Insurance Times: Insurers target their marketing
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by Mark Hollmer
InsuranceTimes

"Sabado Gigante" is an immensely popular Spanish-language television variety show not unlike "The Ed Sullivan Show" of the 1960s.

It airs every Saturday on Univision, the fifth largest television network in the country, which – according to the Insurance Information Institute -- reaches 92 percent of Latino households in the United States.

Allstate Insurance has remained the show's exclusive insurance sponsor since 1995. Allstate's long-affiliation with the show is just one part of a massive Hispanic marketing campaign the company has carried on since the 1990s. Spanish-language radio ads on the national network Radio Unica out of Miami; and local and print ads in Hispanic magazines and newspapers are among Allstate's other marketing moves.

"The Hispanic market was a segment that … corporate America was blind to," said Ray Celaya, Allstate's vice president in property casualty marketing and the head of its minority marketing initiatives.

"The Hispanic market is going through what I would call our baby boom generation. They're having babies. They're fully employed, buying cars and becoming homeowners," he said. "America was just blind to that segment. Our diversity work in the late 1980s and early '90s allowed us to take the blinders off and all of a sudden we could see Hispanics and realize there was opportunity there."

Diversity marking, or at least more diverse marketing, is increasingly taking hold in insurance companies both locally and nationally, with a sophisticated focus on many different segments and subsets of the population.

Some companies like Allstate and New York Life began reaching out to single moms and businesswomen, Asian, African American and Latino communities in the early 1990s and even before. Correspondingly, they've worked to diversify their agent and sales staff to tap into these previously untapped markets.

Other companies, like MassMutual are developing plans to broaden their marketing to also focus on women and minorities. John Hancock doesn't have a specific minority marketing campaign per se, but the company is careful to combine the universal themes of its ads with diversity reflected in the commercial actors.

The Hartford has also expanded its minority marketing reach, with programs such as the partnership between its Omni Automobile unit and the Cuban-American-owned Estrella Insurance Agency in Florida, created to address product needs for Spanish-speaking consumers.

Regardless of the approach, insurance companies clearly smell opportunity, and the 2000 census offers some clear examples why. America's Asian and Latino populations have exploded in size over the last 10 years, forming majorities in several major cities. Hispanics in this country will be the largest minority group by 2005, according to the III.

"In 20 years, black, Latinos and Asians will be about 40 percent or more of this population," said Colette Phillips, president and CEO of her self-titled Needham, Mass. company.

"If you're not doing it now you're seriously leaving money on the table, like every insurance company competing for a shrinking market when there is a virtually untapped (minority) market sitting there for the picking."

But other unique parts of society are also changing the marketplace.

Gay and lesbian families are increasing every day. More women head households than ever before. The growth of single parent homes or single person homes is outpacing traditional "nuclear families," which The New York Times reported are now less than 25 percent of all United States households.

"If you look at the latest census data … you see the number of individual male and female (residents) living alone and a lot of single parents," said Anne Melissa Dowling, MassMutual's senior vice president for large corporate markets.

"Marketing campaigns are usually targeted to specific family structures," Dowling said. But "single parents or (those) living alone, they have very different needs … we need to adapt and have product in place for them."

Consider these statistics compiled by the III:

• As of 1997, minority businesses spent $12 billion in insurance premiums and the number has likely shot up since.

• Spanish-language ads are nearly five times more likely to convince Latino consumers to buy a product, compared to their English language counterparts, according to Roslow Research Group.

• The Asian Pacific American population is among the fast growing segments of American population, reaching more than 11 million people as of 2000.

Allstate took these and related statistics to heart and began in the late 1980s and early 1990s to develop diversity programs with a goal of increasing market share.
Hispanic customers were Allstate's first focus. To establish a baseline, the company looked at its customer surnames and determined about 6 percent of its customers were of Hispanic origin.
After some years of development, the company launched its Hispanic Business Team in 1995, and over the next four years grew its Hispanic book of business from $1 billion to $1.6 billion.
Allstate combined its advertising with a network of agencies with agents who could speak Spanish, as well as Spanish-language marketing materials, Spanish-language claims assistance and a toll-free number that directed customers to bilingual Allstate agencies.
The company found out it had some cultural misconceptions to overcome, Celaya said, so the company "transculturalized," or translated its brochures to modify its advertising to the unique demands of Latin American culture.
For example, Allstate pitches insurance to its mainstream audience to protect a policyholder's material assets after death for the sake of the family. But in the Hispanic market, the company rewrote its pitches to focus on protecting policyholders' dreams of education for their children.
In both mainstream and Hispanic culture, Celaya said, both protecting material goods and life's dreams are important, "but it's the order of importance (that differs) in the Hispanic culture."
Hispanic consumers would buy life insurance, he said, primarily "to educate children if you were to die prematurely," whereas mainstream consumers would likely buy the same product "to protect assets."
By mid 2000, Allstate formed two other teams to begin expanding similar efforts to expand its marketing to the African-American and Asian-American communities.
Combined, the three divisions are expected to "lead the company's effort to tap into markets that account for more than $1 trillion of buying power" in this country, and represent consumer segments growing more quickly than the market at large, according to a November, 2000 Allstate press release.

