Insurance Times: Agency e-commerce isn't cheap but alternative may be costlier
April 3, 2001, Vol. XX No. 7

by Mark Hollmer
InsuranceTimes

Imagine the ability to file every paper electronically, offer 24-hour Web access and sell insurance completely online for customers who wanted the service.
Those elements, industry insiders say, are essential ingredients of the e-commerce insurance agency of the future.
The insurance industry, however, is a conservative bunch.
Being able to conduct business electronically may seem like a quantum leap that's too costly to make, or at least years in future.
Yes, technology doesn't come cheap, those experts admit, but the jump into a technology-friendly future filled with electronic commerce opportunities isn't impossible.
"There are a lot of exciting opportunities out there if you allow yourself to get past your own fear," says Ed Higgins, the owner of Thousand Islands Agency in Clayton, N.Y., which he's made ready to handle many e-commerce functions.
And jumping into e-commerce doesn't mean abandoning the crucial person-to-person contact independent agents have relied on for years.
"What agents want to be is a professional advice portal," said Madelyn Flannagan, vice president of education and research for the Independent Insurance Agents of America.
"They want to have face-to-face contact with the consumer and not (offer a) blind Web site where you buy online. What an agent is about," she said, "is choice and professional advice ... not just putting an electronic face on an agency."
The actual e-commerce conclusion, where a customer can buy and pay for a policy online, and use an electronic signature to close the deal, isn't up to speed yet. That's because electronic signatures have only recently gained legislative approval.
Still, an agency moving ahead in an e-commerce direction does require a number of high-tech tools, Flannagan said.
The goal for e-commerce-ready agencies, she said, is to have a system that allows online quoting and customer service in addition to face-to-face human contact.
Specifically, this means adding an agency computer system would allow client records to be stored online.
Client information could be password protected but Web-enabled so customers could log in, check to see if they paid their insurance or tinker with coverage - essentially managing their accounts from home through the agency system.
Records can be placed online through a number of computer systems and software, Flannagan said, including AMS, Applied and Ebix.

24-Hour Access
Agents should also become accessible 24-hours a day, she said, either through a live customer service call center or online version, both of which could handle general claims service or coverage questions.
Billing inquiries, she said, should also be possible through the Internet or a phone call.
Mark Parrish, a former independent agent in New Orleans, is now an agency technology consultant and CEO of Ajasent, an application service provider in Louisiana that uses its data center to host agency software applications.
The servicing aspect of e-commerce, he said, is going to be much harder to build

than the e-commerce piece allowing completion of a sale online.
For starters, however, Parrish recommends that agencies have a Web presence or Web page that provides information but also allows customers to obtain quotes on policies.
He said he doesn't expect online purchasing and selling of insurance through agencies to be "heavily used" right now, but "the component still needs to be there.
Parrish said agencies can save time and money buy subscribing to Web services that offer businesses Internet e-commerce capabilities through outsourcing of technology, rather than building a system themselves from scratch.
Keith Savino is president of Insurehelp.com, a virtual e-commerce agency based in Warwick, N.Y. He said agencies trying to build their e-commerce business should have clear language and layout on their Web sites telling what a consumer can expect, from product inquiry to quotes and the ability (or lack of ability) to purchase online.
Customers should be given non-e-commerce options, too, he said, because they may want to conduct business online but should also have the chance to speak to an agency representative or email instead.
"Be prepared to handle all of those ways," he said.
Savino warns that agents should balance technology with traditional service while plowing ahead with e-commerce.
"Don't alienate yourself from the customer, but on the other hand, don't sit back and say the Web thing is a fad and it's going to pass," he said.
Agencies should also have realistic expectations about adding technology for e-commerce business.
"If you build it they won't come," he said. "The rule is content, and if you don't have good content on the site, there's nothing exciting or sexy about insurance that's just going to make them come."

Online Extras
Online extras that would help, Savino said, include service options like offering commercial claims forms and certificates online.
Multiple vendors can also help an agency maximize its e-commerce needs, he said.
Higgins, who added electronic files and will also launch a 24-hour online service, said the switch to e-commerce capacity is possible if you prioritize and create a long-term plan to reach your goals.
Spending a lot on technology makes sense, he said, as long as you "make sure that you're realizing maximum utilization.
"That means that every function that is available in an agency management system is being used to create a more efficient workflow," he said.

Insurance Times: IIAA study claims agency system facing best opportunity in decades

April 3, 2001, Vol. XX No. 7

Agency system in renaissance, growing share of PC marketplace

A new study by the Independent Insurance Agents of America (IIAA) finds a renaissance in the appeal and effectiveness of the independent agency system is underway --a rebirth that Paul A. Equale, IIAA chief executive officer, maintains is helping to grow market share for agents and their companies and portends well for the future.

The conclusion of the study --The Independent Agency System: A Time of Great Opportunity-- is that agents, brokers and agency companies have their best opportunity in decades to increase their portion of the total property-casualty market. Based on data provided by A.M. Best, the IIAA study compares 1999 expenses and market-share changes of agency insurers and companies in other distribution systems.

In personal lines, the agency system's market share grew by more than $20 billion during the period covering 1997-1999. In personal auto in particular, the gains realized each year were 0.8 percent in 1999, 0.3 percent in 1998 and 0.4 percent in 1997, resulting in more than $5 billion in new premium written by agents and agency companies. These gains came at the expense of captive-agency companies, which lost 2.2 percent in auto market share over the three-year period. Other gains went to direct-writer companies.

"This market-share growth is solid proof that independent agents and their company partners can and are succeeding in the highly competitive personal lines marketplace against direct-writer and captive-agency insurers," says Equale. "We believe that agency diversification into personal lines will continue to make eminent sense in the future and be a new profit source for both agents and companies."

Overall, independent agents and brokers currently write about 34.2 percent of the $153 billion personal lines market place, the IIAA study finds.

While the agency systems realized growth in total commercial line premiums over the three-year period covering 1997-1999, its share of the marketplace dropped by 3.5 percent. Much of this market-share change can be attributed to an A.M. Best decision to include state workers compensation funds in the commercial lines figures. For example, the California State Compensation fund ($1.24 billion in premium) was classified in the captive-agency writer category even though it writes approximately half of its business through independent agents and brokers. From the 1999 A.M. Best numbers IIAA determined that independent agents and brokers write nearly three-quarters--74.2 percent--of commercial policies.

"Even with this loss of market share, the position of independent agents and brokers in the commercial market is dominant," says Equale.

Turning to company expense ratios in the personal lines marketplace, the IIAA study found that there continues to be a wide disparity in the efficiency of the companies within each distribution category. In private passenger auto, several regional and national agency writers were able to provide insurance as efficiently as other companies, achieving operating ratios that beat some of the major direct-response writers. National company CGU Group's 29.21 operating ratio and regional writer Auto-Owners Group's 29.29 was better than all sampled direct writers and bested by only two captive-agent companies. The study found similar operating ratio results in the delivery of homeowners and commercial insurance protection.

"This is highly significant because it proves agency companies can surpass direct-writer and captive-agent companies and get very close to others," stresses Equale. "It also proves that independent agency companies can be just as efficient as a direct-writer company and still offer the value-added advice and advocacy of a local independent insurance agent.

"This IIAA study shows that today's independent agencies are much stronger business organizations and have an unprecedented opportunity to grow their market share in personal and commercial lines. Mergers and acquisitions, use of new technology, and agent use of Best Practices tools to improve agency management and processes have all strengthened the independent agency system," says Equale.

"A renaissance of the agency system is very much underway and IIAA is committed to doing everything it can to help its members reach their full potential in this new and exciting environment," concludes Equale.

Insurance Times: NY court ruling clarifies E&O liability for insurance agents
April 3, 2001, Vol. XX No. 7

Agents found not 'professionals'in negligence claims

by Mark Hollmer
InsuranceTimes

In a ruling reaffirming that New York agents and brokers are not to be held to the standard of care of professionals, the New York Court of Appeals has clarified that a three-year statute of limitations applies to agents and brokers facing a negligence action.

The decision also means, however, that agents and brokers will continue to face a six-year statute of limitation on breach of contract claims.

In a written opinion, the court reaffirmed its landmark decision in Murphy v. Kuhn, which held that while an insurance agent has a common law duty to a client to obtain coverage, there is generally no continuing duty to guide or advise as in the case of professional relationship. The court decided against raising the standard of care owed by agents and brokers to the professional level.

Lawyers from Lustig & Brown, the law firm representing four defendants in the four separate cases involved in the appeal, had argued that a three-year statute of limitations should apply.

James Keidel, managing partner of the firm's New York office, said his firm based its argument on a 1996 state law that establishes a three-year statute of limitations for non-medical malpractice, but doesn't specify specific professions to which it applies. Prior to 1996, earlier court decisions established that both breach of contract and negligence claims against New York agents or brokers were valid under a six-year statute of limitations.

Keidel said the 14-page decision, issued March 22, is "very, very important" for insurance agents, though he also acknowledged the mixed nature of the result.

"Basically we got some of what we wanted," he said. "We're disappointed that the New York Court of Appeals didn't recognize insurance agents and brokers as professionals" - a requirement needed under the 1996 statute.

At the same time, Keidel said, his firm is pleased that the Court of Appeals, in its decision, affirmed its earlier decision in Murphy vs. Kuhn.

The Court of Appeals based its decision on two lead cases: Chase Scientific Research vs. the NIA Group, and Gugliotta vs. Apollo Roland Brokerage. Two other cases also came into play as a third party action in the case: Santiago vs. 1370 Broadway, and Herbert Construction Co. vs. Essential Coverage Corp.

Richard Poppa, CEO of the Independent Insurance Agents Association of New York, said his association is "disappointed that the court doesn't recognize the professional nature of the way insurance agents do their business."

But Poppa said the move that clarified when six-or three-year statutes of limitations apply to agents in breach of contract and negligence claims was "positive."

The New York Court of Appeals is one of the most significant in the country, Poppa said, adding that he expects the decision's impact to be felt in other states.

"You'll see other courts looking to New York and drawing the same distinction," he said.

In addition, Keidel said, his firm is happy the Court of Appeals rejected the plaintiff's argument to apply the continuous treatment doctrine to agents. This would be similar to medical malpractice, where a statute of limitations can be extended if there's a continuing relationship between parties.
The Court of Appeals decision resolves conflicting decisions made in lower-level appeals court actions.

Insurance Times: Boston City Council gets into Liberty holding company act
April 3, 2001, Vol. XX No. 7

by Mark Hollmer
InsuranceTimes

BOSTON - Boston City councilors have jumped into the fray over Liberty Mutual's drive to change its corporate status.
About 15 people - mostly consumer and industry lobbyists and a few city officials - attended a March 23 hearing called by the City Council's Committee on Banking and Investment to address the issue.
Before beginning the hearing, Councilors Chuck Turner and Michael Ross addressed criticisms that they were overreaching their responsibility by taking part in the debate.
"There are a number of residents in the state and city whose interests are being affected by this business change," Turner said.
Added Ross: "We constantly deal with issues that may or may not be in the direct purview"
Liberty Mutual is applying under a 1998 state law to change its corporate status to a mutual holding company. This, Liberty management argues, will allow it to better compete internationally.
The new corporate structure would keep Liberty from selling more than 49 percent of its stock and it would also maintain mutuality. Opponents say the result would create a conflict of interest between policyholders and shareholders.
Opponents have also argued that Liberty should consider demutualizing instead, because then policyholders could benefit from the distribution of the company's surplus.
The committee invited both Liberty Mutual and Division of Insurance representatives to attend but both sent letters declining, which Committee Chairman Brian Honan read into the record.
Christopher Mansfield, senior vice president and general counsel to Liberty Mutual, wrote Honan that it would be "inappropriate" for Liberty to testify while the DOI deliberates on its application.
"Once the Division has concluded its statutory responsibilities, we would be happy to meet with the Council," Mansfield wrote.
DOI Commissioner Linda Ruthardt, in her March 20 letter to Honan, said she couldn't appear because she will preside over the mutual holding company hearing for Liberty.
In the short term, Ruthardt said, she's recused herself from the process now underway at the DOI "in order to maintain my objectivity and avoid even the appearance of bias or prejudgment on this matter."
The DOI, meanwhile, has brought in "advisors" to review Liberty's application, and the department is also hashing out how it will hold the hearing itself.
In the absence of Ruthardt or Liberty officials, consumer and industry lobbyists

supplied the bulk of the testimony.
Nathaniel Orenstein of the Center for Insurance Research told councilors they should take a critical look at Liberty's mutual holding company application, because the Boston-based company "is a large and influential player."
Liberty insures about 25,000 Boston drivers and 5,000 homeowners, Orenstein said, though he admitted the policies wouldn't change under a mutual holding company.
Consumer attorney Jason Adkins, who founded CIR, said the mutual holding company process was recently rejected in New York and only reached legislative approval in Massachusetts after "the bill slipped through."
(Liberty officials, in previous interviews, have cited the Massachusetts legislature's wide-scale approval of the bill as reason to plow ahead.)
Adkins said a mutual holding company would leave Liberty's management "accountable to no one." Adkins also accused the DOI and Liberty of holding secret meetings to hash out a "pre-approved" agreement for the mutual holding company plan.
He said the action isn't much different than secrecy in the former Soviet Union, "which is a disgrace."
DOI spokesman Christopher Goetcheus, asked to respond, said "it is really ludicrous to talk about this as if it were a clandestine operation ... the law allows for the commissioner to hire consultants to review the plan ... the statute allows for this type of examination much the same way insurance law provides for (nonpublic) financial examinations of our licensees.
The DOI will hold a public hearing when that process is done, Goetcheus said.
Frank O'Brien, regional manager of the Alliance of American Insurers, defended Liberty Mutual's mutual holding company plan.
"There is nothing within this company's mutual holding company plan ... that will cause current policyholders to lose insurance coverage or other rights that they enjoy as customers ...
"The fact is that the mutual holding company structure will allow Liberty Mutual, and other insurers, optional access to capital that can spur growth and increase the company's overall value to its policyholders."
Early in the hearing, Richard L'Europa, director of risk management for the Boston Housing Authority, and Dennis DiMarzio, the city's chief operating officer, testified about Liberty's business with city departments.
"L'Europa said Liberty Mutual offers a workers compensation policy for the BHA that would not be affected by conversion to a mutual holding company, in part because the business is "tightly" regulated in Massachusetts.
DeMarzio agreed.
As a Liberty Mutual policyholder himself, DeMarzio said he has "no great concern" about the change, and he "doesn't see that at the moment," Liberty Mutual is doing anything we should be concerned about."
He said the city would remain neutral in Liberty's drive "to reorganize itself" and "let the regulatory authority do its job."

