning.
According to Tim Waterworth, vice president, John Hancock Financial Institutions Group (JHFIG), many individuals do a good job saving for retirement, but don't plan for the unforeseen long-term care event that can devastate savings. "By addressing a wider spectrum of client needs, banks can deepen and add significant value to their customer relationships."

LTC Benefit Basis
The amount of the long-term care benefit, called CARESolutions Plus, is based on the greater of the initial premium or account value. It is paid into the annuity account value should the owner need long-term care, and can be used for long-term care or any other related expenses, with no surrender charge. (As with any annuity distribution, the benefit will be treated as income.)
The benefit, which costs 45 basis points annually, varies with the clients' age at time of issue, with younger clients, ages 40-59, receiving the maximum 3 percent benefit. The benefit is 2 percent for issue age 60-69 and 1 percent for age 70-79.
For example, an individual deposits $100,000 into GPA Care at age 52. Out of the total premium, $70,000 (the maximum premium for the CARESolutions Plus benefit for issue ages 40-59) is earmarked for the long-term care benefit, should it be needed. At 64, the individual has a severe stroke and enters a nursing home. Assuming a 5 percent growth rate, the long-term care benefit would be 3 percent of $125,000, for a total monthly benefit of $3,750.
The benefit can remain in the annuity and continue to grow tax deferred if the owner chooses to liquidate other assets to pay for long-term care.
Hancock will pay the same benefit for nursing home, assisted-care living and home-health care. The home health care benefit is prorated based on the number of days the person received care.
Most people prefer to receive home health care, the cost of which could rise from $61 per visit in 2000 to $260 in 2030, according the American Council of Life Insurers.

GPA Care's CARESolutions also provides:
--A nursing home/critical illness waiver(1) of surrender charges that can be triggered by the annuity owner or spouse, even if he/she is not a party to the contract
--The first elder care resource and consultation service for a fixed annuity owner or any family member through SeniorLink, a nationally renowned eldercare information provider
--An annuity benefit that offers discounts(1) on long-term care services, through Hancock's Advantage List of providers, to help annuity owners stretch the money spent on long-term care
The CARESolutions Plus monthly benefit is available up to 36 months, six years after the annuity is purchased, following a 100-day waiting period. Benefits are received after the annuity owner is unable to perform 2 of 6 activities of daily living such as bathing, dressing, or eating, or demonstrating cognitive impairment.
In addition to its unique long-term care assistance, the GPA Care provides features and benefits found in leading fixed annuities, including:
--Competitive interest rate, including a 1 percent first-year bonus rate
--Guarantee of principal, should the contract be surrendered
--Flexible, free withdrawals - 10 percent of contract value as of the first withdrawals

For more information, call 1-877-KEY4121 (1-877-539-4121).

Insurance Times: MassMutual scholarship

November 7, 2000, Vol. XIX No. 23

SPRINGFIELD, Mass. - The MassMutual Financial Group announced a national scholarship essay competition that will provide a total of $20,000 to 20 college juniors.

All full-time third-year college students are invited to take the "Financial Services Challenge" -- the name of the new essay contest -- and become eligible for a $1,000 scholarship.

Entries must be submitted by Dec. 1. Applicants must write an essay of no more than 1,000 words describing how a current event or trend they identify will impact the future of the financial services industry.

Additional information may be found at www.massmutual.com

Insurance Times: CFP Adds Universities

November 7, 2000, Vol. XIX No. 23

Denver - The Certified Financial Planner Board of Standards' (CFP Board) subsidiary Board of Examiners has registered 10 new financial planning programs. The universities whose programs were newly registered with the CFP Board are Albertus Magnus College (Connecticut), International College (Florida), Lakeland College (Wisconsin), Slippery Rock University (Pennsylvania), University of Baltimore (Maryland) and Villa Julie College (Maryland).

Students completing the curriculum at any CFP Board registered program are eligible to sit for the national CFP Certification Examination.

Visit www.CFP-Board.org.

Insurance Times: Guardian's Abilityguard Offers Customized Options

November 7, 2000, Vol. XIX No. 23

NEW YORK - The Guardian Life Insurance Co. of America's newly redesigned AbilityGuard group disability insurance policy has been enhanced to offer employers the opportunity to customize their benefits program, providing both enhancements for employees and cost-saving options for employers. The new contract is designed to create a cohesive partnership between the plan holder, employee and Guardian.