Other companies' efforts
New York Life has developed women and minority marketing programs, respectively, over the last five years.
Its women's marketing program focuses on three areas: measuring the number of new agents hired, the number of women the company develops and grows into the career, and the sales to and by women in the marketplace, according to Catherine Gretta, New York Life's corporate vice president of women's markets.
Among the company's related initiatives: a financial/educational workshop targeted (but not exclusive) to women, including a booklet that walks customers through the process.
In a deal with the Lifetime cable network for women, New York Life also participated in a 12-city mall tour including a kiosk featuring recruiters and sales agents.
"It's created a nice buzz," Gretta said, adding that the company also participated in the traveling American Baby Fairs exhibition, held in Boston with a future one planned for New York.
At the same time, Gretta said, the company doesn't consider the women's market to be a niche market as such.
"We just recognized this as a business opportunity for the company. More women are entering the marketplace (and) getting a formal education than in years past," she said.
"We wanted to go out and capture this opportunity to have a presence and create awareness."
New York Life's cultural marketing division has also been active for about five years. Initially, the company focused on the Asian-Indian and Chinese markets in the U.S. But the company last year expanded its efforts to the Mexican, Cuban, Korean and Vietnamese communities, according to Paul Russell, vice president of the company's cultural marketing division.
The company already had an agent and market presence with the Chinese and Indian communities, Russell said, so those areas were natural places to start.
"We already had agents of similar cultures who could speak the language," he said.
African-American marketing, by contrast, wasn't spun off into a separate division, Russell said.
"We treat the African-American market more as our mainstream and we really market to the African market as part of our middle-market or upper market strategy," he said.
To reach the different groups, Russell said, the company focuses on, pamphlets and newspaper and magazine advertisements, broadcast, pamphlets and the Internet.
The company publishes ads in a target market's native language and makes sure ad copy is culturally sensitive and appropriate, and that the photos are also appropriate for the campaign. Some are even of agents who target the communities.

“One of the things we want to do is we want to expose (to) the community the pictures of our agents and managers who work in the community” he said.
Russell added the company hasn’t targeted other groups because “our strategy and frankly my approach to any of the markets we are in is we can’t be all things to all people,” he said
“We go where we have a presence,” he said.
And that presence has paid off so far, he said. The company’s five-market minority share has grown 44 percent over the last 2.5 years, he said.
MassMutual’s efforts, by contrast, are centered more on creating a more ethnically diverse agency force and expanding the company’s minority-marketing base.
For example, it is in the process of translating its sales materials into Spanish and some Chinese dialects.
Victor Lipman, MassMutual Financial Group’s second vice president of corporate communications, cautions, however that the marketing effort, which was launched last summer, is still in its early stages.
At the same time, MassMutual is developing a separate marketing initiative geared toward women, including a more gender-diverse sales force and a review of the company’s marketing and advertising.
“We’re reviewing everything we have out there to make certain we have the correct complement of products, and that in fact our message will catch interest and respond to the needs of the women’s market,” said Dowling, who is spearheading the efforts.

Include Women
Dowling is quick to point out, however, that the company is working to change its marketing approach to include women, rather than targeting women as a separate market.
“To assume that there is a women’s market is terribly naïve,” she said. “There are just as many styles of purchase, lifestyles and financial needs across women as there are men…
“To assume a single answer would be shortsighted and fairly limited business plan within those categories there are women in different stages of life, in different financial needs, for different reasons.”
In short, Dowling said, the company wants to better market its products not just to women but a broader consumer base in general.
“We’re making sure that we have the right approach and the right (marketing) context for people to feel comfortable expressing their needs to us,” she said.

Hancock’s Universality
Not every company, however, takes a segmented marketing approach.
John Hancock Financial Services for example, developed a recent television advertising campaign that focused on universal themes like adoption, a marriage proposal, divorce and retirement.
There’s a twist in the casting that reflects life’s modern realities for each of the four ads. Two apparently lesbian women bring their new adopted child home from Asia; a boyfriend proposes to a single mom; a divorce couple discusses their son; an African-American middle aged man tours a nursing home where his father will soon live.
Lisa Scannell, John Hancock’s general director of advertising, said the company had developed a specialty market geared to Chinese consumers, and explored developing specific programs with both women and the gays and lesbian market.
Faced with a finite advertising budget, the company decided instead to shoot for universality so it could maximize its financial resources to reach the most people.
“We don’t do a whole lot of advertising compared to a lot of other companies,’ Scannell said. “What we try to do is show we understand all consumers. We try to show different situations, i.e. single mothers and older middle aged people putting their parents in a nursing home, showing we understand what consumers lives (are) like.”
In addition, Scannell said, Hancock focuses its ad campaigns on big events like Olympic and Major League sports sponsorships to build product awareness on a large scale.
No matter where companies focus their marketing efforts, success at reaching minority or specialty markets in the United States will almost certainly lead to huge profits, said Phillips, the marketing consultant.
“I don’t think any financial services company can be arrogant enough to say we don’t want to do business with (those) segments of the population,” said Phillips, who herself is originally from the island of Antigua in the Caribbean.
“It’s your current and future markets.”