Insurance Times: Local agencies not afraid to tackle challenges of e-commerce

April 3, 2001, Vol. XX No. 7

by Mark Hollmer
InsuranceTimes

For Ed Higgins, the future is now.
Higgins, the owner of the Thousand Islands Agency in Clayton, N.Y, spent the last three years and more than $60,000 putting a long-range strategic technology plan into action.
Higgins, 55, says he made the investment largely to increase efficiency. But he is also trying to reposition his agency as high-tech-savvy and ready to dive into the e-commerce age.
"If you want to play in the new marketplace you need to be able to play. The ones who get there soonest are going to have the best time and make the most money," Higgins says.
He adds: "The ones who stay behind are going to watch their customers migrate to those who went there."
Electronic, or e-commerce in its narrowest sense refers to a business transaction online. It's a concept that independent agents like Higgins are gradually beginning to confront.
Agents who have jumped in, however, are making the biggest progress in the broader sense of e-commerce, using the latest technology to sharpen their customer service or improve the convenience of shopping for or changing coverage.
At the same time, however, agents interviewed for this story add that the technological advances go hand in hand with the traditional face-to-face interaction between agent and customer.
"We're not replacing the relationship the client has with an agent," says Keith Savino, of Insurehelp.com in Warwick, N.Y.
Adds Henry Risman, of the Risman Insurance Agency in Medford, Mass.: "In-person is a much more effective sales tool than the phone or e-mail is."
And while insurance e-commerce may be growing, it hasn't exactly taken over the industry at the moment.
There's "a very small amount at this point," Risman says.

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Higgins invested in all-new personal computers for his three-member agency, plus a digital camera, scanners at each workstation, CD-ROM's and a CD ROM burner to allow for electronically stored files. Employees each have their own individual email address, too, and they're printed on agency stationary.
What's more, Higgins and each employee has his or her own official electronic signature that allows the agency to generate a binder completely by email.
Email becomes an e-commerce tool, Higgins says, because each electronic correspondence is copied and pasted to the appropriate client file, allowing for a "full chronicle of transaction activities" with a customer.
His customer service representatives can use their computers in every part of a claims process, to email or fax information to everyone from body shops to underwriters as long as they're connected, too, he says.
Higgins' advances in the electronic world are relatively recent.
For the last six months, his office has been able to handle repair estimates online, where an estimate and photo can be scanned, attached to a claim and then emailed to an insurance company.
He's also on the verge of plowing further ahead in the e-commerce world than many of his rivals.
This spring, Higgins expects a contract with Ebix to kick in that will offer online services that's essential to a true, 24-hour agency gearing up for e-commerce. As planned, the system will let customers click a button on the agency Web site and access their insurance accounts, examine deductibles, make coverage changes or request new products.

Risman isn't quite far along as Higgins, but says his 11-employee agency has

made huge technological strides, bringing him tantalizingly close to the e-commerce world.
For example, Risman's Medford agency has used high-tech imaging and scanning for all documents since 1999, for documents including policy surveys, notes, or customer or client letters. This advance has allowed Risman to convert two storage rooms into offices, because it no longer keeps paper files (except for the first 60 days).

Risman also updated his software(using AMS for Windows) bought new personal computers and a separate database server - spending about $20,000 for his initial investment.
He says his office is now ready for full-fledged e-commerce because when Web sites improve their ability to facilitate business transactions, he'll be ready.
"Customers may be able to access their accounts and see everything from our site," he says.
Risman practices elements of e-commerce, such as handling electronic correspondence from clients and companies. He also uses the Web to research prospective customers and marketing ideas.
But, Risman says, he doesn't believe that technology has reached a point that allows independent agents to fully jump to an e-commerce business model, closing deals online as well as providing customer service information.
"The consistency of software isn't quite there yet, at least from the agency prospective," he says. "Some of the things I thought were going to be available a year ago still aren't."
For example, Risman says, he wanted his Web site to have a rating mechanism to allow clients to rate their auto or homeowners policy.

Some Web sites can conduct ratings, he says, but they're not reliable yet.
Savino, president of Insurehelp.com, presents an unusual foray into the insurance e-commerce world.
Savino also owns Warwick Resource Group, and formed his "virtual agency" in a partnership with nine different agencies.
Savino says his company lets insurance agencies become "e-commerce-enabled" because their Web sites can offer his product rather than just information.
"Most agents have no product on their Web sites. They have inquiry forms," he says.
Insurehelp.com sells unique insurance products such as coverage for wine collections or photography equipment, but only through other agencies' Web sites. Customers may click onto an agency Web site and then click a connecting button that leads them to Insurehelp.com and its products, though they still believe they're on the original agency Web site.
Some of the coverage can be purchased online with a credit card, and other products need a signature, but customers can print out an application and then send it in signed with a check.
"What's beautiful about this is that the agent could be playing golf and writing this business," Savino says.
But after a customer buys the online product, Savino says, the agent still needs to find the client "and have a conversation with them" about other sales opportunities.

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Each agent admits that e-commerce business isn't a large part of their sales yet, but they believe it will be.
Higgins, for example, says about five percent of his business takes place electronically right now, but he's seen growth anyway.
"We've already seen with our customers that a surprising number of them are using email," he says.

And at least 15 have signed up so far for the new Ebix 24-hour service, he says. Higgins adds he wouldn't be surprised if his e-commerce business grows to 30 percent of the total within a few years.
"Remember the guy who was 18 two years ago is now 21," he said. "And you will see a younger, aging population go through and their set of expectations and minimum standards are going to be significantly different."
Higgins said he was anxious about making the technology change but now he's glad he did so, giving his customers a greater number of choices through which to buy products in the long run.
"When we made the change we found it was at least twice as terrorizing as we expected it to be," he said.
"When you change from one operating system to another and you're almost completely electronic, that change creates essentially instant chaos.
"But once you come through the window of transition and realize you're more powerful than you were, you look back and you're glad you made the leap ..."

Insurance Times: Mass. bank drops bid to retain ERP

April 3, 2001, Vol. XX No. 7

A Wakefield, Mass. bank that caused controversy at Commonwealth Auto Reinsurers after trying to keep the exclusive representative producer (ERP) status of the agency it is purchasing won't need the designation after all.
That's because The Savings Bank is on the verge of signing a voluntary contract with an insurance company as it closes an agreement to buy the Thibodeau Agency, also of Wakefield.
Joseph Maher, CAR's vice president, general counsel and secretary announced the move at a recent meeting of CAR's Market Review Committee.
Garrett Hennessy, senior vice president of The Savings Bank, confirmed the agreement with InsuranceTimes, and that the bank would not need Thibodeau's exclusive representative producer status after all.
"We have an agreement with a company," he said, added he expected it to be signed within a few weeks.
Earlier this year a CAR subcommittee rejected the bank's push to take over the Thibodeau Agency's ERP status, and the CAR Market Review Committee took the vote under advisement.
David Bakst, an attorney representing the agency, said in an earlier interview that The Savings Bank simply wanted an agency through which it could offer "a broad array of financial services products to its customers." ERP status, he said, was not one of the bank's goals.
The Massachusetts Association of Insurance Agents opposed the transfer. MAIA Executive Vice President Frank Mancini said the approval would give the bank an unfair exemption over the existing ERP moratorium.
State law requires banks to offer insurance at all of their branches, which Mancini said would expand ERP numbers and violate the moratorium.

Insurance Times: NY commercial lines dereg put on hold

April 3, 2001, Vol. XX No. 7

Commercial lines deregulation in New York appears to be in doubt this year.
State Sen. James Seward sponsored a bill that would deregulate New York's commercial lines insurance market.
But Seward, chairman of the Senate Insurance Committee, has agreed to place the bill on hold, according to the Independent Insurance Agents Association of New York.
"Because of some of the concerns IIAANY has brought to Seward, he has agreed to not bring it to vote, pending some further discussions and negotiations," said Michael Barrett, the state trade association's legislative representative.
IIAANY's "overriding concern," Barrett said, was moving ahead with commercial lines deregulation in a tightening market.
In addition, Barrett said, New York has launched speed to market initiatives that may have lessened the need for commercial lines deregulation right now.
IIAANY also questioned how you could legally define a "sophisticated insurer" legally eligible to buy deregulated products, he said.
Kristina Baldwin, counsel to both Seward and the Senate Insurance Committee, said Seward hopes to pass a revised version of the bill later this year.

Insurance Times: Double workers comp payment upheld

April 3, 2001, Vol. XX No. 7

BOSTON - CNA Insurance must pay double workers compensation to an injured employee, even though the employer is insolvent and can't pay the insurer back, a Massachusetts Supreme Judicial Court judge has ruled.
"Unlike some other States, ... Massachusetts (law) makes no provision insulating carriers from payment of double compensation," Chief Justice Margaret Marshall wrote in the March 15 decision regarding CNA Insurance Companies vs. Sliski.
CNA had tried to have the double compensation claim dismissed, in part because it claimed not to be liable for it because its insured had become insolvent.
The case began in June 1988, when 18-year-old James Sliski fell through an elevator shaft at work - Doane & Williams, Inc.
According to court documents, Sliski's spinal chord injuries left him a paraplegic.
CNA insured Doane & Williams, accepted liability and began paying weekly workers compensation benefits.
Sliski, according to the SJC decision, claimed he was injured because of "serious and willful misconduct by Doane & Williams," so he filed a double compensation claim with the Department of Industrial Accidents in 1989.
But Doane & Williams closed two years later and a creditor sold off its assets.
Sliski re-filed his double compensation claim in 1992.
CNA denied the re-filed claim and sought its dismissal, in part because of the statute of limitations and because it claimed not to be liable under the law.
An employee is eligible for double compensation payments if an employer has shown "serious and willful misconduct," CNA argued. But because the employer went out of business and couldn't pay CNA back, the insurer said the law's purpose to punish an employer would be negated.
But the court disagreed that the law was designed to be punitive.

Insurance Times: InsurBanc wins FDIC clearance to open in Mass., Conn. and N.J.

April 3, 2001, Vol. XX No. 7

by Mark Hollmer
InsuranceTimes

After nearly three years of work, it looks like InsurBanc is on the way to opening its doors by May.
The new bank - owned by the Independent Insurance Agents of America and the W.R. Berkley Corp. - crossed a big hurdle on March 15 when it won conditional approval from the Federal Deposit Insurance Corp.
"It has taken a bit of time, but I think that in the end it has all been for the best, in terms of bringing some sharper focus over time to our business plan," said InsurBanc CEO Rick Davis.
"We're simply anxious to open our doors and be in the banking business."
InsurBanc already received conditional approval in November from the federal Office of Thrift Supervision, assuming the bank meets conditions including a revised business plan, minimum capital requirements and an agent-training program.
Davis said the training and compliance program must receive OTS approval to open for business, but he doesn't expect any problems.

Conditional approval isn't unusual, Davis said, because it simply depends on a bank following its business plan or any revisions added during the approval process.
The bank has established headquarters in Farmington, Conn. and hired seven people to gear up to open, hopefully by May, Davis said.
The bank is initially approved to conduct business in Massachusetts, Connecticut and New Jersey, with products including auto loans, credit cards, home equity loans and mortgages, money market funds, commercial real estate loans and cash management services.
InsurBanc is intended to help agents compete with banks selling insurance products, giving them an alternative to selling their agencies to banks, or forming bank/insurance agency alliances.
Agents are ready for the bank to launch, Davis said.
"We've had a great deal of interest from agents," he said. "We very much appreciate their patience and we are excited and look forward to being able to make it possible for agents, their employees and customers to utilize the services of InsurBanc.

Insurance Times: Business, labor square off over Mass. WC benefits

April 3, 2001, Vol. XX No. 7

by Michael C. Levenson
State House News Service

BOSTON - Reforms passed in 1991 to the state's workers compensation laws were unfair, especially to injured, low-wage workers who had to settle for reduced benefits, officials from the state's largest union argued before a legislative committee recently.

The local chapter of the AFL-CIO is pushing a bill to raise benefits for injured workers from 60 percent of pre-injury wages to 66.6 percent, the rate that was paid before 1991. Union officials said that for a worker earning $900 a week, the change would mean an extra $2,808 per year.

The union is up against business groups that say the reforms improved the state's competitive standing by bringing premiums under control, curtailing overly generous benefit increases, and eliminating fraud. Raising benefits and adopting other union-backed changes could return the system to an era marked by enormous case backlogs, misguided financial incentives and exploding premiums, they say.