"With AbilityGuard, we have developed a full spectrum of disability plans that can be as basic or as comprehensive as an employer chooses. The new AbilityGuard offers employers increased flexibility, while maintaining top-notch coverage for employees," says Thomas A. McInteer, second vice president for group life and disability.

Features that offer broader coverage for employees include AbilityGuard's new

option, Critical Care Medical Family Leave Act Benefits, which provide monthly benefits to employees who are not disabled but must take leave from work to care for a sick or injured dependent. Benefits can be extended for as long as12 weeks.
Another Guardian feature is the Retirement Savings Benefit, an alternate method of providing retirement income for seriously disabled employees who do not have a pension or 401(k) plan.
Inherent in the newly revamped AbilityGuard policy are employer friendly options designed to help planholders control costs. These include Tiered Benefits, under which the benefit percent and/or the maximum monthly benefit decrease over a pre-set number of months, as well as a Subjective Disorder Limitation option, in which an employer can elect to place a two-year limitation on benefits for conditions that cannot be supported by current clinical standards.
The policy also includes electives such as Mandatory Rehabilitation, an option that allows Guardian to cease paying benefits if an employee refuses to participate in a prescribed rehabilitation program and worksite modification, compensation for expenses of modifying the workplace for a returning disabled employee.p

NY fines 21 HMOs, insurers for late claim payments
ALBANY, N.Y. (AP) - The state has fined 21 health insurance companies and health maintenance organizations a total of $575,000 for failing to pay claims promptly.
The state's Prompt Pay Law enacted in 1997 requires HMOs and insurance companies to pay undisputed claims within 45 days. More than 67,500 prompt pay complaints have been made.
The companies have paid the fines and agreed to correct procedures to avoid further late payment, according to the state Insurance Department.
``Patients and health care providers deserve to be paid in a timely fashion and we will use all of our enforcement tools to ensure that insurers and HMOs fulfill this basic obligation to their customers,'' said Insurance Superintendent Neil Levin.
The fines range from $1,000 paid by Healthsource of New York/New Jersey to $215,000 paid by Oxford, according to the department. Among the largest fines were $116,000 charged to U.S. Healthcare Inc., $37,000 assessed to Health Insurance Plan of Greater New York, and $34,500 assessed to Vytra Health Services Inc.
Healthnow New York Inc. was fined $28,500. In August, the state fined Healthnow $500,000 for violations, including failure to promptly pay claims and underpaying some claims.
HealthNow, which operates Blue Cross Blue Shield of New York in western New York and Blue Shield of Northeastern New York in the Albany area, was charged in August with regularly underpaying claims for physician outpatient psychiatric services and deleting thousands of unpaid claims without keeping permanent records of them. An official at the firm said new information systems should prevent more problems.
The fines were the fifth round of prompt-pay fines. The total accounts for more than the total fines paid in the previous rounds.
``The industry can expect the frequency and level of fines to increase until all companies are in compliance with the law,'' Levin said.
More information is available on the Internet at www.ins.state.ny.us/ p

Conn. publishes updated managed care report
HARTFORD - The Connecticut Insurance Department has released the 2000 version of its managed care report card, A Comparison of Managed Care Organizations in Connecticut, which reviews the state's health maintenance organizations and the top 15 managed care organizations.

"The information contained in the report card, when used in conjunction with plan specific information received from the companies and employers, should provide the consumer with information which will prove useful in selecting a health plan." said Commissioner Susan F. Cogswell. In addition to statistical and quality measures, more member satisfaction survey results have been included in this year's guide, she added.
Copes are available from the department.

Insurance Times: Mass. Readies One-Stop Health Care Web Site For Consumers
November 7, 2000, Vol. XIX No. 23

Site to include insurance cost information

by Helen Woodman
State House News Service

BOSTON - The public will soon have access by way of the Internet to a wide range of information about the delivery of health care in Massachusetts, the financial stability of providers, the cost of insurance coverage and even the availability of flu vaccines in their area.
Beginning in January, visitors to the state's web site will be able to click on Rx for comprehensive data on providers and demand in their area, the financial condition of facilities, and consumer information.

AG Reilly
Attorney General Thomas Reilly is heading up the project that will eventually provide information about hospitals, HMOs and nursing homes, along with data on quality of care, insurance and other issues. The bulk of the information is currently available in several locations but when the Health Benchmark Project goes online, it will be integrated and available to the public.
The project is a joint effort of UMass and the Executive Office of Health and Human Services designed to examine trends and identify problems before they erupt into crisis, as did the Harvard Pilgrim Health Care bankruptcy and receivership of last year. Reilly called it an "early warning system."
"We have a system in stress and facing a very serious challenge," the AG said at an afternoon news conference with Gov. Paul Cellucci. "We need reliable information" and "a fact-based approach to making policy during very difficult times."