Insurance Times: Maine insurance affidavits challenge small businesses and health agents
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Agents reluctant to attest to business practices of 2-3 member small groups

BANGOR, Maine (AP) — Gary Kielty was prepared to swallow hard and accept a 32 percent rate increase to buy health insurance coverage for his two-employee real estate business in Readfield.
But his insurance company, Aetna, would not permit him to renew his policy, citing new rules.
“It's my worst nightmare," Gary Kielty, co-owner of Tyson-Kielty Real Estate, said last week.
Many other small-business owners in Maine, who already face sharp increases in insurance premiums, soon might share Kielty's nightmare.
That's because some agents will not provide sworn affidavits attesting to the business practices of customers — a condition required by Aetna for policy issuance.
Insurers want to avoid companies that may have been formed solely to get small group insurance. Insurers already require tax filings, business owner affidavits and other paperwork to document that an applicant's company is truly a business.
Small groups, especially those with just two or three insured employees, are seen by insurers as expensive to manage because administrative costs are disproportionately high. But small groups _ those with 50 employees or fewer _ account for about half of Maine's work force.
Kielty's insurance agent, Business Insurance Agency of Augusta, a unit of Cross Insurance in Bangor, balked at providing the statement to corroborate the ones filed by Kielty and his wife, Ann _ even though the agent believed the business qualifies for small group coverage.
The liability concerns are so great that neither Business Insurance Agency of Augusta nor its parent will provide affidavits to its customers, said Michael Deschaine, principal of BIA.
Joseph Ditre, executive director for Consumers for Affordable Health Care, a consumer advocacy group, says thorny paperwork like that required by Aetna can discourage renewals.
“They know it's just a way of forcing people out of coverage, and they don't want to be in the business (line) anymore," Ditre said. ``They want to only get into markets that are good risks and they don't want (small group)."
Aetna is withdrawing from small group markets in other states. But Ann Marie Gothard, a New York-based spokeswoman for the Aetna's Northeast region, said recently she's unaware of plans to do that in Maine.
She said the requirement for an agent to provide an affidavit was developed with the knowledge of the Maine Bureau of Insurance.
Kielty has filed a complaint with the bureau. ``Aetna feels if they hassle the small people enough, they'll just go away," he said.
In a letter to Kielty, Aetna suggests that he and his wife buy individual insurance, which is more expensive.
Alessandro Iuppa, superintendent of the Bureau of Insurance, said Maine's small group market is in a tenuous situation, with insurers pulling out. Premiums have jumped 49 percent in the state from 1996 to 2001, according to a recent study by U.S. Rep. Tom Allen, D-Maine.
A study by Consumers for Affordable Health Care and the Maine Center on Economic Policy released last year found that 77 percent of small businesses surveyed said they had offered health insurance to their employees in the last three years, compared to 68 percent that say they offer it now.
Since he got a denial letter from Aetna, Kielty located an insurance agent in Readfield who will add his affidavit to those already filed by the Kieltys.
Aetna hasn't said whether it will renew now that it has all the additional paperwork, Kielty said.

Insurance Times: NY insurance chair blasts 2 year no-fault backlog as ‘inexcusable’ But Insurance Department defends actions as defending consumers
July 24, 2001, Vol. XX No. 15

by Michael Gormley
Associated Press

ALBANY, N.Y. (AP) — A state program designed to resolve disputed auto insurance claims within a month now

regularly takes over two years, according to an analysis by the state Assembly.
A “staggering" backlog of cases has developed in the arbitration program under the state's no-fault auto insurance system, according to Assemblyman Alexander Grannis, a Manhattan Democrat who chairs his chamber's insurance committee.