"We're very concerned that this could be the beginning of an effort to start peeling back a lot of the progress that was made," said Gregory Beeman, director of Associated Builders and Contractors.

All Massachusetts businesses are required to protect employees with workers compensation policies.

Union leaders told members of the Commerce and Labor Committee Wednesday that their bill would rectify some of the injustices of those reforms. In addition to raising wages, their bill would boost payments to medical providers, limit insurers' ability to delay medical treatment and make it easier for judges to extend workers' benefits.

"In 1991, we did something I think was unconscionable: we actually cut workers' pay 10 percent," said AFL-CIO President Robert Haynes. "When they're injured on the job and they're worried about providing for their families, this is maybe one of the most traumatic things that can happen."

Richard Marlin, the union's chief lobbyist, said the benefit cut directly affects workers who make less than the weekly average pay. That's because benefits are capped for workers who make more than the statewide weekly average wage.

"What this is going to hit is the middle-income people," Marlin said. "This is not a huge cost thing. But for those workers who are that level, it's a 10 percent pay cut, so it's a big issue for them."

Haynes said doctors in Massachusetts receive the lowest rates in the nation for treating injured workers. "These low reimbursement rates are delaying and denying access to many, many injured workers," he said. The AFL-CIO wants medical services to be paid for at Medicare rates plus 10 percent for "administrative overhead."

Business leaders base their opposition to the legislation on what they see as the success of the 1991 reforms. "From the mid 1980s to l991, our workers compensation was seriously out of control," said Rick Lord, president of Associated Industries of Massachusetts. "Many workers then were better off financially on workers comp than they were returning to work."

Lord also said the law helped reduce claims from 49,725 in 1991 to 21,535 last year.

The union bill would put Massachusetts at a competitive disadvantage and could return the state to the "seriously out of control" pre-1991 workers compensation system, he said. "Tinkering with that now, in the face of great economic uncertainty, is too risky."

Lord said that any changes to the law should be preceded by a cost-benefit analysis to determine economic viability and fairness.

Business and union leaders also disagreed about whether the state's 60 percent compensation rate is on par with other states. Lord called it an "appropriate level" and said Massachusetts "is among the states offering higher than average benefits to injured workers."

Marlin disagreed. "The majority of states are at 66.6 percent, we're actually below what the average is," he said. "We're the anomaly here."

Both sides also debated whether the insurance industry could afford to pay for the benefit expansion. Rep. William Greene (D-Billerica), co-chair of the

Commerce and Labor Committee, said he left the hearing with lingering questions about insurance company profit margins. He said he wanted to explore the issue before making up his mind on the bill.

Insurance Times: For IIAA President Hofmann, ethics matter in everyday life

April 3, 2001, Vol. XX No. 7

by Mark Hollmer
InsuranceTimes

BOSTON - William Hofmann insists its true: he's never spoken badly about a business rival.

I will tell you why I think I'm better but I will never knock a competitor because I don't think that's ethical," he said.

Hofmann has had years to put those thoughts to practice, as principal of the Provider Insurance Group in Belmont and now president of the Independent Insurance Agents of America.

He spoke about ethics in the insurance business during the CPCU Society, Boston Chapter March meeting, held March 5 at Anthony's Pier 4 in Boston, as part of the group's ethics awareness month.

Hofmann said he takes ethics seriously in both business and life, and is upset when national figures like former President Bill Clinton seem to not hold themselves to the same standards.

"When we look back at the (Clinton) did and the standards he was laying out there for every citizen in the country ... I became extremely troubled by what example he was setting," Hofmann said.

"If this is what the whole world was seeing, (that it is) O.K to do some of the things he (and other public figures) has done, (then) how do we teach our kids, and how do we teach the people in this room that there is an ethical way to conduct your business?"

Hofmann has faced similar frustrations locally, he said.

Once, Hofmann recalled, his agency lost a piece of business because the insured "had too many claims" and "the company wanted to get rid of it."

Along came a regional agent who filled out a regional application for the account with the same company. But "the agent knew the loss history of this account and failed to put it down on the application."

Once he found out, Hofmann called the company and faxed officials there some related claims reports, and as a result, "that agent to this day does not represent that company."

Hofmann said he was proud to take that action because "it just so troubled me that an agent would sit there and knowingly lie on an application."

He offered basic guidelines for day-to-day ethics. Among them:

- "Always be straight-up and honest with your clients and tell them the truth."
- "When you don't know something don't make up an answer."
- "Be fair to your employer ... giving them a days work for a days pay. You owe that employer honesty and integrity, to be on time every day when you show up, and to give a days work for a days pay."
- Give employers "a reasonable time of notice" if you've accepted another job.

In the long run, Hofmann said, it's simply important to "make sure you conduct your business so that you can hold your head up high."

Asked about the IIAA's new branding effort, Hofmann made it clear that "Trusted

Choice" and "We serve you first" won't be cheap, but investing in their use will help agencies thrive in the long run.
"Agents have got to reach into their pockets and put some money (out) there," said Hofmann.
The IIAA board of state directors unveiled the new brand name and tag line in January after months of conducting focus groups, research and discussion.
Now, Hofmann said, the IIAA is trying to determine how much it will ask member agents to contribute if they want to participate in the branding campaign.
Carriers, he said, will also be approached.

Insurance Times: Investors' view of insurance stocks: many overvalued

April 3, 2001, Vol. XX No. 7

by Mark Hollmer
InsuranceTimes

As technology and many other stocks continue to slide on Wall Street, insurance stocks have attracted investment as a relatively safe financial risk.
So naturally, brokers should shift their funds to insurance stocks, right?
Wrong, according to V.J. Dowling.
Insurance stocks, he said, "ended the year at 166 percent of book value and are now at 150 ... as a sector ...it's overvalued, " said Dowling, co-founder of Dowling & Partners Securities of Hartford.
"Why should we pay 1 11/42 times the book value for something that earns a single-digit operating return?"
Dowling was among three insurance industry/stock analysts who took part in the Casualty Actuaries of New England spring meeting, held March 20 at Foxwoods Casino in Ledyard, Conn.
He spoke as part of a panel that discussed "Investors' Views of the Insurance Industry." Jay Cohen, vice president of equity research at Merrill Lynch, and Erica Partosoedarso, a property/casualty insurance company credit analyst for Standard & Poor's, also participated.
Insurance stocks become popular investments not just as an escape valve when tech and other stocks drop in value, some of the panelists said, but also when interest rates go down.
They're popular, Cohen said, because of companies' earnings growth and consistency compared to other industries.
Investors' short-term focus on insurance stocks may have left many of them overvalued, but Dowling, Cohen and Partosoedarso said long-term financial planning means looking beyond stock price.
But if insurance company stocks are overvalued, why invest in them in the first place?
The key, Dowling said, is to differentiate between industry and individual stocks.
"Some companies are still doing quite well," he said.
The key to invest in insurance companies, Dowling said, is to "focus on what is going to be the return (on investment), what is the mix of business, what's their leverage ..."
Cohen agreed.
"There are some companies with real organic growth opportunities," he said.
Partosoedarso also pointed out that the overcapitalization, particularly in property casualty insurance, tends to be concentrated in larger companies.

Cohen said investors should look at earnings growth and consistence, book value and book value per share.

Insurer Management

In addition, Partosoedarso said, Brokers and investors should also be familiar with an insurance company's management because well-informed bosses are more likely to tinker with a company's structure as needed to address changing economic demands.

Dowling offered similar sentiments.

"Management is probably the first, second or third thing about looking at the stocks, (but) not from any short-term point of view.

"When you begin to understand what drives (management), what they think about the balance sheet, shareholders ... there are a whole host of factors that come into play.

"Looking at the (financial) numbers in a vacuum" without considering management, Dowling said, "has not proven to be a very successful strategy in the sector."

When the panel moderator asked which insurance company showed noteworthy characteristics ideal for investors, Cohen said AIG stands out from the pack.

For example, Cohen said the company's management is high quality, and that shows up in "a remarkable consistency in earnings, continued growth and the sustainability of that growth."

The panel also touched on a number of other issues, including the oncoming hardening market, and how companies aren't raising rates as much as they want or need to because of competitive pressures.

Insurance Times: Bush insists patient's right to sue must include cap, no state suits

April 3, 2001, Vol. XX No. 7

ORLANDO, Fla. (AP) - President Bush told a convention of cardiologists that he wants to sign patient protections into law by year's end, but will not accept any of the options currently before Congress.

"So, enacting a patients' bill of rights this year is going to require some different thinking, a new approach based on sound principles,'' Bush said.

Specifically, the president rejected bipartisan Senate legislation that would allow patients who sue their insurance plans after treatment is denied to seek up to $5 million in punitive damages.

He said such damage allowances would encourage "frivolous litigation and excessive awards.''

"To make sure health care coverage remains affordable, I will insist any federal bill have reasonable caps on damage awards,'' Bush said.

That line in a formal speech that Bush read from a TelePromTer was meant as a veto pledge, White House press secretary Ari Fleischer told reporters without specifying what level of damages the president might support.

Another administration official privately signaled that Bush intended to endorse efforts by Sens. Bill Frist, R-Tenn., James Jeffords, R-Vt., and John Breaux, D-La., who are drafting legislation along the contours Bush laid out last month in a letter to Congress.

Their bill, which has not yet been introduced, would cap noneconomic damages at $500,000 in federal courts and would not allow punitive damages.

"I want to sign a patients' bill of rights this year, but I will not sign a bad one and cannot sign any one that is now before Congress,'' Bush said.

"After independent review, if you have been harmed by your HMO's refusal to provide care, you have a legitimate complaint and you should have recourse in court,'' Bush said.
He spoke before the annual convention of the American College of Cardiology.
In Capitol Hill discussions, the White House is insisting that whatever legislation is developed allow patient lawsuits only in federal courts, not in state courts, where damage awards typically are larger.
Rival legislation supported by Sens. John McCain, R-Ariz., and Edward Kennedy, D-Mass., would send most cases to state courts without limit on damages. The McCain-Kennedy bill essentially caps punitive damages in federal courts at $5 million.

Insurance Times: Supreme Court: ERISA pre-empts state divorce laws
April 3, 2001, Vol. XX No. 7

by Laurie Asseo
Associated Press

WASHINGTON (AP) - State laws generally cannot divert a deceased person's employee benefits to someone other than the designated beneficiary, the Supreme Court ruled last month.
The justices ruled 7-2 in the Washington state case of a man who died without removing his ex-wife as the beneficiary of his employer-provided insurance and pension. His children from a previous marriage sued, saying they were entitled to the benefits, but the justices decided for the ex-wife.

Divorce Law
A Washington state law says getting a divorce automatically revokes a spouse's designation as beneficiary.
The justices said that law is overridden by a federal law governing employee benefit plans, the Employee Retirement Income Security Act.
Writing for the court, Justice Clarence Thomas said the state law "directly conflicts with ERISA's requirements that plans be administered, and benefits be paid, in accordance with plan documents.'' Therefore, the state law is pre-empted by the federal law, he said.
The case involved Donna Rae Egelhoff, whose ex-husband, David, died in an accident shortly after they were divorced in 1994. He died without a will, and his ex-wife still was designated as the beneficiary of his employer-provided pension and $46,000 in life insurance.

His children, Samantha and David, sued to recover the life insurance.
A state judge ruled for Mrs. Egelhoff, but an appeals court and the Washington Supreme Court reversed and said the children were entitled to the benefits.
The Supreme Court said Washington's top court was wrong.
The federal law pre-empts state laws relating to employee benefit plans. One of ERISA's goals is to establish uniform administration of employee benefits, Thomas said.
"Uniformity is impossible, however, if plans are subject to different legal obligations in different states,'' Thomas wrote.
The justice noted the children argued that such logic would mean ERISA also pre-empts state "slayer'' laws that keep murderers from collecting benefits from the person they killed.

That principle comes from a long tradition predating ERISA, and it is "at least debatable'' whether it interferes with the federal law's aims, Thomas said.
His opinion was joined by Chief Justice William H. Rehnquist and Justices Sandra Day O'Connor, Antonin Scalia, Anthony M. Kennedy, David H. Souter and Ruth Bader Ginsburg.
Justices John Paul Stevens and Stephen G. Breyer dissented. Writing for the two, Breyer said family property is traditionally regulated by the state, and the Washington state law did not create a significant obstacle to the federal law's goals.
The case is Egelhoff v. Egelhoff, 99-1529.

Insurance Times: OpinionExchange

April 3, 2001, Vol. XX No. 7

As insurance departments tackle the process of implementing the privacy provisions of the Gramm-Leach-Bliley (GLB) Act, the Alliance of American Insurers points out that they are increasingly sticking to the basics.
Fifteen insurance departments have published regulations (Colorado, Connecticut, the District of Columbia, Illinois, Indiana, Iowa, Kentucky, Louisiana, New Hampshire, New York, South Carolina, Vermont, Washington and Wisconsin), while 10 have filed substantive legislation (Arizona, Georgia, Hawaii, Massachusetts, Minnesota, Montana, Nebraska, North Carolina, Oregon and Virginia), according to the Alliance's latest statistics.
Of these, eight have jettisoned or deferred the ill-conceived health information portion of National Association of Insurance Commissioners (NAIC) model regulation [Connecticut, the District of Columbia, Georgia, Hawaii, Illinois, Indiana, Iowa and Louisiana]. Seven also have declined to interfere in the administration of state workers compensation systems [Arizona, the District of Columbia, Georgia, Illinois, Massachusetts, Oregon and Virginia]. More are expected to follow suit, said Rey Becker, vice president of property/casualty for the Alliance.
"Even in states where the departments have yet to see the light, legislators are stepping in to assert their rightful roles," he noted.
A competing model drafted by the National Conference of Insurance Legislators (NCOIL) has been introduced in eight states (Georgia, Indiana, Massachusetts, Minnesota, Missouri, New Hampshire, Rhode Island and Texas) and more are expected.
"The NCOIL model bill more closely follows the letter and spirit of GLB, while avoiding the excess baggage that makes the NAIC model regulation so costly and unworkable," said Becker, who has testified or offered comments on privacy in most of these states.
The industry is pleased that common sense is gaining momentum. Those departments still planning to publish regulations should be urged to continue the momentum.