UMass President
"Health care problems are complex," agreed University of Massachusetts President William Bulger, "and the solutions must be based on credible and current information."
Decisions will have to be made about possible hospital closings and premium increases, Reilly said, and the state will need information about how many beds and what kinds of beds are in each region and how such factors as unemployment affect the overall system. "There's so much change, the public is overwhelmed and they should have some say," said Reilly.
"We have no agenda," Reilly said of the bipartisan group making the announcement that includes Health and Human Services Secretary William O'Leary and UMass Medical School Chancellor Dr. Aaron Lazare. "We want to provide

unbiased information about possible premium increases, hospital closings or consolidations.

"Right now these decisions are being made in private. I saw that in the Harvard Pilgrim case," the AG said. "The public has little voice in it."
Reilly said other information might address the supply of a certain vaccine or the availability of free health coverage for children.

Explaining how the system may work, Cellucci said a reporter might go to the site and access data on how many children don't have health insurance in Berkshire County. A mother in Pittsfield might then read the newspaper story containing information about the state's free coverage for youngsters. "She reads the story, clicks on the state site, goes to Rx and signs her child up for the health insurance," Cellucci said.

Fewer than three percent of children in this state are uninsured, Cellucci said proudly. "And we have the lowest uninsured rate in the country."

Nationally, 15 percent of the population has no health coverage while the figure here is 6 percent. "We're a little bit like Tiger Woods in this regard," said the governor.

Secretary O'Leary said those involved in the Benchmark Project will spend the next several months making policy decisions about, for instance, what information should be communicated to the public.

Insurance Times: Changes At Top For Maine's Anthem Blue Cross

November 7, 2000, Vol. XIX No. 23

PORTLAND, Maine (AP) _ Five months after its purchase by Anthem Insurance Cos., Blue Cross and Blue Shield of Maine is poised to get a new leadership team.
Keith Vangeison, Blue Cross chief executive officer, and Senior Vice Presidents Francis McGinty and Karen Foster, have resigned, Anthem said. A third senior vice president, Elizabeth Shorr, left the company at the end of September.
Each of the executives made individual decisions to leave and none was fired, said Lauren Green-Caldwell, an Anthem spokeswoman.
Anthem plans to name replacements for the top jobs at Maine's largest health insurer later this month, although Vangeison, McGinty and Foster are expected to stay on until year's end.
All four of the departing executives will receive lucrative severance packages that became a focus of controversy prior to the sale. Vangeison, for example, is in line for a three-year package worth $1.4 million.

Opponents' Concerns
Opponents of the sale have suggested that the personnel changes would make the company less connected to the concerns of customers in Maine.
``Decisions will be made out of state,'' said Gordon Smith, executive director of the Maine Medical Association. ``I think it will be very bad for Maine.''
Steve Michaud, president of the Maine Hospital Association, said he was also concerned about how quickly Anthem acted. He had gotten the impression from Anthem that the company would move slowly and keep Maine executives in key roles.
``They gave us a lot of assurances about local decision making and not a lot of changes,'' Michaud said.
At Anthem, Green-Caldwell defended the company's intentions, saying Blue Cross employees who deal with customers and providers will stay in their positions.
``It's a time of transition,'' she said. ``We are committed to local

leadership.''
Alessandro Iuppa, the state's insurance superintendent, noted that management changes are common when companies merge or are sold. At the same time, he said he would remind Anthem of its commitments following the sale.
"They told us this was going to be a plan with a local direction and local input,'' Iuppa said. ``I want to continue to see that.''
Meanwhile, in related news last week, Anthem named a public relations executive as its new general manager of Maine operations.
James T. Parker was announced as the vice president and general manager of the Maine Customer Business Unit.
Parker has been with Anthem Insurance Cos. for 11 years, the last four as vice president of public affairs.
Parker said he will be responsible for local sales, marketing, customer service and claims. Some areas, like legal affairs, will be handled regionally, he said.
"My job, as I see it, will really be of providing directions and leadership. Clearly, I don't have a claims background or more specific background in that regard,'' he said.
Clark Dumont, a spokesman for Anthem in Maine, New Hampshire and Connecticut, said Parker was very involved in representing Anthem during the purchase of Blue Cross and Blue Shield.
The appointment drew criticism from opponents of the merger.
"Nothing against Jim, but that one action speaks volumes about Anthem and its commitment to the people of Maine,'' said Joseph Ditre, executive director of Consumers for Affordable Healthcare.
"What's next?'' he said. ``Someone from sales doubling as the medical director?''
The Maine Hospital Association was neutral about the sale, but its president, Steve Michaud, said he was concerned by Anthem's actions since the deal closed. He said Anthem had made assurances about local control.
"We have been surprised by comparing their comments before the purchase and sale and what's happened since regarding Maine-based decision-making,'' he said.