Second Highest Rates
Arbitration is designed to settle disputes among injured policyholders, their physicians and insurers without the cost or time needed to settle the matters in court. The program is supposed to reduce auto insurance premiums for all New Yorkers, who now pay the second-highest rates in the nation.
Grannis' analysis, however, shows that from 1994 to the end of this year the backlog is projected to increase seven times to 222,700 and the number of new cases will increase more than 10 times to 110,000.
For a New Yorker injured in an accident, the delay means he or she may have to pay for medical care out of pocket for months. The delay can also mean that lost wages aren't reimbursed for months and that physicians fighting insurance companies for payment can go uncompensated, Grannis said.
Christine Olli, a spokeswoman for Grannis, said the delay is forcing more cases to the courts for more costly resolution and increasing expenses for insurance companies and health care providers. Both can pass along those costs to consumers.
“We think Assemblyman Grannis is taking cheap pot shots when he should be trying to lower premiums," said Terri Marchon, spokeswoman for the state Insurance Department. “Having a backlog isn't the issue. We are working to protect the consumer and reduce premiums."
The state's No-Fault Arbitration process first seeks to settle a dispute with a “conciliator." If that doesn't work, a hearing is held. An arbitrator, who is an attorney appointed by the department superintendent, then makes a decision.
Since December 1999, the state contracted with the American Arbitration Association to help handle the case load.
Much of the backlog and delay for resolving consumers' claims involves claims by medical providers, who now account for 96 percent of the cases, according to the state Insurance Department.
Insurers are concerned about this rise of medical providers seeking payment rejected by the companies, said Ellen Kiehl of the Professional Insurance Agents Association. She said physicians seek arbitration in part because it costs only $40 without the risk of greater loss in court.
Marchon said some health care providers are abusing the system by filing many claims a day before the 180-day deadline, when the crush of work might result in some questionable claims being overlooked. The department wants the Legislature to reduce that period because it's hard to investigate a claim's legitimacy so long after the injury. The department also wants incentives to settle before arbitration.
“The companies feel there's an explosion in the number of cases going to arbitration," she said.
Physicians are seeking out-of-court solutions for disputes over whether care was necessary and whether paperwork and “billing codes" were appropriate, Olli said.
Although there is a “small minority" of abusers, physicians arbitrate because the fees capped by law are lower than what they usually charge, said Dr. Paul Lehmuller, an orthopedic surgeon in Nassau County.
“There are always bad apples, but if the insurance company is on the ball ... I think it's going to be minimal," he said.
Tom Donoghue of the Medical Society of the State of New York said the delayed reimbursement for disputed treatment compounds increases in malpractice insurance and overhead that puts “tremendous financial pressure" on physicians.
Marchon disputes Grannis' analysis, but wouldn't provide statistics or address specifics of his conclusions. A letter from the department released by Grannis states that caseloads range from 150 for an upstate arbitrator to 2,550 in New York City; and the number of state arbitrators increased from 19 five years ago to 42.
“If I had this under my nose, I wouldn't want to focus on it, either," Grannis countered, saying more arbitrators must be hired. `”This is really bordering on gross mismanagement. That is inexcusable."

Insurance Times: Liberty Mutual’s plan is in the mail but not totally in the clear
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by Mark Hollmer
InsuranceTimes

Friday the 13th may be bad luck to some, but it was a boon to Liberty Mutual.

July 13 marked the company's launch of a massive policyholder mailing outlining details of its plan to convert to a mutual holding company.

The day also followed a victory of sorts for Liberty two days before, in Middlesex Superior Court in Massachusetts, when a judge partially rejected a class action suit seeking to delay the mailing because it would allegedly dupe Liberty policyholders into approving the deal.

"The plaintiffs must demonstrate that the (documents) so fundamentally mislead policyholders regarding the reorganization plan that any vote regarding the plan will almost certainly be deemed null and void. The plaintiffs have not met that admittedly high standard," Judge Ralph Gants wrote in his decision.

Complaint Allowed

At the same time, Gants wouldn't dismiss the complaint itself. The reason, Gants said, is in part because Liberty's application still needs future scrutiny from the Division of Insurance or the court "as to whether policyholders were provided with full … disclosure of the information needed … to make their own informed decision as to whether this plan is fair and equitable…"

Consumer attorney Jason Adkins filed the lawsuit on behalf of three policyholders. Adkins is also the founder of the Center for Insurance Research of Cambridge, a consumer advocacy group that has been waging an aggressive campaign against Liberty Mutual's plans to change its status from a traditional mutual insurer into a mutual holding company.

CIR attorneys are also representing the plaintiffs.

Liberty Mutual spokesman John Cusolito said the court's decision was a good one.

"We feel we're right on schedule at this point and time," he said, adding the company hopes to finish its transformation into a mutual holding company by January 2002.

Adkins, on the other hand, said "policyholders are winning this lawsuit because the judge put the company on notice that it's proxy was deficient and arguably deceptive for the reasons we laid out in our complaint."

Those reasons, Adkins said, include "failure to disclose what policyholders are not getting that they would be getting in demutualization…and (Liberty) misinforms policyholders about the conflicts of interest that will be created and (the company) failed to disclose that dividends will likely be reduced and premiums increased."