It seems every few years there is a new report announcing that the agency system is more alive and kicking than anyone thought.
That's news worth repeating as many times as organizations want to study it.
The latest study by the Independent Insurance Agents of America (IIAA) --The Independent Agency System: A Time of Great Opportunity-- concludes that agents, brokers and agency companies have their best opportunity in decades to increase their portion of the total property-casualty market.
In personal lines, the agency system's market share grew by more than $20

billion during the period covering 1997-1999. These gains came at the expense of captive-agency companies, which lost 2.2 percent in auto market share over the three-year period. Other gains went to direct-writer companies.

Even more interesting, perhaps, was the finding about company expense ratios in the personal lines marketplace. The IIAA study found that there continues to be a wide disparity in the efficiency of the companies within each distribution category. In private passenger auto, several regional and national agency writers were able to provide insurance as efficiently as other companies, achieving operating ratios that beat some of the major direct-response writers.

"This is highly significant because it proves agency companies can surpass direct-writer and captive-agent companies and get very close to others," stresses IIAA CEO Paul Equale. "It also proves that independent agency companies can be just as efficient as a direct-writer company and still offer the value-added advice and advocacy of a local independent insurance agent."

Such success does not just happen. It takes innovation, education, hard work and a willingness to change-- attributes the agency system is supposedly lacking if you listen to its persistent critics.

But once again, independent agents have had the last word. Well, probably not the last word but a convincing statement on their resilience and resourcefulness.

Insurance Times: Merchants introduces identity theft option

April 3, 2001, Vol. XX No. 7

BUFFALO, N.Y. - Merchants Insurance Group has introduced Identity Theft Expenses Coverage as part of its homeowners product. This optional coverage became available April 1, for new business and June 1 for renewals.

Merchant's new endorsement reimburses for the expenses a person may incur as a result of an identity theft. It may be added only upon new business inception or renewal of any homeowners policy.

With more than 500,000 people expected to become victims in the next year, many law enforcement officials consider identity theft to be the fastest growing crime in America. Identity theft occurs when a criminal steals a person's financial identity, usually through means of a Social Security number, date of birth, and/or other personally identifying information, in order to fraudulently obtain money, credit, goods and services.

Generally, victims of identity theft are not responsible for debts fraudulently incurred in their name. Nevertheless, they can suffer serious damage to their credit history that requires many hours, significant effort, and occasionally an attorney's assistance to remedy.

Insurance Times: Chubb enhances program for wineries

April 3, 2001, Vol. XX No. 7

WARREN, N.J. - The Chubb Group has enhanced its winery insurance program with the introduction of Customarq for Wineries. This broad package policy offers flexibility, worldwide protection and more standard features unique to the winery industry than ever before.

Chubb's new winery program features a $250,000 blanket limit for selected property coverages, including accounts receivable, consequential loss, electronic data processing property, extra expense, fine arts, fire department service charges, leasehold interest, outdoor trees shrubs, plants or lawns, personal property of employees and valuable papers. The entire blanket may be allocated to any one or any combination of these coverages.

Customarq for Wineries provides protection for a broad range of perils, including loss or damage caused by change in temperature/humidity, spoilage and surface water is insured up to policy limits.

The program also features valuation methods that respond to the unique needs of the wine industry. For example, irreplaceable cellared, rare or vintage wine is valued on the date of loss at the average market listing of three well-established and reputable wine merchants selected by Chubb.

Other features include a pollutants exclusion; up to $25,000 for wine leakage; a limit of $25,000 for trellis or grape vines; and a $25,000 limit for loss of utilities, including water, electricity and the Internet.

Insurance Times: ISO links with stolen equipment database

April 3, 2001, Vol. XX No. 7

NEW YORK - National Equipment Register (NER), a new database of lost and stolen heavy construction and agricultural equipment, will be linked with ISO ClaimSearch, the insurance industry's all-claims database operated by Insurance Services Office, Inc.

The NER database will be used by insurers, equipment owners, and law enforcement agencies to help identify stolen equipment and facilitate its recovery and return to its owners. The link between the ISO ClaimSearch and the NER database will enable insurers to register equipment losses.

Heavy construction and agricultural equipment, frequently stolen from remote, poorly-guarded work site, is estimated to cost manufacturers, dealers and insurers more than $1 billion a year. NER estimates that only 10 percent of lost and stolen equipment is recovered.

Insurance Times: Atlantic Mutual site adds OSHA features

April 3, 2001, Vol. XX No. 7

NEW YORK - The Atlantic Mutual Companies has added Occupational Health & Safety Administration (OSHA) Logs and Loss Triangle features to RiskPoint.com, the company's interactive, web-based risk management resource for policyholders and agents.

The OSHA Act of 1970 requires companies to prepare and maintain detailed logs of occupational injuries and illnesses. RiskPoint's OSHA Logs accesses current policyholder claims data, which is then used to create an automated injury and illness record that conforms to OSHA requirements.

The Loss Triangle feature enables users to create a customized electronic loss history up to and including five years of data-- aggregated in real-time on an annual basis-- providing users with an integrated picture of how losses for workers compensation, automobile and general liability have developed over time.

Insurance Times: Defense lawyers watching for D&O suits as dot-com stock values drop
April 3, 2001, Vol. XX No. 7

New York - The drastic drop in the stock valuations of dot-com companies will not necessarily generate a surge in securities class actions against those firms, panelists representing the plaintiff's and defense bar told the recent PLUS Directors &Officers Liability Insurance Symposium.

Panelists at the symposium agreed that the crash of stock prices experienced recently by many Internet companies did not by itself make them targets for litigation.

"Simply a big drop in the price of a stock is insufficient," said Robert N. Kaplan, partner, Kaplan, Kilsheimer & Fox. "There has to be a specific reason that relates to wrongdoing,"

Kaplan noted that when you look behind some of these cases, there might be evidence of wrongdoing. However, "it's been my experience a lot of them have not materialized into cases," he said.

David J. Bershad, partner, Milberg, Weiss, Bershad, Hynes & Lerach, said these cases were fact specific. "As the plaintiff's bar has been saying, every time a stock goes down ten to 50 percent, we don't sue," he said. "The percentage of those companies that are sued is surprisingly low."

He stressed that you have to look for a specific reasons to bring a suit. For example, Bershad observed that stock analysts expectations for revenue growth might have pressured some dot-com companies to manipulate sales figures to meet their targets. "There are a lot of incentives to do something, " he said.

Arthur Abbey, partner, Abbey, Gardy & Squitieri, pointed out that because dot-coms have not been around very long, there has not been a lot of opportunity for the insiders to take profits by selling stock, often a tip-off that something may be wrong.

He also observed that most dot-coms are service businesses rather than producers of products. "It's more difficult to 'cook the books' in service companies than product companies," said Abbey. "We have not filed a lot of dot-com cases, unless there are some specific facts that come right to the surface," he said. "Simply because the price is up, or the price is down doesn't mean there is a case."

Douglas M. Schwab, shareholder, Heller, Ehrman, White & McAuliffe, said the real issue whether the dot-coms will be around and with enough money to respond to a judgment or large settlement.

Moreover, he noted that there are significant dot-com issues that center primarily on how companies deal with barter transactions. "A lot of the revenue that is recognized by dot-coms comes from barter transactions," said Schwab. "If you are a D&O underwriter seriously evaluating how a dot-com company reports its revenues, you have to focus on barter issues."

Observing other litigation trends, Jay B. Kasner, partner, Skadden, Arps, Slate, Meagher & Flom, observed that the center of securities litigation appears to be shifting from northern California (9th U.S. Circuit Court of Appeals), the home of Silicon Valley, to New York and Wall Street (2nd U.S. Circuit Court of Appeals).

"It does appear that the number of cases filed in the Southern District of New York has outpaced every other district in the country for some period of time," said Kasner.

He traced the increase to the 2nd U.S. Circuit's new broad interpretation of standards for pleading scienter - the degree of knowledge that makes an individual legally responsible. Conversely, the 9th Circuit recently adopted a narrower scienter standard, according to Kasner.

"Looking around the country, there really is now a range of views on pleading scienter, ranging from the extreme view on one end in the 9th Circuit to the extreme view in the 2nd Circuit with all the other circuits somewhere in between, with most leaning towards the 2nd Circuit's view," said Kasner.

Thomas C. Newkirk, associate director, U.S. Securities and Exchange Commission, reported on the enforcement of Regulation FD (Fair Disclosure).

He explained that the purpose of the regulation is to level the playing field by prohibiting "selective disclosure" of material non-public information by public companies to securities analysts and institutional advisors. "We are actively pursuing enforcement of cases in this area," Newkirk said.

"The trick is finding the cases," he said. "Typically, we have to rely on informants and sometimes competitors, but more commonly on the press."

Press Reports

According to Newkirk, most of the impetus behind the adoption of the rule came from dramatic stories in the press, which do not seem to be appearing as frequently.

"That's not because people aren't talking to the press as freely as they used to," he said. "I think there has been substantial discipline that's been focused on CEOs, CFOs and others who are responsible for communicating information."

Newkirk said the SEC is looking hard for information. "We have a number of investigations currently underway," he said.

He also noted that Regulation FD is not intended to be the basis for private litigation for violations. The SEC, however, can refer violations to the Department of Justice for criminal prosecution. "I think people can expect to see some results from SEC investigations sometime in the next year," said Newkirk.

Tower C. Snow, Jr., partner, Brobeck, Phleger & Harrison, said defense counsel are spending an enormous amount of time explaining the implications of Regulation FD to public companies, telling executives "what they can say, when they can say it and to whom they can say it."

"The challenge is that a lot of CEOs and CFOs don't understand the regulation and even if they do, when they're at an analysts conference they have a lot of trouble disciplining themselves at the podium," said Snow, who moderated the panel.

Insurance Times: Toyota, Honda top stolen car list again

April 3, 2001, Vol. XX No. 7

by Jim Suhr
Associated Press

DETROIT (AP) - The Toyota Camry and Honda Accord dominate another list of most-popular vehicles nationwide, but it's nothing their makers relish.

The two models hold 17 of the top 25 spots in a ranking of vehicles most stolen in the United States last year, according to CCC Information Services Inc., an insurance industry tracker of trends in theft and other vehicle damage.

The 1989 Camry led the way for the fourth year in a row, followed by 1990, 1991 and 1988 versions. Honda's 1994, 1996, 1990 and 1995 Accords placed fifth, sixth, eighth and tenth, respectively.

Camry and Honda Models

Overall, five Camry models and a dozen of the Accords placed among the top 25 in Chicago-based CCC's yearly list. Last year's list had 19 Camrys and Accords.

Reflecting a growing appetite for pickup trucks among thieves, the 1994 Chevrolet C1500 4x2 pickup truck placed seventh - up four spots - while the 1997 Ford F-150 4x2 pickup came in ninth. In last year's listing, the F-150 model placed fifth as the only vehicle in the top 10 - foreign or domestic - that wasn't a Camry or Accord.

Also of note: 1993 Jeep Grand Cherokee 4x4 sport utility vehicle placing 20th, marking the first time an SUV made the list in four years, CCC spokeswoman Jeanene O'Brien said.

Absent from the list for the first time in at least four years is the Chevrolet Caprice, perhaps reflecting declining consumer appeal for domestic mid- and large-sized domestic sedans, O'Brien said.

Still, cases of major vehicle theft dropped 8.5 percent in 2000, following a 15 percent decline the year before, CCC said its data showed.

Observers say Camrys and Accords remain popular among thieves because there's a great demand for their spare parts, they have been top-sellers for years and can be driven for hundreds of thousands of miles.

Those two models also tend to change little each year - making more parts interchangeable between model years - and hold their value better than competitors, meaning fewer ended up in junkyards and more still were on the road.

Toyota and Honda don't take any pride in their rankings, saying it's more a reflection of how CCC measures car theft - based only on stolen vehicles never recovered, or stripped to the point of being a total loss.

Toyota spokesman John McCandless said the study is skewed for cars with durability - "I don't think it's good math'' - and isn't a representative sampling because it excludes joy rides, among other things.

"The headline is we've been leading the list for years for the same reasons - because our cars last, and the study's biased,'' he said.

Said Honda spokesman Kurt Antonius: "It's a list we're not particularly pleased to be on.''

Honda has said the Accord would be in the middle of the pack if the rankings were weighted to show the proportion of stolen cars to total sales of that model.

The National Insurance Crime Bureau reported in November that Accords and Camrys also were the most stolen vehicles nationwide in 1999. That nonprofit bureau, which also tracks thefts for insurance companies, combines theft reports for all years of a particular make and model. CCC ranks the cars annually by make, model and option groups.

Thieves' tastes for stolen vehicles vary widely among different regions. American vehicles were more popular in the Midwest, while Japanese brands dominated the East and West coasts.

CCC tracked 80,299 vehicle thefts that resulted in a total loss last year, as well as crash and other damage claims. That's down from 87,752 in 1999. Those numbers reflect the vast majority, but not all, of such claims filed nationwide.