Insurance Times: Troubled Mass. HMO Reaching Recovery Goals

November 7, 2000, Vol. XIX No. 23

BOSTON (AP) - Harvard Pilgrim Health Care, which was under state receivership until May, is making significant progress in its financial turnaround, state regulators said in a report.
Harvard Pilgrim's financial results through August are better than projected, Attorney General Thomas F. Reilly and Insurance Commissioner Linda Ruthardt said.

Monitor for Two Years
Reilly and Ruthardt are under court orders to monitor the health maintenance organization for at least two years.
The report comes at a critical juncture for the health plan: in coming weeks, 40 percent of its members must decide if they will re-enroll. Harvard Pilgrim membership has dropped 25 percent since December, to 940,000.
"We recognize that this is an important period for Harvard Pilgrim, as it is for all insurance companies,'' said Assistant Attorney General Dean Richlin. ``It's important for the public to know that this is a company performing reasonably well and is at this point a reasonable choice.''

Drop in Enrollment
Harvard Pilgrim chief executive Charles D. Baker Jr. has said he expects enrollment to drop to 915,000 or lower because some national companies have decided not to offer the plan.
Harvard Pilgrim went into state receivership on Jan. 4 after losing $227 million in 1999. A state Supreme Judicial Court judge ended state control on May 25 after regulators came up with a rescue plan. That plan included increasing the HMO's net worth by raising the market value of its 14 health centers.
According to the report, the first since Harvard Pilgrim emerged from receivership, the HMO turned a profit in July and August. Higher premiums and lower administrative costs made up for higher-than-expected medical costs.
The report said the HMO's cash on hand is lower than it was in January, but has generally remained above $100 million for the past several months. The plan currently reports $117.6 million in cash on hand.
The state report also said Harvard Pilgrim has lost more members than anticipated.
To increase public confidence, regulators have asked independent accounting firm KPMG to determine whether Harvard Pilgrim has accurately estimated its 1999 liabilities, and the amount needed to pay them off this year.
Richlin said, ``We're hopeful that by the time they get to the end of the year, their operating losses compared to last year will be relatively modest.''

Insurance Times: IIARI elects Hunter president; Swett & Crawford/Maine promotes 5: Sparta named president at Morse, Pyason & Noyes; LICONY appoints Faist and Byrne
November 7, 2000, Vol. XIX No. 23

IIARI
The Independent Insurance Agents of Rhode Island installed Brian Hunter of Hunter Insurance in Lincoln as president at its recent annual meeting in Newport.
The association also elected Robert G. Slocum, The Slocum Agency in Warwick, as president-elect; Richard Rheinberger, of Affiliated Insurance Managers in Warwick, as vice president; and Robert B. Loiselle of Pawtucket as state national director.
Everett "Fred" Federici was re-elected executive vice president and treasurer.

Swett & Crawford
The Portland, Maine branch of Swett & Crawford Group, a wholesale commercial property and casualty broker, has announced five key management and staff promotions.
Peter Dumas, branch manager, has been named senior vice president. Dumas joined the company in 1981 and has served in various underwriting and brokerage positions, including commercial property and casualty, financial services and transportation.
Patricia Martin, transportation manager, has been name vice president. Martin joined the company in 1985 and is responsible for all transportation underwriting activities.
Michael Hight has been named vice president. Hight joined Swett & Crawford in 1990 and has extensive experience in producing commercial casualty and financial services business.

Frederick Jefts, who heads marketing and business development at the Portland branch, has also been named a vice president. Jefts joined the firm in 1996 and is responsible for the management of Swett's retail producer base.
Estelle Farris, office manager, has been named assistant vice president. Farris has served in various underwriting capacities since joining the firm in 1984. She is responsible for all underwriting and brokerage support services.
The Portland, Maine office, with a staff of 25, serves independent insurance agents throughout New England and upstate New York.