Adkins and CIR say the mutual holding company option is bad because it could set up a conflict between policyholders and shareholders and deprive policyholders of billions of dollars in compensation they'd get if Liberty converted instead to a full stock company.

Liberty Mutual is the first Massachusetts company to apply to reorganize itself as a mutual holding company since state legislators in 1998 approved a law allowing the practice.

As envisioned, Liberty Mutual would maintain its mutuality but also gain the ability to raise money through stock offerings.

Liberty, along with corporate siblings Liberty Mutual Fire and Wausau Insurance would be placed under a single corporate structure. Policyholders will still be able to elect a board of directors and would benefit from Liberty's surplus if the company is ever dissolved or liquidated.

Liberty Mutual, founded in 1912, is the seventh largest property casualty insurer in the United States and reported $4.6 billion of net written premiums in 2000.

The Division of Insurance plans to hold a public hearing on Liberty Mutual's mutual holding company application on Oct. 10.

Liberty Mutual itself is planning a policyholder meeting on Nov. 9, during which policyholders who attend can vote in person. Those votes will be calculated along with mail-in votes and the results will be announced later that afternoon, Cusolito said.

Insurance Times: NY workers comp rate hike denied

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ALBANY, N.Y. (AP) — Employers will see an overall decline of 1.8 percent in their workers compensation rates in the year beginning Oct. 1, the New York Insurance Department has ruled.

State Insurance Superintendent Gregory Serio said he has rejected a 0.4 percent rate increase recommended earlier this year by the Compensation Insurance Rating Board and instead decided there should be no rate increase.

Combining flat rates with a decrease in assessments on companies for their share of the workers compensation fund, average reductions of 1.8 percent will occur, according to Serio.

The actual decreases will depend on how companies are classified by the state Workers Compensation Board. There are some 700 different classifications, and a company's assessment will vary according to the risks of on-the-job injuries. Past claims against employers are also considered some cases.

Seventh Straight Year

There have been seven straight years of no increases in workers compensation rates — eight, if 1994, the year before George Pataki became governor, is counted — and rates have declined by 32 percent since 1995.

Pataki pushed hard for workers comp reforms in 1996 in a fight with Democratic state Assembly Speaker Sheldon Silver. He won changes in the system, including repeal of a court-imposed standard that allowed companies to be sued by the manufacturers of injury-causing equipment and new anti-fraud measures.

A spokesman for the state Business Council, an Albany-based corporate lobbying group, said the announcement is good news for employers.

"This looks like a significant step in the right direction," Matthew Maguire said. "Assessments are apparently going down, and they haven't gone down since 1998. That's significant because in recent years, increases in assessments have to a certain extent nullified some of our gains in rates. If assessments are going down and rates are staying close to flat, that is very good news."

Insurance Times: Keys to minority marketing

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Colette Phillips helps companies unlock the key to minority markets.

She did so a few years ago, when a major New York bank tried to expand into the Caribbean market with multiple branches in high-density communities. But customers were scarce and the expansion was failing miserably.

Enter Phillips, who outlined some cultural nuances they were missing.

One element they overlooked: Caribbean people have a high savings rate but avoid debt, so they don’t necessarily develop a credit rating --- a measuring tool U.S. banks commonly use to evaluate potential homebuyers here.

“They did not understand that Caribbean people are debt averse and “believe in buying things in cash, in pooling their resources together and making large purchases like a house,” said Phillips, a native of Antigua who is also president and CEO of Colette Phillips Communications in Needham, Mass.

Phillips said she recommended that the bank look at other criteria more suited to Caribbean cultural habits, such as looking at the last six months of rent payments, or paid electric and cable bills.

And so what did the bank do?

“They changed their marketing approach and did very well …,” Phillips said.

Phillips consulting work may have been with a bank, but the concepts are just as relevant today as insurance companies increasingly target minority communities here in the United States.

Phillips’ consulting firm works with clients trying meet their business objectives, particularly those targeting minority (and women’s) markets, by “helping them understand the cultural nuance and behavior and subtleties of ethnic consumers.”

She said insurance companies must take a number of steps to successfully expand into minority markets, especially as the marketplace becomes increasingly “competitive but (also) an increasingly, culturally and linguistically multiethnic marketplace.”

Among her recommendations:

• Offer specialized services to increase the number of people of color seeking home, automobile, business, like and health insurance products.

“For minority companies, it is also essential for them to understand that it is not as difficult as (they) think” to buy insurance, Phillips said.

• Make sure your company’s insurance agent force more closely mirrors the community in which it does business.

“You can’t separate workplace diversity from marketplace diversity,” Phillips said. “A person who can speak Chinese and understand products and (provides) collateral material in Cantonese or Mandarin will be more appealing to the Asian community than if you give it to them in English,” she said.