Insurance Times: IIAA endorses IVANS electronic document tool for agencies

April 3, 2001, Vol. XX No. 7

The Independent Insurance Agents of America (IIAA) has endorsed IVANS Business Tracker as an industry-standard technology, announced IIAA CEO Paul Equale.
IVANS Business Tracker is a distribution tool that allows companies to electronically circulate documents via the Internet. It is designed to receive reports from carriers' mainframe and client/server systems and make them immediately available to agents by means of a Web browser.
This functionality enables agencies to receive and work on reports electronically, instead of receiving hard copies in the mail. Business Tracker features an industry standard 'foldering' system that allows agents to access-in one location-information from all the companies their agency represents.
"IIAA believes that insurance companies should adopt industry standards approaches like Business Tracker because they are cost-effective and provide independent agents with a practical business resource," said Equale. "IVANS Business Tracker is an e-business solution that allows companies to distribute reports in a variety of formats and enables agents to retrieve all their company reports from a single location."
"Business Tracker was developed to make life easier, by allowing companies to distribute reports to agents over the Internet through one user-friendly interface," said Anna England, Vice President of E-Business Solutions for IVANS. "As more companies look to improve the productivity of their agents by implementing Internet solutions, they should look at adopting industry standard technologies like Business Tracker."

Insurance Times: Making the most of the Internet Developing a realistic strategy for auto insurance sales

April 3, 2001, Vol. XX No. 7

by David Madigan

It's not exactly a war, but the battle wages on. On one side are the pundits who insist that, given the opportunity, most people will shop for their auto insurance online, ultimately getting used to this distribution method just as they did to direct mail. Others insist that the Internet is, more appropriately, a vehicle by which consumers gather information - and then call their agent.

Perhaps, as is often the case, the truth is somewhere in between. Certainly, the recent demise of many dot.coms has done little to reassure consumers about the Internet. Thirty-three percent of Americans suffer from "digital distress," according to a Harris on-line survey. One hundred and eight million Americans have no desire to even get on the Net. And, according to IVANS (Greenwich, CT) while 59% of those who participated in a recent survey had Internet access from home or business, only 8 percent had looked to the Internet for information about purchasing insurance.
Add this to the fact that, at the present time, less than one percent of new auto policy sales are transacted on the Internet, and it seems clear that anyone who relies on the Internet as a distribution medium, at least in the foreseeable future, is headed for failure.

So what is the Internet good for?

In today's auto insurance marketplace, the Internet is most effective as a tool with which to support all channels of distribution, serving a function much like the 800# did in the early 1980s. Way back then, direct writers of auto insurance used their 800# as a tool to help sell their products. Since then, of course, the role of the 800# has expanded to its current ubiquitous use by both captive and independent agency distribution organizations to handle first reports of losses from customers, to handle billing questions, and most other first line customer service issues. That is, the 800# has become a major tool - not a distribution system.

The Internet should be looked upon in a similar way. That is success lies in using the Internet as the foundation for conducting business - supporting both sales and servicing efforts.

The Myth of Internet Efficiency

For years, we have heard that the Internet would be a cheaper way to sell auto policies to the public. The truth is that this has not materialized. Perhaps it's the old chicken and egg issue. Insurance companies cannot reduce premiums they charge to customers who buy on the Internet unless the company can achieve a savings - a savings that can only be achieved if the cost of a sale on the Internet is less than the traditional distributions systems, i.e. agency-sold and direct sales. But, results to date have not met anyone's expectations (except perhaps for a few naysayers). Why? Because customers simply will not buy on the Internet unless they realize a savings over their current cost - and why should they? For the Internet to realize it's potential it must first take some of the cost out of the selling and servicing of auto insurance.

Sales on the Internet

In the current environment, aggregators operate on the premise that the consumer wants to compare price before they purchase their auto insurance. A fair assumption perhaps, but not a new one. They are, in essence, adopting the same approach to the marketplace as the independent agent - with the ability to sell a variety of products -- has done successfully for years.

Insurance companies that use the Agency Distribution system will have a problem with their agents if they adopt a strategy that insists that "the internet is a distribution system" - a strategy that will, unavoidably, be viewed by agents as a threat to their very existence.

Rather than expecting that the Internet will add directly to revenues by working as a stand-alone sales medium (as some companies seem to be doing), a productive and profitable investment in the Digital Age will have a very different focus.

There are a number of good reasons for an agency insurance company to reconsider their investment in the Internet. First, of course, is the potential backlash from agents. But, more important, is the need in an increasingly competitive environment to make sure that every marketing dollar works its hardest.

Agency based auto insurance companies, on the other hand, should adopt an Internet strategy that establishes the Internet as a cost-savings vehicle.

Agents should be provided with the ability use the Internet to quote their company's policies thus allowing agents to use the Internet much like the aggregators are trying to do now - that is to provide potential customers with comparative pricing while still having the opportunity to create and maintain a relationship.

"Let our licensed Agents assist you with your insurance needs. Find an agent near your home or office. Get agent office hours. Send an e-mail. Contact an agent en espanol. Request a personal quote. Reevaluate your coverage needs. Determine what's right for you, " suggests Allstate on the site, www.allstate.com.

Remember, the aggregator's biggest problem is the cost of driving potential customers to their sites. Many have little or no name recognition, thus adding significantly to the cost of driving customers to their sites. Local agents on the other hand often do have name recognition and can drive potential customers to their sites at less cost than either the present aggregator's or the present independent agency process.
There's little question that the aggregators of the future w ill be independent insurance agents. The question really is, who will these agents be? Will the present independent agent become aggregators or, will present aggregators become our future agents?
Independent Agency companies must take a hard look at this potential issue and if they are happy with their present agency distribution force, change their view of the Internet.
It should be looked at has a tool that can help them and their distribution system.
On the other side of the coin, insurance companies who rely on the direct distribution system must view the Internet as a tool with which to enhance their marketing efforts. All direct marketing material should have a web site address, driving prospects and to a site where they can easily retrieve an instantaneous quote, get information, and, when necessary allow the customer to speak to a sales agent by a simple click on the mouse. Ultimately, this can dramatically reduce the cost of selling an auto insurance policy by transferring much of the work now done by company employees, such as developing a quote, to the customer. It's a good thing from the customer perspective as well, who can now save time by obtaining an auto insurance quote quickly and easily, without on-hold music and voice mail tag.
A live transfer to a sales agent would be required by less than 40% of those potential customers who respond to a direct marketing solicitation , thus reducing the cost of a sale. In addition, over time and as more people become more comfortable with on-line purchases, the number of people requiring help will decrease making this distribution system even more competitive.
Ultimately, price sells in the auto insurance market and lower prices sell more. The challenge therefore is for companies to utilize the Internet to decrease their costs, taking the first step towards reducing the ultimate price and increasing sales.

Customer Service
on the Internet

Now is the time for companies to establish an Internet presence that will allow customers to easily service their policies - by themselves, on-line and in real time. While other options, including well-trained customer service representatives, must maintain a key presence, Internet savvy customers should be able to change their address, add or replace cars and drivers on their policies, report claims, follow up on the status of claims and more - all things that auto insurance companies now pay people to do. Companies like Progressive (www.progressive.com), Response Insurance (www.responseinsurance.com), Geico Direct (www.geicodirect.com) and more have already begun their move offering on-line access to quotes, on-line payments, claims service, account management and even, in the case of Geico, an on-line store where you can purchase merchandise with the Gecko logo.
All steps in the right direction certainly, but all need to go further to realize their true cost-savings potential. If companies can move these functions to the customer via the Internet, there is no reason why these savings can't reach, even exceed, as much as 4% points, translating to 15 to 20% of the expense ration for most insurance companies. This savings could then be passed on to the Internet customer, offering them the price advantage that is needed to make the Internet a successful sales medium.

Like most things, this shift is easier said than done. Insurance companies would have to change some well-entrenched paradigms. First, policy changes must be accepted through direct entry into the policy issuance system - without the need for review by an underwriter. Second, as direct marketing insurance companies have found out portfolio underwriting can give the same or better results as individual policy underwriting. Third, the customer is basically honest and will not try to cheat. It's a leap, but making it to the other side will be worthwhile and systems can be developed that would provide the proper checks and balances to keep everyone honest

Agency companies must allow their customers to use the Internet to make policy changes without going through their agent (although a built-in "cc" capability might not be a bad idea.) This would reduce the expenses for both the agent and the insurance company. In essence, the agent would do what the agent does best - sell - and be able to leave the servicing to the customer, the Internet and the company.

On the other side of the coin, direct response companies must use the Internet as a servicing tool, integrating online and offline channels to drive people to the Internet much as they have done for years with 800 #s. Here too it makes the utmost sense to allow the customer to go to the Internet to make all policy changes and report claims.

One caveat. None of this is to say that the information gathered in an online environment should exist in a vacuum. That is, companies should compile all prospect and customer data, and, if appropriate, pass on to the appropriate service or sales representative or use the data for marketing.

Ultimately, the more the auto insurance industry allows direct customer participation, through the Internet, the more cost-effective their servicing and sales processes will be. And, it is only when these savings are passed on to the consumer, that the Internet will reach its true sales potential. p

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Insurance Times: States attempt to fashion own uniform e-commerce laws

April 3, 2001, Vol. XX No. 7

Crucial time for electronic commerce as states attempt to write their own rules for businesses and consumers without sacrificing desired uniformity

by Michael P. Norton
State House News Service

BOSTON - Last October, President Clinton signed a law that officially validated signatures and contracts recorded electronically. Now states, including Massachusetts, are trying to figure out how to fashion their own electronic commerce laws without hurting consumers and businesses and while maintaining the uniformity required in a global marketplace.

Val Asbedian, who directs the state's information technology efforts, told legislators on Beacon Hill recently that it's a "crucial time" for lawmaking in the booming area of e-commerce. With thousands of e-transactions already occurring every day, it's important that in crafting an e-commerce law, legislators make sure it's workable and defensible, for both businesses and consumers.

"You can't have too many false starts," Asbedian warned members of the Senate Science and Technology Committee, which is mulling an omnibus bill filed by its chairman Sen. David Magnani (D-Framingham).

The committee is trying to determine whether the state should simply copy or stray from the provisions of the Uniform Electronic Transactions Act. UETA, as it is known, is a set of uniform guidelines recommended by the National Conference of Commissioners on Uniform State Laws, a non-profit national association of commissions on uniform laws. A goal of UETA is to create a level playing field, but the federal government, with last year's E-SIGN law, is giving states some flexibility.

"E-SIGN was passed in an interesting way," Magnani said after the public hearing. "There were not very many consumer protection provisions, although there were a few. And it was clear when E-SIGN was done that the federal government really expected states to adopt their own version, a more comprehensive bill. E-SIGN was done primarily to get the ball rolling."

As for what Massachusetts can and will do, Magnani heard conflicting opinions from officials representing the Cellucci administration and Attorney General Thomas Reilly.

Assistant Attorney General Pamela Kogut suggested that lawmakers would be acting responsible to "beef up" any uniform electronic transactions law with additional consumer protections. "We actually think you'd be okay doing that," Kogut said.

But Linda Hamel, general counsel at the Information Technology Division, cautioned lawmakers to pass a "clean version" and suggested consumer-oriented e-commerce issues be tackled in separate legislation. Hamel warned that business investment here might slow if there's uncertainty about e-commerce laws. Hamel said the Cellucci administration, which is promoting its e-government initiatives, plans to file its own e-commerce bills - two separate pieces of legislation are expected - "fairly quickly."

Magnani said major players in tech-dependent Massachusetts want a model law. He plans to hold further meetings to iron out complex legal issues. "We are all in untested territory here," he said. "Everybody wants the bill to pass and everybody wants the consumer protections to be included. In terms of the best way to get that done, I think it's still an open question."

Insurance Times: NY Insurance Dept. issues e-commerce guidelines

April 3, 2001, Vol. XX No. 7

NEW YORK - The New York Insurance Department has issued guidance to the industry concerning the application of the New York insurance law to insurance advertisements, referrals, and solicitations on the Internet.

"E-commerce holds enormous potential for both economic expansion and consumer convenience. As the department continues to encourage and promote the use of electronic commerce, it is vital that we provide guidance to the industry," Levin said. "The number of insurers, agents, and brokers who are advertising and offering their products and services on the Internet has grown rapidly and this growth requires guidelines that will safeguard New York State consumers," said Superintendent Neil D. Levin.

The department, in Circular Letter No.5 (available on the department's web site at www.ins.state.ny), provides specific guidance to the insurance industry with regard to advertisements, referrals, and solicitations over the Internet. General guidelines include:

Advertisements: Merely operating a web site that contains information about specific insurance products or services that is accessible to New York's consumers is not considered solicitation under New York insurance law. A web site that merely contains advertisements for insurance products or services also does not constitute solicitation. Advertisements for insurance products or services that are not being offered by a New York authorized insurer should indicate that such products are not available in all states. Non-licensees hosting such advertisements on their web sites may receive compensation calculated in any manner as long as the advertisement does not contain endorsements, promotions, or recommendations of the non-licensee concerning the insurance products. Such endorsements are referrals.

Referrals: Referrals by non-licensees to New York State licensed insurance agents or brokers are permitted under a recent change in New York law, provided that there is no discussion of specific insurance policy terms and conditions and the compensation to the non-licensees for the referral is not based upon the purchase of insurance by the referred person. Referrals may not direct consumers who are New York State residents to products or services of unlicensed agents or brokers.

Solicitations: Insurers, agents, and brokers that maintain web sites where the solicitation of insurance takes place must be licensed, and commissions for such solicitation may only be paid to licensees. Web sites of non-licensees must prevent insurance transactions with New York residents.