Morse, Payson & Noyes
Peter L. Sparta has been named president of Morse, Payson & Noyes Insurance of South Portland, Maine. Sparta, who formerly served as regional vice president for Maine, joined the company in 1984. He replaces John R. Curran, who served as president since 1996 and is retiring.
Morse, Payson & Noyes, one of the largest insurance brokers in New England, is a wholly-owned subsidiary of Peoples Heritage Bank . Last month, parent company Banknorth Group, acquired The Watson Group in Wethersfield, Conn and, in June, the company purchased Palmer Goodell Insurance in Springfield, Mass. Other acquisitions have included Catalano Insurance in Methuen, Mass. and A.D. Davis, Inc,. of North Conway, N.H.

LICONY
Thomas W. Faist has been appointed executive vice president and Elizabeth J. Byrne has been appointed as senior vice president of the Life Insurance Council of New York, Inc. He will head the association's Albany lobbying efforts.
Faist was formerly president of Bogdan and Faist, a government affairs law firm in Albany. From 1980 to 1986 was chief counsel to then New York State Senator John R. Dunne.
Byrne, formerly counsel to the American Council of Life Insurers, will handle regulatory issues.
The appointments were announced by Thomas E. Workman, LICONY president and chief executive officers.
GAB Robins
Larry Sadowsky has been named national general adjuster for the Hartford region for GAB Robins. Sadowsky will be responsible for insurance claims adjustment for large and complex losses involving commercial, industrial and institutional property damage and time element insurance.

The Providence
Richard A. Sinnigen, assistant treasurer, has been elected secretary of The Providence Mutual Fire Insurance Co. and Grange Mutual Insurance Co. Sinnigen joined the company in 1978 and was named assistant treasurer in 1983.
The election was announced by Sandra G. Parrillo, president and chief executive officer.

USI New England
Dan Quarella has joined USI New England's Rhode Island operation (formerly Shippee-Warburton) in North Kingstown to head up the firm's newly-created construction services group. He is a former executive vice president at Carlin Insurance Agency in Natick, Mass.
Also joining the Rhode island office is Brian Bonollo, who will serve as an account manager in the construction services group. Bonollo was also previously with Carlin Insurance.

Zurich Kemper Life
Ken Olson has been named vice president of national accounts for Zurich Kemper Life's brokerage unit. Olson will enhance the life brokerage division's product

portfolio, technology, marketing and service delivery as it aims to extend its sales in variable universal life and related cash-value products. Olson previoulsy served as field vice president at The Midland.

Sun Life Financial

Sun Life Financial in Wellesley, Mass. has appointed Janet Whitehouse to the position of vice president for strategic initiatives. In this position, she will assist senior management executives with initiatives planned for 2001 and beyond. Whitehorse most recently as with Unum Corp.

Sun Life Financial also named Ruby E. Koveleski as assistant vice president for human resources. She will be responsible for human resources functions of the retirement products and services division of Sun Life of Canada (U.S.) Distributors, Inc.

And Thomas L. Cahill has been appointed assistant vice president and controller in the Individual Insurance Division. He spent the last 23 years at John Hancock Life Insurance Co.

1752 Club

The Robert C. Dwelly Scholarship award from the 1752 Club has been awarded to Mary L. Gibbs of the Oceanside Insurance Agency in Hyannis, Mass. and Rachel Joy Granger of the Avery Agency in Wolfeboro, N.H. The award goes toward tuition for enrollment in the Certified Insurance Counselor (CIC) designation program. p

Young Insurance Professionals Network

The Young Insurance Professionals Network elected Michael A. Loguerico Jr. of New Providence, as president at the Professional Insurance Agents of New York annual meeting recently. Loguerico is a national sales representative for Life Instructors Inc.

Frank K. Daniberg of Lagrangeville, a senior marine underwriter for Great American Insurance Co., was elected vice president; Richard Wercholuk of Schenectady, who works for Preferred Coverage, was named secretary; and Leslie Bullis of New York City, who works for Lee & Hawthorne Credit Insurance, was elected treasurer.

1752 Club

The Robert C. Dwelly Scholarship award from the 1752 Club has been awarded to Mary L. Gibbs of the Oceanside Insurance Agency in Hyannis, Mass. and Rachel Joy Granger of the Avery Agency in Wolfeboro, N.H. The award goes toward tuition for enrollment in the Certified Insurance Counselor (CIC) designation program.