“Products that look like the people you’re trying to reach (in advertisements) will be that much more eye catching and appealing,” she said.

Phillips said it isn’t politically correct to create marketing programs targeting minority communities. Rather, she said,

“it’s good business.
“In the final analysis,” she said, “the only thing that should matter to an insurance company is only one color, and that’s green.”
M. Hollmer

Insurance Times: Despite population gains, Hispanics face opportunity gap

July 24, 2001, Vol. XX No. 15

by Deborah Kong
Associated Press

Despite a 58 percent growth in their population in the United States in the 1990s, Hispanics still live in segregated neighborhoods and are less likely than non-Hispanic whites to own homes, save money or have health insurance, a new report says.
The report outlines gaps in opportunities for Hispanics and proposes an agenda for local, state and national leaders to correct inequities in homeownership, education, job opportunities and health care. The report was released at the National Council of La Raza's annual conference, in Milwaukee.
The conference brings together government officials, business and community leaders to discuss policy issues.
More than highlighting Hispanics' growing numbers, La Raza wants to show people "what's really important is how we are doing," said Sonia Perez, the report's author. "The time of ignoring Latinos as a population is over."
The nation's Hispanic population grew from 22.4 million in 1990 to 35.3 million in 2000, census data show. It's also a young population: more than a third of Hispanics are under 18.
"We have more power, more visibility," Noel Orengo of Milwaukee said at the conference. "Our cultures are more visible, not in any superficial way like food or dance, but values, education for Hispanics."
While growth has occurred in states with historically large Hispanic populations, such as California, New York and Florida, it's also taken place in the Midwest.

Four Key Issues
La Raza hopes its report turns the spotlight on how Hispanics have failed to reap the benefits of the 1990s economic boom. It proposes focusing on four issues:
• Hispanics are less likely than non-Hispanic whites to own their homes, with 46 percent of Hispanics owning their home in 1999, compared to 72 percent of non-Hispanic whites. They are also more likely to live in segregated neighborhoods, the report says. Providing more funding for first-time homebuyers' counseling services, ending racial profiling and curbing police abuse will create stronger and safer neighborhoods, La Raza says.
The main reason for having a house is for security. It's your home, no one can tell you to leave," said Maria Marrero, who was picking up brochures at the conference's home ownership fair.
• About one in three Hispanic children was enrolled in preschool, compared to more than half of non-Hispanic whites, the report says. Hispanic children also were more likely to attend segregated schools with poorer facilities and resources, and less likely to complete high school.

Future Growth
"A large share of the nation's future economic growth will depend largely on the millions of Hispanic children in our nation's schools, and the educational opportunities they are given today," La Raza president Raul Yzaguirre said in a statement.
• Hispanics are more likely to work in low-wage jobs, such as food preparation, personal service or cleaning and maintenance jobs. They're also less likely to have pension plans, according to the report. It calls for expanding accounts that pair saved income with matching contributions from private or public sources.
• Working Hispanic adults and their children are less likely to have health insurance. La Raza wants a federal program that provides low-income children with health insurance expanded to include their parents, and wants more money invested in health and nutrition programs.
La Raza is a private, nonprofit Hispanic advocacy organization formed in 1968.

Insurance Times: Insurance workers win $91 million in back overtime

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OAKLAND, Calif. (AP) — A state court jury awarded workers $91 million in a class-action suit seeking back overtime pay for claims adjusters at Farmers Insurance Exchange.
An initial trial led to a judge's order in 1999 that the company pay overtime to current and former employees. Tuesday's jury verdict concluded a second trial held to determine the amount of the award, which breaks down to more than $37,000 for each of the 2,400 claims adjusters.
“It's a vindication of the workers' right to overtime," said plaintiffs' attorney Steven Zieff.
The case could encourage more while-collar workers to make overtime claims, said University of California-Los Angeles professor David Lewin.
“Like in wrongful termination and employment discrimination cases, once plaintiffs' lawyers see there is a verdict for plaintiffs, there is less of an incentive for them to settle and more of an incentive to go to a trial," Lewin told the Los Angeles Times.
Los Angeles-based Farmers Insurance issued a statement saying it planned to appeal.
The company had claimed the total overtime pay award should be $67 million, not $91 million.
A survey found the typical Farmers claims adjuster makes $30,000 a year while working 50 hours a week.

Insurance Times: NH’s Anthem to close Mattew Thornton, exit Mass.