Insurance Times: New York assigned risk rates rising
April 3, 2001, Vol. XX No. 7

NEW YORK - New York's assigned risk drivers are facing an average 18.3 percent increase in their auto insurance rates this year.
Increases kicked in on March 1 for new business and they start on April 15 for renewals, according to Joanna Rose, spokesperson for the New York Insurance Department.
The higher average rates will affect less than 500,000 drivers - all part of the state's assigned risk plan.
Rose blamed the increase on the "gaps" in the state's no fault insurance setup "and the fraud and abuse that occurs (which) is something we're trying to get a handle on."
Rose said officials from the assigned risk plan - known as the New York Automobile Insurance Plan - actually asked for a "much bigger increase."
Last year, rates for assigned-risk drivers increased around 7 percent, she said.
By contrast, the state's general market has remained relatively stable, Rose said.
"We're not seeing significant increases," she said.
Among the exceptions: Allstate Indemnity raised auto rates 16 percent this year (affecting 3.8 percent of the state's total market), and Progressive's non-standard lines increased rates 8 percent, Rose said.
State Farm even decreased its auto rates last December by 1.9 percent, she said.

Last year, New York's general auto insurance rates increased an average of 2.9 percent, affecting 70 percent of the market, Rose said. The other 30 percent saw no rate increase.

Insurance Times: Interactive web sites can help agents excel in customer service

April 3, 2001, Vol. XX No. 7

by Paul D. Luongo

Ever since computers first came into agents' offices in the 1970s, the insurance industry has strived to streamline communications between agencies and companies and eliminate duplicate work. The advent of download in the '80s was a huge step forward. Download, though, is only part of the solution because it only covers one-way transfer of company information to the agency.

Today, the development of interactive company Web sites, coupled with download, is finally providing the long-sought full solution-or at least getting pretty close to it. Over the past year, some insurers have made their Web sites a practical tool to help agents better serve their personal and commercial lines customers and land more good business. These companies let agents and CSRs log onto the company site, get accurate quotes, enter new business, make policy changes and check on the status of billing, policy changes and claims.

This information is always available, not just during the company's business hours, but 24/7. Through the Web, agents can act as if they're part of the company, providing immediate service to customers. The bottom line is a significant competitive advantage for participating agencies.

Using the Web doesn't take any exotic technology or special software. Any agent with a personal computer and access to the Internet can start using it today.

To make it work for agents, the insurance company should provide the following features on its interactive Web site.

Ease of use. Besides having a simple graphical user interface--like that of familiar Windows-based software--the site should mimic the agency's workflow and environment. It should follow formats the agency is used to working with. Forms for new business, endorsements and policy changes should look like familiar paper forms. The look and feel should be consistent across different functions. Built-in edits, options and pull-down windows also simplify things for users and reduce the chance of errors.

Support. Though a properly designed site is very easy to use, users are bound to have questions from time to time. The insurer's staff should be available to answer their questions and walk new users through the system.

A high level of security. Use of encryption and passwords ensures the integrity of customer information and restricts access to authorized individuals.

All key business functions. If the functions are limited, agents and CSRs will get frustrated and stop using the Web. The site should provide all the key business functions needed by agents daily, including quoting, new business applications, endorsements, policy changes, down-payment processing and claims tracking. This will let agents support the policy during its life-cycle, from the quote to the new business application, to replacing vehicles, adding drivers, maintaining property values and adding coverages.

The Web is particularly valuable for handling down payments more efficiently. The customer can write the agent a check, and the agent can process the check through the company site. Behind the scenes, the Internet accomplishes a

secured exchange of funds.
Additionally, the company site should be integrated with third-party providers of underwriting information, such as the registry of motor vehicles, MVR and CLUE reports. Providing this information directly to the agent's PC helps the agent underwrite and manage the business, and in the long run, can help enhance the agents performance and improve profit sharing.
With full functionality, the agency has a powerful tool for tapping into the company and handling almost any customer request-immediately. While insurers have already done a lot, they are continually adding more functions to their sites.
While the onus is on the insurer to provide an easy-to-use, full-functioned site, the agent needs to do some things.   The agency must have the necessary technology-no big deal today. Every reasonably up-to-date personal computer already includes the hardware and browser software needed to connect to the Internet. While a high-speed Internet connection (cable service or a DSL phone line) may be desirable, it's not mandatory. Using the PC's built-in 56K modem with an ordinary telephone line works perfectly well, especially for typical agencies.
The agent's commitment to using the interactive Web site is most crucial. It's easy for staff to continue doing business the old, comfortable way, but that doesn't advance the cause. Agency principals need to encourage their staff to use the Web. Once they get used to it, they'll become true believers and active users. p

Luongo is vice president of information technology and chief information officer with the Boston-based Plymouth Rock Assurance Corp., a leading underwriter of auto insurance in Massachusetts. He joined the company last fall and has more than 20 years of experience in information technology for property and casualty insurance.   Plymouth Rock's site, www.prac.com, offers independent agencies a full range of new-business and service functions for auto and homeowners insurance.

Insurance Times: Tech Update

April 3, 2001, Vol. XX No. 7

by Mark Hollmer

Who has the best property casualty insurance Web sites in the country?
kasina - a Massachusetts high-tech strategic management consulting firm - has compiled its list of the top 20 in the U.S. The winners were judged on branding, content, online services, usability and Web technology.
The winners are part of a smaller crop than you might think. According to kasina, 284 of 1,000 property and casualty companies in the U.S. even have a Web site, and only 22 percent of those let customers obtain online policy quotes.
Among the winners: AIG, Allstate, Amica, California Casualty, GE Financial Network, GEICO Direct, The Hartford, Liberty Mutual, Metropolitan Life, Progressive, Prudential, State Farm and Travelers.

*   *   *

Insurance companies in New York can now appoint or terminate licensed agents through the Web. The New York Insurance Department, touting the move in a recent press release, says the technological switch is made possible by PIN - the

Producer Information Network, "an electronic communication network that links state insurance regulators with the entities they regulate."
PIN, which just recently came online after a trial period in December, lets companies send appointment or termination transactions through the Internet by way of the National Insurance Producer Registry - a non-profit division of the National Association of Insurance Commissioners (NAIC). From there, the transactions then travel electronically to the New York Insurance Department for processing.

* * *

Meanwhile, the Massachusetts Division of Insurance has issued a bulletin updating insurers and agents about their "obligations in the emerging realm of the Internet and insurance marketplace." The two-page document outlines a number of concepts for insurers, producers and all state licensees. Among them: an insurer must indicate on its company Web site that it's licensed in Massachusetts. The Web site must also contain the company's name exactly as it appears on its license.
In addition, all state insurance licensees must make sure customer records and nonpublic personal information remains confidential.
For more information, call the DOI office of general counsel at 617-521-7309.

* * *

Electronic signatures became legal on March 1. That's the date that a federal law legalizing electronic signatures - making them the legal equivalent of signing a document with a pen -- went into effect. Congress approved the measure last year.
The American Insurance Association marked the occasion in a press release.
" ... One can almost hear the trees celebrating," said John Savercool, the AIA vice president of federal affairs. "Relief from the need to create, store and transmit paper copies of all documents will fuel the move to online insurance transaction," Savercool said.
Customers, of course, will still be able to use paper transactions if they choose to, with the industry expected to convert to e-signature capacity over the next few years.

* * *

Life and health insurance agents seeking licensing or continuing education can now take a practice test online. The PASSTRAK exam-prep system will offer the test. The system is being launched through Dearborn, a Kaplan professional company.
The system provides practice exams, final exams that resemble licensing exams, an interactive format, detailed explanations regarding each question and immediate exam results. The test drills can be used in 22 states including Massachusetts, New Hampshire, New Jersey and New York.

* * *

Here comes E-Speed Filing.
Arbitration Forums is intruding its E-Speed Filing Program to help speed up inter-company arbitration for small-dollar auto physical damage claims. It will now take 40 days from the date of filing to payment of an award, compared to a 112-day average for other Arbitration Forum auto arbitration programs. Call 1-813-931-4004.

* * *

It looks like NAMIC Online is now the Next Big Thing.
The National Association of Mutual Insurance Companies launched its Web site in 1996. But for the first time, the site recently drew 1,000 hits a day for a

month straight.
Over the last year, the site recorded almost 1 million page views.
Larry Forrester, NAMIC's president, said the site has become the insurance industry equivalent of a daily online newspaper, "that keeps our visitors up-t0-speed on the latest developments in our industry
" ... people have come to depend on us," he said, as a trusted source for relevant information and analysis."

Insurance Times: True value of web lies in integrating functions

April 3, 2001, Vol. XX No. 7

The majority of property - casualty insurers did not have a guiding Internet strategy when developing their web sites and only a few insurers use the Internet effectively to reinforce their existing corporate strategies.
A new Conning & Company study also finds that insurers have achieved many technological capabilities on the Web, yet most insurer web sites fail to give consumers a compelling reason to use them.
According to the study, ``The Internet and Property - Casualty Insurance: Lost in Cyberspace,'' the competitive pressures within the industry to be online and be there quickly, has resulted in a number of strategic disconnects that have impaired and will likely continue to impair insurers' Internet efforts.
Conning assessed the functionality of 44 leading primary personal lines and commercial lines insurers and well-known aggregates, as well as several smaller insurers that are heavily focused on Internet sales. Web site findings include some successes (agent locators), and failures (lead generations, online quotes) as well as functions that are impractical (online claims filing in the personal lines.)
However, the Conning study finds that the true value of the Internet will not come from specific technical applications, but from a company's ability to effectively integrate, via the web, its marketing, operations and communications.

Sound Business Strategy
"The companies that use the web successfully will not succeed because they have some secret key to the Internet,'' said Clint Harris, vice president at Conning. ``Rather, they will succeed because they have a sound business strategy, a solid model with a viable value proposition, insightful leadership and the right people to execute their strategies. The Internet itself will be incidental.''
The Conning study notes that initially insurers believed that the Internet would be a major source of new sales. But, in reality, online sales have accounted for only about 1% of today's personal line property-casualty premium. Part of the problem was a failure on the part of many insurers to recognize where their business was likely to come from and to design products and systems that would tap into that market. It has not been uncommon for insurers with strong agency networks, for example, to spend heavily on systems which provided direct-to-consumer on-line applications. They learned that building it and driving an audience to it were two different things.
Additionally, many insurers ignored what is emerging as the true value of the Internet. It is unprecedented as a source of support for customer service, distribution channels, and as a vehicle for streamlining business processes and transactions, both internal and external. The study found that the chief reason for these oversights was that insurers' Internet initiatives were being led by technologists, not experienced insurance business leaders.

The Conning study recognizes four distinct groups of insurance entities who currently use the Internet. They are pure agencies, aggregators, "cyber agencies,'' and traditional insurers. Ultimately, it is likely that only a few companies will dominate the online insurance sales channel. However, the Internet probably will not save any company's business model and it will not, by itself, destroy any company's business model, according to Conning.

Insurance Times: NY Life launches new single premium VUL

April 3, 2001, Vol. XX No. 7

NEW YORK- New York Life introduced the NYLIAC (New York Life Insurance and Annuity Corporation) SPVUL product, a single premium variable universal life product that gives policyholders the benefit of life insurance protection and the opportunity for their premium dollars to grow on a tax-deferred basis through a variety of investment options. A guaranteed death benefit equal to the policy's face amount is also available to qualified policyholders.

"SPVUL makes perfect sense for those individuals who have a life insurance need and a single sum of money to invest that can be passed along tax free to a named beneficiary, such as a family member or philanthropic entity," said Michael P. Gallo, senior vice president of the individual life department of New York Life.

SPVUL has streamlined underwriting and is currently available from issue age 0 to 90 in 38 states and the District of Columbia. Transfers among 21 investment divisions, in addition to a fixed account, are easy and tax free, enabling policyholders to change their investment allocations to suit immediate and long-term needs within their own risk tolerance. The minimum single premium for issue ages 18 and up is $10,000 and $5,000 for issue ages 17 and below.

Other product features include: streamlined policy underwriting; surrender charge free policy withdrawals available annually with limitations; death benefit that passes tax-free to the named beneficiary and no-cost features that help manage risk, including Automatic Asset Reallocation and Dollar Cost Averaging.

Insurance Times: Manulife Venture VUl stresses flexibility

April 3, 2001, Vol. XX No. 7

BOSTON- Manulife Financial recently launched Venture VUL Accumulator, its new cash accumulation product. In addition to offering death benefit protection, this variable universal life product is designed for maximum flexibility to suit a diverse range of clients looking to increase wealth.

Venture VUL Accumulator is unique among life insurance products as it offers three commission options, three load options and three different client groups to target. With tax advantages and extensive investment options, Venture VUL Accumulator offers the benefits needed to make it a key part of a client's long-term financial plan.

Other features include zero net-costing borrowing and a quit smoking incentive.

Insurance Times: Jefferson Pilot hopes TV ads boost brand

April 3, 2001, Vol. XX No. 7

GREENSBORO, N.C. - Jefferson Pilot Financial announced a national advertising campaign that puts the company on prime-time network TV for the first time. The campaign, which is themed "Financial Freedom. It has its advantages," runs through December 2001. Jefferson Pilot's commercials will air on a number of top-rated network programs, including "Frasier," "The West Wing," "Law and Order," "The Practice," "Dateline" and "60 Minutes." The commercials also will appear regularly on cable TV programming, including sponsorships of "Moneyline" on CNN and "The News with Brian Williams" on CNBC.