IIANJ

Gary S. Newborn of G.S. Newborn & Associates of Flemington, N.J. has been elected president of the Independent Insurance Agents of New Jersey. Kenneth Hagerman of Laurel Coe & Associates in Stratford will serve as president-elect. Denise M. Ronan of the Ronan Agency in Brock was elected vice president and Jeanne Heisler, also of the Ronan Agency, will continue as state national director.

Deland Gibson Insurance

In celebration of the agency's 100th anniversary, employees of Deland, Gibson Insurance Associates of Wellesley, Mass. departed for a Columbus Day weekend cruise to Nassau and CocoCay. The agency was founded in 1900 by Charles E. Deland. His nephew, George W. Gibson, became president in 1935 and Charles W. Gibson, the current president, took over leadership in 1982. He is joined in management by Karen A. Cora, executive vice president, who joined the firm in 1988.

Middlesex Mutual
Middlesex Mutual Assurance Co.'s Bruce Anderson, right, presents the Estelle Gawlak CIC Memorial Scholarship to Christine Gionfriddo, left, recipient of the scholarship for 2000. The scholarship is awarded annually by the Connecticut Certified Insurance Counselors (CIC) to a woman and pays the full tuition to each of the five classes comprising the CIC designation.
The scholarship was present during the Professional Insurance Agents of Conn. annual meeting. The scholarship is in memory of Gawlak, a Middlesex Mutual employee in 1960.

Arbella
Arbella Mutual Insurance Co. recently honored its top personal lines agencies at a Cotton Club-style evening complete with a swing band and gaming tables at the Westin Hotel in Waltham, Mass. The insurer recognized agents who have attained a combination of premium volume, long term profitability and sales growth with Arbella. Sixty-two agencies were honored as Admiral Agents and another 91 as Captain Agents.
In addition to the Admiral and captain awards, 12 agencies were selected to receive the Territory Excellence Award for achieving the highest level of growth and profitability in their respective marketing territories. These award winners were Albert G. Brock Co.; Campbell, Flaherty & Ring; Chisholm Insurance Agency; Arthur L. Cushman & Son; Dowling Insurance Agency; Jensen-Sheehan Insurance Agency; Mone, Lawrence & Carlin Insurance Agency; Norcross & Leighton; Norris Insurance Agency; O'Connor and Company Insurance Agency; Parent Prakop & Associates, and Partridge-Zschau Insurance Agency.
Photo: Arbella Mutual President and CEO Richard Brewer (left) and Arbella, Inc, Chairman John Donohue (right) present one of 12 Arbella Territory Excellence Awards to Ted Lane (left) of the Arthur L. Cushman & Son Agency.

Sun Life Financial
Sun Life Financial in Wellesley, Mass. has appointed Janet Whitehouse to the position of vice president for strategic initiatives. In this position, she will report to James McNulty, III, executive vice president for U.S. operations and will assist senior management executives with initiatives planned for 2001 and beyond. Whitehorse most recently as with Duncanson & Holt, a subsidiary of Unum Corp.
Sun Life Financial also named Ruby E. Koveleski as assistant vice president for human resources. She will be responsible for human resources functions of the retirement products and services division of Sun Life of Canada (U.S.) Distributors, Inc.
And Thomas L. Cahill has been appointed assistant vice president and controller in the Individual Insurance Division. He spent the last 23 years at John Hancock Life Insurance Co., most recently as director of financial analysis and planning for broker/dealer life insurance distribution.

Insurance Times: Caterpillar Insurance Company
November 7, 2000, Vol. XIX No. 23

November 7, 2000

Caterpillar Insurance Company
2120 West End Avenue
Nashville, Tennessee 37203

The above company has made application to the Division of Insurance for a license/ certificate of authority to transact 1- Fire, 2A Ocean and Inland Marine, 6F Liability other than Auto, and 6G Auto Liability insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for (a license or 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.

Insurance Times: Merit Life Insurance Co.
November 7, 2000, Vol. XIX No. 23

November 7, 2000

Merit Life Insurance Co.
601 NW 2nd St.
Evansville, IN 47701

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact Life & Health insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license of 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.

Insurance Times: American Enterprise Life Insurance Company
November 7, 2000, Vol. XIX No. 23

October 24, 2000

American Enterprise Life Insurance Company
Administrative Offices
829 AXP Financial Center
Minneapolis, MN 55474

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact Variable Life insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license or 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.