July 24, 2001, Vol. XX No. 15

MANCHESTER, N.H. (AP) — Anthem Blue Cross and Blue Shield is phasing out its Matthew Thornton Health plan for New Hampshire customers.
The company said it is streamlining its offerings to reduce administrative costs.
Because the two health plans are similar, officials said there will be equal benefits for the majority of people who transfer from Matthew Thornton to Anthem. The streamlining should allow those transferred customers to pay less for their coverage.
Anthem has also decided to stop offering group health benefits to Massachusetts customers through the Matthew Thornton plan, which was founded in 1971.
In a statement, the company said that continuing to offer group health benefits to Massachusetts customers through Matthew Thornton was “inconsistent with our current business strategy, which is to focus on New Hampshire."
The health plan “has been working with the Massachusetts Division of Insurance to ensure an orderly exit from the Massachusetts market," the statement said.
Anthem said it stopped selling all health benefit plans to eligible new groups in Massachusetts as of Dec. 28, 2000, and notified customers this June that it would no longer renew any existing Massachusetts group businesses.
Letters were sent to those Massachusetts members, and large and small employers in Massachusetts, telling them their current contracts would be honored, but not renewed.
Matthew Thornton had 63,000 customers as of last year, down from as many as 140,000 customers in 1996.
Blue Cross and Blue Shield of New Hampshire bought Matthew Thornton in 1997, about a year before Anthem began negotiating to buy Blue Cross and Blue Shield of New Hampshire for $129 million.

Insurance Times: Aetna continues to pare down ranks

July 24, 2001, Vol. XX No. 15

HARTFORD (AP) — Aetna is cutting more jobs from one of its Hartford operations.
The insurance giant is eliminating 93 jobs from its short-term disability insurance division because of high turnover, company officials said. Aetna spokesman Fred Laberge said the company has had a hard time retaining qualified workers in the city.
Aetna has not faced as much competition for staff in other cities where it has short-term disability claims offices: Portland, Maine; Portland, Ore.; Grand Rapids, Mich; and Tampa, Fla.

The company informed 55 workers in the spring they would be losing their Hartford jobs. In the past week, 38 more workers learned they would be out of work.
The Hartford short-term disability office will keep a staff of 122 in claims, remaining Aetna's largest claims office for that business.
So far this year, Aetna has cut at least 143 jobs in Connecticut, where overall employment includes 7,800 full-time workers and 900 part-timers.
Laberge said the recent Hartford cuts are not part of the 5,000 positions nationwide the company intends to eliminate. He said more than half of those cuts would come from attrition — resignations or retirement.

Insurance Times: NH law adds permanent awards for workplace burn and brain injuries

July 24, 2001, Vol. XX No. 15

CONCORD, N.H. (AP) —Victims of burns and brain injuries in New Hampshire soon can recover permanent awards from their employers' on-the-job injury insurance.
Gov. Jeanne Shaheen has signed a bill that closes a loophole in the state's workers compensation law.
Under the old law, burn and brain injury victims were shut out from collecting permanent awards, but those who lost a limb in an industrial accident could.
“There are no words which could be expressed to describe the agonizing personal and physical pain I suffered since the accident," said Mark Kirouac of Merrimack, who broke down in tears during testimony last January before a House committee.
Kirouac still has ugly and painful scars on his body from the acid burn he suffered at a hazardous waste accident in Salem three years ago.
His testimony and that of others virtually ended debate on the bill and led lawmakers to quickly pass it.
“It was the easiest bill I ever put my name on," said House Speaker Pro Tem Robert Clegg, R-Hudson. He authored the bill after a friend sustained a permanent brain injury.
Sen. Robert Boyce, R-Alton, pointed out that more workers are surviving serious industrial or motor vehicle accidents, thanks to medical advancements.
His wife, state Rep. Laurie Boyce, was a head injury victim in a car accident 15 years ago. It left her with little feeling on her left side and a tendency to speak too fast.
“There are 3,000 brain injuries a year, and this is one way the state can recognize the deficit people are left with," she said.
Lawyers for accident victims said the omission is one of the few failings in a workers' compensation insurance system that otherwise is fair to both employees and employers.
Even at 100 percent disability, a permanent brain injury award can't exceed more than seven years at 60 percent of the worker's salary. This would be a lump-sum payment once the injured worker has finished medical treatment and is left with a remaining loss of function from the injury.
The permanent award is on top of continuing on-the-job benefits that injured workers could receive as long as they remain out of work.
Shaheen noted that the budget she recently signed included $6 million more for the brain injury program, a cause Robert Boyce carried as a member of the Senate Finance Committee.
Several other states give permanent awards for brain or burn injuries, including Connecticut, Illinois, Iowa and Montana.