Jefferson Pilot Financial Chairman David A. Stonecipher said the new advertising campaign is intended to create greater name recognition for Jefferson Pilot. "This campaign represents an exciting, daring departure from our previous advertising efforts. Our research indicates that we are recognized within our industry as being one of the top insurance and investment companies in the United States. But on the consumer side, Jefferson Pilot is not as well known outside the Southeast as we'd like," Stonecipher said. "This campaign is intended to make Jefferson Pilot more of a household name across the country. That's the reason we're stepping into the national spotlight of prime-time network TV."

Insurance Times: F&G Life term product fill brokerage need

April 3, 2001, Vol. XX No. 7

BALTIMORE - Fidelity & Guaranty Life Insurance Co. (F&G Life) has introduced Saver's Select Term, a new term life insurance product that gives consumers the advantage of an optional Return-of-Premium feature that can ultimately give them a full refund of all premiums at the end of the policy term.

Saver's Select, with its two underwriting bands - Preferred and Standard, also allows life insurance agents to sell a premium rate with confidence.

"According to Harry N. Stout, president of F&G Life, "This policy is easy for clients to apply for and allows agents to earn better than average income by placing a customer focused life insurance policy that has long been missing in the brokerage term marketplace."

Saver's Select Term features other flexible options for policyholders that include 15-, 20-, and 30-year term periods with a level death benefit; and premiums guaranteed for their choice of 10 years or, for an additional cost, the full term period.

Insurance Times: Prudential stock could debut by end of 2001 if approved

April 3, 2001, Vol. XX No. 7

Intends to trade as Prudential Financial Inc. on the NYSE using the ticker symbol PRU

by Jeffrey Gold
Associated Press

NEWARK, N.J. (AP) - Prudential Insurance Co. of America, the nation's largest life insurer, has filed its plan for becoming a publicly traded company with state regulators.
Under the plan delivered to Banking and Insurance Commissioner Karen Suter on March 14, Prudential proposes giving stock, cash and other considerations to 11 million policyholders.
The company anticipates it could become one of the most widely held U.S. stocks, with each policyholder getting at least eight shares.

Valued at $20 Billion
Analysts believe Prudential will be valued at about $20 billion when it goes public. The company said the average worth to policyholders cannot be calculated because of the varied forms of compensation.
Suter must decide whether the deal is good for policyholders and the company.
After she conducts a public hearing, Prudential policyholders could vote on the proposal this summer, and Suter then has six weeks to make a decision.
If approved by regulators and policyholders, Prudential stock could make its debut by the end of 2001, executive vice president Mark Grier said.
The company intends to trade as Prudential Financial Inc. on the New York Stock Exchange using the ticker symbol ``PRU.''
Less than three months ago, however, Prudential hoped to have its application in by February and the public offering by October.
The delay was related to Prudential's efforts at reorganizing a bankrupt Japanese company, the Kyoei Life Insurance Co., Prudential spokesman Bob DeFillippo said.
The Newark-based financial giant maintains it needs to go public ``to respond to rapid changes in today's marketplace.''
Grier said Prudential is confident the plan will strengthen the company and benefit policyholders.
"We've taken the time necessary and believe our plan is the best for policyholders and the company,'' Grier said in a statement.
Insurance Department spokesman William K. Heine said the commissioner has 30 days to determine if it is complete, after which policyholders can vote. But that clock may not begin ticking until Prudential submits recent financial results in April, he said.

Plan Summary
A Web-based summary of the plan shows that Prudential proposes a reorganization that would keep its insurance business separate from its other services, including car insurance.
It will set aside $48.7 billion in bonds and investments to keep a promise that it would pay benefits into the next century on life insurance policies, the summary said.
The company also plans to give its thousands of employees a chance to obtain stock options, along with former policyholders who were victims of agent misrepresentation during the 1980s.
Prudential said the total value of the company would be distributed to those who held eligible policies as of Dec. 15, the date its board adopted the demutualization plan.
Prudential first announced in 1998 that it planned to convert to a publicly traded company from a mutual company owned by policyholders for the last 85 years.
Prudential's effort to convert to a public company comes after other major insurers, such as Metropolitan Life Insurance and John Hancock Mutual Life, did

so.
Also scrutinizing the plan will be by New Jersey Citizen Action, a consumer watchdog group.
"The main thing we're interested in seeing is the actual formula on how the value of the company will be distributed among policyholders, and how it will be distributed among executives,'' said Leila Amirhamzeh, a group organizer.
A summary of the plan said, Employee ownership is important to motivate our work force to compete more effectively and to enable the company to successfully attract and retain employees.''
The plan includes a stock-based compensation program in which workers may get a one-time grant of stock options on the date that the IPO closes. Lower-level company officers could get options after six months, while senior officers and board members may not receive any grant of stock options for a year after the IPO, according to a summary of the plan.
Prudential had more than $363 billion in assets under management as of Dec. 31, making it among the largest financial-services institutions in the world. Its products and services include life insurance, property and casualty insurance, mutual funds, annuities, pension and retirement-related services and administration, asset management, securities brokerage, real estate brokerage franchising, and relocation services.

Insurance Times: Life insurers' conservative investments hurt valuations

April 3, 2001, Vol. XX No. 7

HARTFORD - Life insurance companies did not alter their conservative approach to take advantage of the strong stock market from 1995 -1999 and their capital holdings remain far more conservative than the industry guidelines, according to a recent study from Conning & Company.
The conservative management of capital by life insurers appears to have hurt their valuations and thus, their attractiveness as acquisitions to other financial services firms.
The study consisted of 247 life insurance companies representing 90 percent of the industry's total premiums and deposits.
According to the Conning study, "Investment Profile of the Life Insurance Industry," total fixed-income investments remained flat from 1995 - 1999 at about 94 percent. In search of higher yields, life insurers became somewhat more aggressive with their bond investments and the overall credit quality of the industry's bond portfolio declined. Below-investment-grade bonds increased from 5.4 percent of the bond portfolio in 1995 to 7.6 percent in 1999, more than a 40 percent increase.
In spite of more aggressive fixed income investments, gross yield on insurer bond portfolios, the main source of investment income, fell 52 basis points, from 8.28 percent in 1995 to 7.76 percent in 1999.
Stocks remained a miniscule investment during this period, accounting for only two percent of industry assets, after excluding the common stock of affiliates (most often a corporate structure rather than an investment decision). This figure is up from 1.4 percent in 1995, but the amount of this increase is less than the appreciation of existing holdings and does not reflect a net increase in new investment.
"Life insurers are not being as productive as they could be with their available capital," said George P. McKeon, CLU, assistant vice president at Conning and author of the study. "The issue is whether this approach reflects the intentions

of conservative management or whether it reflects an industry that is uncertain of where to invest. It is no wonder that bank/insurer merger activity has been so low. Cautious capital retention has depressed the ROE of many insurers, making them unattractive as potential partners."

Mortgages as a percentage of invested assets dropped from 13.9% in 1995 to 12.2 % in 1998, before rebounding slightly to 12.7% in 1999. Commercial mortgages constitute the largest portion of insurers' investments in mortgages, accounting for about 92% of mortgage loans.

There are several reasons for reduced investment in mortgage assets. First, the yield advantage of investing in this class has declined. Aggregate yield spreads for mortgages relative to the industry's yield on bonds have declined by 24 basis points over the past five years.

Second, mortgages are illiquid assets, which create risk if cash is needed quickly. Insurers wishing to obtain some of the advantages of mortgages at reduced liquidity risk can do so by investing in mortgage - backed securities.

Stock companies have a greater percentage of assets held in bonds compared to mutual companies, 77.7% to 67.6%. Mutual companies are far more aggressive in their common stock holdings; 4.5% of mutual companies' assets are allocated to common stocks vs. 1.2% for stock companies.

Of the six peer groups Conning analyzed in their study, the accident and health and reinsurance groups have the largest allocation of cash and short-tem bond investments, in keeping with the shorter term character of their liabilities and the corresponding need for liquidity. At the end of 1999, the percentage of investment assets in cash and short - term bonds by peer group was:

Reinsurance 4.7%
A& H 4.5%
Life & Annuity 3.7%
Mixed 3.4%
Annuity 2.8%
Life 2.4%
Industry Average 3.2%p

Insurance Times: Most life agents now also hold securities licenses
April 3, 2001, Vol. XX No. 7

Series 6 now standard but demand for Series 7 grows

More than two-thirds of U.S. life insurance companies say the vast majority of their agents hold Series 6 securities licenses and 36 percent of the companies require them to do so, according to a survey by Securities Training Corp., New York, in cooperation with LIMRA International.

In 1997, only about one-third of the country's nearly 200,000 life insurance agents held an NASD securities license of any kind, according to LIMRA.

Furthermore, a quarter now require agents to obtain their Series 7 license, said STC President Paul Weisman.

The Series 6 allows agents to sell variable products and mutual funds, while the Series 7, a general registered representatives license, permits sale of a full range of securities and investment products.

Weisman noted the trend towards NASD licensing in the life insurance industry has been under way since the early 1990s, when companies began offering variable products. Holding a Series 6 has only become standard in the last three years.

"It's practically a must that agents be licensed now that almost 70 percent of life insurance products, such as variable annuities and variable life, are equity-based," Weisman explained. "Also driving the licensing trend is the shift towards fee-based, investment advisory work and away from commission or transaction-based compensation. The fact that a quarter of insurers now require agents to be Series 7 licensed speaks to the increasingly sophisticated investment products they offer or expect to offer in the near future."
STC develops training programs for the securities, banking and insurance industries. STC has offices in New York, Boston, Chicago, Los Angeles, San Francisco and affiliates in Boca Raton and London. Visit STC at www.stcusa.com.

What Percentage of Your Agents Are Series 6 Licensed?

Less than 25%	19%
26-50%	6%
51-75%	6%
76-100%	69%

Insurance Times: Report: Mass. Blues fastest growing HMO
April 3, 2001, Vol. XX No. 7

BOSTON - Blue Cross Blue Shield of Massachusetts' HMO Blue was the fastest growing health plan during 2000, a study by a Minnesota research organization reported
In its HMO Industry Report, InterStudy of St. Paul found that HMO Blue added nearly 200,000 new members between July 1999 and January 2000, ranking first in growth among the 25 plans reviewed.
HMO Blue's total enrollment as of January 2000 was 1,020,310. For all of its plans, BCMSMA added 465,000 new members, bringing its total enrollment up to 2.2 million.
For 2000, the insurer posted a $110 million net gain.

Insurance Times: Maine House lets domestic benefits policy stand
April 3, 2001, Vol. XX No. 7

AUGUSTA, Maine (AP) - The Maine House voted to let stand without further scrutiny a state policy extending health-insurance benefits to same-sex and opposite-sex domestic partners of state workers.
Rep. Brian Duprey sponsored an order directing the Appropriations Committee to hold a public hearing on the expanded coverage before completing work on the state budget that would fund it for the next two fiscal years. With its rejection by on 85-56 roll call in the House of Representatives, the order is dead and needs no Senate vote.
The State Employee Health Commission approved the domestic partners policy weeks ago, and Gov. Angus King let the decision stand without any legislative involvement.
Duprey, R-Hampden, said his proposal calling for new review of the action is not

about gay rights, but is about spending public money and following appropriate channels.
The administration's action drew a critical reaction from a group that battled a gay-rights referendum proposal that was defeated at the polls last November.
"This is outrageous,'' said Michael Heath, executive director of the Christian Civic League of Maine. "It's not only morally troubling but almost unbelievable when considered from the point of view of procedure or process.''
The Maine State Employees Association, the largest union of state workers in Maine, supported the policy and said it received a full public airing before the State Employee Health Commission authorized it.
"This is not a free benefit,'' added MSEA Executive Director Carl Leinonen, noting that employees pay a portion of the premiums .
Leinonen said the health commission, which has jurisdiction over employees of the executive and judicial branches, technical colleges, Maine Maritime Academy and Maine Turnpike Authority, has statutory authority to adopt the policy. He said the MSEA drew attention to the policy in a publication it sent to legislators months ago.

Insurance Times: Limra: Human capital key to successful mergers

April 3, 2001, Vol. XX No. 7

WINDSOR, Conn. - Consolidation among financial firms is a fact of life, but companies that show they value their human capital manage through mergers better than those that don't, according to Limra International in a report titled, "Now That We're Married, How Do We Live Together? The Human Factor in Making Mergers Work."
Joy I. Hansen, M.S., an information consultant in Limra's InfoCenter and author of the paper, said seven strategies emerged from the experiences of the companies examined for the paper:
* Prepare for change well before change actually occurs.
* Maintain open, honest and ongoing communication throughout the process.
* Involve staff members from all levels of both companies.
* Address cultural differences directly.
* Pay particular attention to internal human resource issues and ways to manage channel conflict.
* Ensure that what the customer sees does not change.
* Take advantage of strong brand identity.

"During the merger process, companies that seize the opportunity to speak directly to the human side of change management have a big jump on ensuring a smooth transition and successful integration," Hansen said.

Insurance Times: Ohio National, Canada Life in strategic alliance

April 3, 2001, Vol. XX No. 7

CINCINNATI - Ohio National Financial Services and The Canada Life Assurance Co. announced a strategic alliance for the sale and servicing of group life and health products.
As part of the agreement, Canada Life will purchase Ohio National's existing

group insurance business and make available an expanded line of group insurance products for sale by Ohio National group sales associates.
The closing, which is expected April 6, 2001, will result in a cash payment by Canada Life to Ohio National for terms which were not disclosed.
The strategic alliance includes group life and health products only. In its group operation, Ohio National offered group term life insurance, group short-term and long-term disability insurance and stop loss plans. Group pension annuities are not affected by this agreement.