Insurance Times: Patriot General

November 7, 2000, Vol. XIX No. 23

November 7, 2000

Patriot General
Insurance Company
1800 North Point Drive
Stevens Point, WI 54451

The above company has made application to the Division of Insurance for a license to transact a line of insurance entitled "6F Liability other than Auto" in the Commonwealth.

Any person having any information regarding the company which relates to its suitability for a license 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.

Insurance Times: Insurers Fear Aftermath Of Mass. Aftermarket Auto Parts Report

November 7, 2000, Vol. XIX No. 23

by Mark Hollmer
InsuranceTimes

BOSTON - Auto body lobbyists have failed before to persuade Bay State legislators to restrict or ban the use of generic aftermarket crash parts.

That failure, of course, has translated into benefits for the insurance industry because aftermarket parts are cheaper and keep repair costs down. More importantly, a number of safety groups have expressed that the parts are not unsafe to use.

A majority report from the Massachusetts Auto Damage Appraisers Licensing Board could threaten the status quo, however, by stating that structural aftermarket parts aren't of like kind or quality and may be unsafe.

Aftermarket parts have faced auto body industry challenges before, but insurance lobbyists say this time is different.

"From the auto body folks' standpoint there was always a tremendous lack of any evidence, report or any type of body saying these (parts) were unsafe," said Gerald Zimmerman, associate counsel with the National Association of Independent Insurers.

With the ADALB report, however, Zimmerman argued that the auto body industry now

has its "smoking gun" through which lobbyists will try and make a stronger case than in the past.
"I'm sure part of this exercise was to convene this board, hear testimony, hopefully get a report that questions the safety of these parts and there's your smoking gun When you're in a legislative battle (you can say) 'see, right here, ADALB did find a safety issue.... That's the basis they can use now."

1999 Bills
Their most recent chance came during the 1999 Massachusetts legislative session, when two bills were heard in the Public Safety Committee regarding the proposed restriction of aftermarket parts.
The bills stalled in committee and were shifted to a proposed insurance industry study that never actually happened, Zimmerman said.
Stephen Regan, the Massachusetts Auto Body Association executive director, said the three-person report validates doubt about generic aftermarket part safety his organization has expressed for years.
"It's a justification of the concerns that MABA members have been bringing to regulators and consumers for over a decade about problems associated with aftermarket parts.
"We're pleased that the board took the time that it did (about seven months) making sure that the hearing process was fair they're recommendations should be taken seriously."
The three-person majority report represents votes taken by Chairman Gilbert Cox, Jr., an attorney; Walter Thomas, an appraiser with Thomas Auto Body in Worcester; and Joseph Valarioti, an appraiser with Central Auto Rebuilders in Marlboro.
ADALB members Peter Kenyon, of the Bourbeau & Hinch Insurance Agency in Hampden and the Jones Neylon Insurance Agency in Amherst, wrote a minority report criticizing the majority opinion.
Regan acknowledges that some people may not consider the board impartial because of its split industry affiliations, but he points out that Cox "doesn't have any relationship to any industry."
"We had one impartial person readily agree (with us)," he said.
Cox himself insists he's neutral and the board conducted its research and public hearings fairly.
"I didn't consider myself biased one way or another and I don't believe I was," he said. "Even though I have an active law practice I do no insurance business whatsoever."

Regulate Appraisers
The legislature initially set up the board in 1982 to regulate motor vehicle appraisers.
Commissioner Linda Ruthardt asked the board to look into aftermarket parts safety after a 1999 Consumer Reports article suggested some of those parts aren't safe. She'll now take the report under consideration and could either decide to take regulatory action or defer to legislators.
"I anticipate she'll take ample time needed" to make her decision, said Christopher Goetcheus, the DOI spokesman.
Not surprisingly, Reagan said that MABA will likely use the document "as additional evidence that an impartial government body who listened to testimony from officials has come up with the decision that we feel supports our contention all a long.
"It's something we can use to show legislators, the media and the public that there is concern about the use of these parts in the marketplace," he said.
Massachusetts regulations require the use of aftermarket, or generic auto parts for repairs assuming they don't adversely affect vehicle safety and they are "of like kind of quality, at the lowest possible price."

Repair shops don't have to use generic parts if a vehicle has been driven under 15,000 miles or if cheaper parts can't be found.
The two ADALB motions in question passed at the May 24 ADALB meeting in Marlboro, 3-2.
One motion said "structural aftermarket parts are not of like/kind and quality" to original manufacturer parts and "may" compromise vehicle safety.
The second motion reinforced a new gray area with the parts, stating that they "are not the exact duplicate of the factory original parts and may jeopardize" overall vehicle safety and value.
Writers of the majority report emphasize they want to create an environment where both OEM and aftermarket parts have a place in the auto repair world.
But the majority report concludes that the evidence shows aftermarket parts are inferior to their OEM counterparts in terms of "weight, methods of reinforcement or bracing and thickness of metal."
Aftermarket structural and cosmetic crash parts have similar manufacturing defects, the report concludes.
The majority report calls for auto body shops and consumers to choose parts based on quality rather than cost, which will encourage better manufacturing standards. In addition, the report recommends switching repair focus to the vehicle condition itself rather than the 15,000-mile requirement.

Minority Report
The two-person minority report countered the ADALB majority document by recapping evidence from the National Highway Traffic Safety Administration and other sources that they say show aftermarket parts do not affect vehicle safety.
Meanwhile, trade associations, industry-related groups and the state Attorney General's office sounded off over the last two weeks on the report and its significance.
The American Insurance Association released a quick press release blasting the ADALB majority report as "not supported by the facts" and "anti-consumer."
"Competitive replacement parts bring down the cost of auto repairs and auto insurance," said James Harrington, the AIA vice president, northeast region.
"If the carmakers' enjoy a monopoly in the replacement part market, prices will soar."

Industry Groups
Frank O'Brien, regional counsel for the Alliance of American Insurers, said the the Massachusetts legislature would be making a "grave error" to take legislative action in support of the ADALB report, because "we don't think the conclusions are supported by the evidence."
He predicts "further action on the issue" either through the State Legislature or regulation.
The NAII and the AAI continued their public relations offensive a few days later in press releases referring to "a recent blind fit test of generic aftermarket auto parts (which) found them to be equal or superior to car company replacement parts."
The ratings came from a "recent" Collision Industry Conference in Nashville, Tenn., after blind tests were conducted on a 1998 Honda Civic.
Zimmerman of the NAII took the offensive one step further in a subsequent press release, calling for the ADALB to be disbanded because it "is a self-serving group with its own agenda" that "serves no useful purpose."
Even the Insurance Institute for Highway Safety stepped into the fray, writing a letter to Ruthardt stating that the majority report makes "unwarranted conclusions" about aftermarket parts.
The letter, written by IIHS Senior Vice President Stephen Oesch, includes information that Oesch said proves generic aftermarket crash parts are as safe as their OEM counterparts.

Among the details: A reminder that the National Highway Traffic Safety Administration did not establish standards for aftermarket cosmetic crash parts because they weren't needed.

"The board should have concluded that cosmetic body parts do not influence the safety performance of a vehicle," Oesch wrote.

"To conclude otherwise is to give credibility to allegations that date back more than 10 years, even though no one has produced one piece of documented evidence to support those allegations."

Jack Gillis is executive director of the Certified Automotive Parts Association, a non-profit organization that certifies a small percentage of auto replacement parts on the market.

Gillis' organization says the ADALB majority report is out of line and "well outside the jurisdictional oversight and expertise of the ADALB."

"What the ADALB has done," he said, "is to try in this very thinly veiled way to cast aspersions on one category of part, simply by virtue of who makes it which does nothing more than protect the monopoly of car companies (and) cost consumers dearly."

Gillis called for a more competitive auto parts system to keep quality high and prices lower.

A few weeks ago, Gillis also wrote a letter to the ADALB criticizing the board for its "premature" release of only the majority report before both the majority and minority conclusions officially came out.

"Not only does this severely bias the public on what was the closed possible committee vote (3-2)," Gillis wrote, "but it also calls into question whether or not members of your committee were truly unbiased in their report."

Some details were reportedly cited by MABA officials in a various media accounts.

The Attorney General's office is "monitoring the situation" for now, said Joanna Connolly, an assistant attorney general and deputy chief of the department's regulated industry division.

Connolly points out regulations already exist in Massachusetts governing how aftermarket parts are used.

"There is already a regulation in Massachusetts which states that safety has to be considered when aftermarket parts are being used and also that aftermarket parts must be of like kind and quality," she said.

"So we would anticipate that to the extent that an aftermarket part is not of like kind and quality that (it) would not be used in any event."

The federal General Accounting Office is looking at the issue, and Connolly's office is waiting to see what the GAO response will be.

And if legislation is filed to change how aftermarket parts are used in Massachusetts, Connolly said, the Attorney General's office would still focus on making sure "that consumers are protected."