Insurance Times: NY weighs health premium tax credit for small businesses

April 3, 2001, Vol. XX No. 7

by Michael Gormley
Associated Press

ALBANY, N.Y. (AP) - The Senate Republican majority has a plan to save the state's smallest businesses $235 million a year while securing health coverage for millions of workers.
The tax credit proposal that the Senate majority is trying to get in the 2001-02 state budget would apply to businesses with 50 or fewer workers pulling in $290,000 or less in net income. It would give employers an income tax credit equal to 10 percent of their health insurance cost as long as the company pays for at least half of the premiums.
Senate Majority Leader Joseph Bruno said as many as 600,000 small businesses could qualify for the credit that could help cover 5 million employees without insurance or whose coverage is threatened as premiums rise.
Bruno said small firms would save big bucks: An employer with six employees could save as much as $3,200 a year and an employer with 47 employees could save $14,000.
One of them is Dean Campbell. The owner of Colonie Craft Homes in Saratoga County said his health care premium for eight full-time employees increased 30 percent in recent years. He said he's always offered the benefit because solid benefits packages are needed to attract and keep skilled employees at his home construction firm.
Many employers must consider dropping health coverage or passing off more of the cost to employees as premiums rise as much as 10 percent a year. Campbell said the Senate Republicans' proposal would curb that, while giving businessmen an immediate savings and capital to expand or upgrade.
"One in 20 businesses said premium hikes forced them to drop employee coverage,'' said Mark Alesse, director of the National Federation of Independent Business.
Alesse said a recent survey of his group's members found that just under half reported their insurance premiums increased by more than 11 percent in the past year and 25 percent saw increases of over 15 percent.
"Employers are faced with the difficult decision of whether to shift more of the insurance cost to employees or drop health care coverage entirely,'' Bruno said.
About 40 percent of small business employees have company health insurance, according to the Senate. The average cost is $2,300 a year for an individual and $5,000 a year for family coverage. Ninety percent of New York's small businesses pay more than half those costs.
Assembly leaders discuss this type of proposal in budget negotiations with the

Senate, said Dan Weiler, spokesman for Assembly Speaker Sheldon Silver.

Insurance Times: Job stability up for women; down for men

April 3, 2001, Vol. XX No. 7

WASHINGTON, DC-Regardless of the current economic slump and recent economic boom, job tenure among American workers has been increasing for women and decreasing for men-resulting in little overall change, according to the nonpartisan Employee Benefit Research Institute (EBRI).

An article featured in the March EBRI Notes finds that underlying economic conditions, which appear to have changed in the latter part of the 20th century, may play an important role in the interpretation of recent job tenure data. The article analyzes these data, from the U.S. Bureau of Labor Statistics, and discusses their implications for the retirement security of

Recent research shows two distinct tenure trends: a general decline in median tenure for all male age groups, versus an overall increase in tenure for female employees. The net effect across all workers was a slight decrease in tenure levels. Despite this overall decline, however, recent tenure figures remain comparable with those of past decades.

Specifically, over the 1983-2000 period, the fraction of all wage and salary workers with two years or less of tenure with their current employer was in the 36 percent to 39 percent range. Job tenure for males fell for all age groups from 1983 to 2000, but has leveled out the past couple of years. Job tenure for virtually all female age groups has been rising since 1951, and has risen the most for women in the 45-54 age group.

EBRI President Dallas Salisbury noted that the report illustrates that job tenure data are not necessarily a good yardstick to gauge employment security, unless underlying economic factors are also considered. For instance, he said, many analysts may regard increases in employee tenure as a sign of improving job security and decreasing tenure as a sign of a decline in job security, when in fact the opposite could be true.

"An increase in employee tenure may reflect lower overall job security if it occurs during a recession, when relatively junior workers lose their jobs more rapidly than do workers with longer tenure," Salisbury said.

"Conversely, a decrease in employee tenure can result during economic expansion, particularly in a tight labor market, as more job opportunities become available and experienced workers find better jobs."

Insurance Times: RI Blues fined by state for not offering required health plans

April 3, 2001, Vol. XX No. 7

PROVIDENCE, R.I. (AP) - The state's largest health insurer has been fined $10,000 for failing to honor legislation that required it to offer four tiers of insurance plans to small businesses.

Blue Cross Blue Shield of Rhode Island also is required to refund any businesses that paid more because it could not offer the expanded plan options, according to the state Department of Business Regulation, which levied the fine.

Under the ruling, the company cannot offer or renew health plans to small companies until it adds the options.
Blue Cross Blue Shield will appeal the decision, spokesman Scott Fraser told The Providence Journal. The company believes the statute did not require it to offer more health options.
Fraser said adding the options would cost up to 2,500 hours of overtime.
Under the law, health insurers are required to offer four plans to businesses with 50 or fewer employees by Oct. 1 last year. The four plans are for enrollee; enrollee and spouse; enrollee and children; and enrollee, spouse and children.
Fraser said the company can have the options by April 1.
The complaint was filed by UnitedHealthcare of New England, the second-largest insurer in Rhode Island. The firm has lost clients to Blue Cross & Blue Shield after complying with the law, said Budd Fisher, UnitedHealthcare's president and chief executive officer.

Insurance Times: PIACT elects Benson its new president, honors Dougherty and Johnson; Colonial Life names Rather for east region; Kerzner promoted at Hartford Life; Lebo named interim COO at Safeco
April 3, 2001, Vol. XX No. 7

PIACT
Professional Insurance Agents of Connecticut Inc. elected officers during its recent annual convention in Waterbury. Following are the new officers who will lead the association in 2001-2002.
President: James Benson, vice president of Merit Insurance in Bridgeport, has been an active member since 1987, serving on administrative, executive, budget and government affairs committees. He is also a past president of the Connecticut Young Insurance Professionals and the southern Connecticut chapter of the Chartered Property Casualty Underwriters.
President-elect: James Pascarella, president of Orange Insurance Center in Orange, has been a PIACT member since 1982 and serves as the government affairs chairperson. He was treasurer of the association in 2000.
Vice president: Robert Gyle, a personal lines account executive for Davidson Insurance Services in Danbury.
Vice president: Jeffrey Parmenter, a principal with S.H. Smith & Co. in West Hartford.
Treasurer: Joseph Bishop, vice president and secretary of Associated Insurance Agencies in Hamden.
Secretary: John DiMatteo, president of A.A. DiMatteo Insurance Service Center in Trumbull and Bethany.
Edwin G. Kline will serve as immediate past president. Kline is a producer for the John M. Glover Agency in Ridgefield.
PIACT also elected the following to its board of directors: Dene Moyher, office manager of Hamilton, Klarman and Shanley Inc. in New Haven; J. Kyle Dougherty, president of Dougherty Insurance Agency in Stratford; Gerard Prast, president of Continental Agency of Connecticut; James Pascarella, president of Orange Insurance Center in Orange; Michael Gergler, owner of Wilcox & Reynolds in Storrs; James A. Goodman, president of Goodman Insurance Inc. in Shelton; Michael F. Keating, president of Michael J. Keating Agency Inc. in West Hartford; Michael E. Wiederlight, president of The Insurance Exchange in Stamford; John DiMatteo, general manager of A.A. DiMatteo Insurance Service Center in Trumbull; Jeffrey Parmenter, principal with S.H. Smith & Co. Inc. in

West Hartford; and Brian J. Schmitt Sr., president of Curtiss, Crandon & Moffette Inc. in Trumbull.

In other news out of its annual convention, PIACT awarded its Professional Agent of the Year Award to Maynard "Doc" Dougherty, vice president of Dougherty Insurance Agency in Stratford. He has played a highly active role in PIACT since the 1980s.

The Company Professional of the Year Award went to Leslyn Johnson of Quincy Mutual Fire Insurance Co. Johnson, a marketing manager, was recognized for the professional service she has provided her company, the company's clients and insurance agents in Connecticut, Massachusetts and Rhode Island during her years of service.

Also, Craig D. MacGovern, of the Arthur A. Watson & Co. Inc., was honored as Chairperson of the Year for his work on the convention and executive committees.

Colonial Life

Dave Rather has been named public sector state manager for Colonial Life & Accident Insurance Co.'s eastern region. He will be responsible for building public sector business in New Hampshire, Rhode Island, Connecticut, Virginia, Ohio, Kentucky and Michigan.

Hartford Life

Bob Kerzner has been promoted to executive vice president at Hartford Life in recognition of his leading the individual life division to record sales and profits.

When Kerzner took charge of Hartford Life's individual life operations in 1998, the division notched $163 million in sales. Last year, sales topped $200 million. Kerzner joined the company in 1974.

American College

The American College announced that Marcia H. Burns has been appointed vice president of marketing. Prior to joining the college, Burns worked in various capacities for Advanta/Fleet Credit Services and, before that, with Cigna Corp. The college, based in Bryn Mawr, Penn., offers long distance learning for financial services professionals.

Element Re

Element Re Capital Products Inc., a provider of weather risk management products, has added six new employees to its Stamford, Conn. team. The company has named Scott Edwards as vice president and controller; Erik Banks as chief risk officer, and Adele Raspe as general counsel for derivatives. It has also added three people to its research team: Robert Henderson, vice president; Niraj Sinha, vice president; and Yu Li, assistant vice president.

Safeco

Safeco has named long time company executive Bill Lebo as interim chief operating officer for Safeco Personal Insurance, the company's largest insurance segment.

"We're focused on quickly improving the financial performance of Safeco's auto and homeowners lines," Lebo said. "We will stress disciplined underwriting, and take necessary actions to make these lines of business consistently profitable."

Lebo will continue to serve as executive vice president for Safeco's property and casualty companies. In this role, Lebo is responsible for field operations nationwide, and for marketing and claims of the property and casualty companies.

Insurance Times: COMMONWEALTH OF MASSACHUSETTS
April 3, 2001, Vol. XX No. 7

Office of Consumer Affairs and Business Regulation
DIVISION OF INSURANCE
One South Station Boston, MA 02110-2208

Notice of public hearing of the proposed merger of Healthsource Insurance Company with Berkshire Life Insurance
Company of America

The Division of Insurance (the "Division") will hold a public hearing (the "Hearing") at 10:00 a.m. on April 19, 2001 regarding the proposed merger of Healthsource Insurance Company ("Healthsource"), a Tennessee stock insurance company, with and into Berkshire Life Insurance Company of America ("BLICOA"), a Massachusetts stock insurance company. The Hearing will be held at the offices of the Division of Insurance, Fifth Floor, One South Station, Boston, Massachusetts, 02110-2208 pursuant to Massachusetts General Laws chapter 175, section 19A.

Under the terms of the project merger, Healthsource will merge with and into BLICOA with BLICOA as the surviving Massachusetts entity. If the merger is approved, the merged company will be a wholly owned subsidiary of The Guardian Life Insurance Company of America ("Guardian"), a New York mutual insurance company, which currently has a pending application before the Division seeking approval of a merger with Berkshire Life Insurance Company ("Berkshire"), a Massachusetts mutual insurance company. The merger of Berkshire with and into Guardian will be the subject of a separate hearing to be held at a later date at Council Chambers, Pittsfield City Hall, 70 Allen Street, Pittsfield, MA 01201.

Any person who wishes to testify must file a Notice of Intent to Testify with the Division on or before April 17, 2001. All other parties who wish to testify will be heard subsequent to those who notify the Division in advance. Persons wishing to submit written comments may do so until the record of the Hearing is closed. All submissions must be sent to: Docket Clerk, Hearings and Appeals, Division of Insurance, One South Station, Boston Massachusetts, 02110-2208, and must refer to Docket No. F2001-01A.

Michael T. Caljouw Richard A. Cody
Presiding Officer Presiding Officer

March 21, 2001

Insurance Times: St. Paul Guardian Insurance Company
April 3, 2001, Vol. XX No. 7

April 3, 2001

St. Paul Guardian Insurance Company
385 Washington Street
St. Paul, MN 55102

The above company has made
application to the Division of Insurance for a license/ Certificate of Authority to transact Boiler & Machinery 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 02110 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

Insurance Times: Innovation Group acquires Pyramid Acquisition Corp. of Danbury, Conn.
April 3, 2001, Vol. XX No. 7

The Innovation Group has acquired Pyramid Acquisition Corp., the parent of Pyramid Services, Inc., a Danbury, Conn. provider of software for third party administrators of insurance claims, insurance carriers and self-insured businesses. The Innovation Group is based in the United Kingdom. p

Lowell's Enterprise Bank partners
with The McCarthy Cos. for insurance
Enterprise Bank of Lowell, Mass. has launched a new insurance subsidiary, Enterprise Insurance Services, in partnership with The McCarthy Companies, Inc., a national insurance and risk management firm headquartered in Wilmington, Mass. Enterprise Bank and Trust has offices in nine cities in the Lowell area. p

InsWeb countersues eHealthInsurance
SACRAMENTO, Calif. - InsWeb Corp.has responded to recent allegations and legal action taken by eHealthInsurance Services Inc. In a filing with the U.S. District Court, Northern District of California, San Jose Division, on March 22, InsWeb denied earlier allegations that it breached an online-distribution agreement with eHealthInsurance, and counter sued for damages caused by eHealthInsurance's alleged early and improper termination of their agreement.
In a news release issued Feb. 21, InsWeb announced that it temporarily suspended online health-insurance quoting. InsWeb said the suspension was due to the decision by eHealthInsurance, formerly the company's exclusive provider of online health-insurance quotes, to unilaterally terminate their relationship.