Insurance Times: Aetna turnaround maneuver targets mid-sized market

July 24, 2001, Vol. XX No. 15

HARTFORD (AP) — Aetna Inc., seeking to restore profitability, is targeting sales of insurance plans to more mid-sized companies while setting limits on business with small employers.
The strategy, approved by the board of directors June 29, “provides Aetna members with greater choice and flexibility," company spokesman Roy Clason Jr. said.
The company plans to focus on middle-market business, which handles health insurance for employers with between

300 and 3,000 workers, according to a memo distributed to workers.
“We will not abandon the health small business segment, but will target markets in which we are competitive, have a large market share and can achieve strong financial results," said the memo to employees from chief executive John W. Rowe.
Aetna also plans to reduce business in risk accounts, which are liabilities covered by the insurer. Non-risk accounts represent business that require employers to cover portions of liability costs.
The insurer also will seek to increase its “administrative services only" business, which helps customers administer self-funded health insurance plans, the memo said.
Aetna announced earlier this year that it would not meet estimates for 2001 profits of $1.20 to $1.30 a share, a result of higher than expected medical costs. Rowe later told investors that efforts were under way to devise a turnaround strategy.
The insurer reported a $36.6 million operating loss for this year's first quarter.

Insurance Times: NY class action suit filed over infertility benefit

July 24, 2001, Vol. XX No. 15

BUFFALO, N.Y. (AP) — The emotional debate over whether health insurers should cover infertility treatments is moving into state Supreme Court with the filing of a class-action lawsuit challenging one HMO's decision to drop the benefit.
Plaintiff Cheryl Macro said that learning Independent Health would end the coverage mid-treatment left her and 1,200 other members of the HMO feeling ``like the rug was ripped out from underneath us."

Consistent with HMOs
Independent Health says the change is consistent with what HMOs in the region and across the state have been doing as a means of balancing patient needs with costs.
The region's largest health maintenance organization, serving eight western New York counties, is halting payment for treatments including artificial insemination and oral and injected drugs as employer groups come up for renewal starting this month.
Independent Health spent more than $6 million last year on infertility treatments for 1,200 — or about a third of a percent — of its 400,000 members, spokesman Frank Sava said.
“Unfortunately, providing highly expensive and often unreliable infertility treatment for a small percentage of members greatly impacts health-care costs and significantly increases premiums for the entire membership base," he said.
The class-action lawsuit filed June 25 claims the move violates both state health insurance and human rights law and amounts to a breach of contract.
State law says insurers “shall not exclude coverage" for treatment of “correctable medical conditions," which the plaintiffs say include infertility. A provision in human rights law bars discrimination in health care coverage against people who need such treatment, the plaintiffs say.
Sava said the state Department of Insurance has approved the change of coverage.
“We believe that the removal of infertility coverage from our base contracts is not in violation of any provision of insurance law or human rights law," he added.
Macro said she and the other plaintiffs want to be grandfathered into the policy change so that they can complete treatments already begun.
“Infertility is something you can't solve overnight," she said.
Macro had completed the first of six injectable cycles of drugs and had taken a break to heal emotionally and physically when she learned the benefit would end.
She may have skipped the break, she said, had she known.
“I'm mad because I feel like I'm on borrowed time and now I feel rushed into making a decision that I would not normally have made because I thought I had plenty of time," said Macro, a legal assistant who lives in the Town of Tonawanda with her husband, Daryle, a teacher.
Paul Macielak, president of the Health Plan Association, said there have been efforts from state lawmakers in the past few years to mandate group health insurance coverage for fertility treatments. Both the state Senate and Assembly passed such mandates last year but the legislation never became law.
“The whole issue is the subject of legislative turmoil," Macielak said, with orthodox Jews among those supporting, and

the state Business Council opposed.
In the meantime, Macielak said, the trend among HMOs has been to move fertility coverage out of base plans and into riders which the employer may or may not buy.
“Fertility is high cost and with not a particularly high success rate," he said. “It's something that some plans have moved out of basic coverage."
Macro called her fight against Independent Health “torture."
“It's stressful enough to find out you have to take all these medications and it's possible you might not be able to have children," she said. ``But the real stress is added when you might not be able to afford it and your insurance company takes it away."

Insurance Times: InVEST selects 2001 Teacher of the Year

July 24, 2001, Vol. XX No. 15

Robert G. Captain has been named Teacher of the Year. by InVEST, a national career education program administered by the Independent Insurance Agents of America to teach insurance-related business skills to high school, and community college students around the country.
Captain is an instructor at Grossmont College in El Cajon, Calif. Captain began his involvement with InVEST in 1990 and became the insurance instructor of the Office of professional Training in 1992.
As InVEST Teacher of the Year, Captain receives $500 for classroom materials and $500 for personal use.
Currently there are 230 InVEST classes operating nationwide.

Insurance Times: Policymaker Interview with Ellen Seidman

July 24, 2001, Vol. XX No. 15

Departing OTS chief says deregulation still in early stages
Future consolidation will “turn on how the ones who have gotten into it already” are doing, believes outgoing OTS chief Ellen Seidman
by Mark Hollmer
InsuranceTimes

Ellen Seidman watched financial services-deregulation take hold from one of the best seats of the house.
As head of the federal Office of Thrift Supervision, Seidman also played an active role helping banks and insurers comprehend their new business environment as insurers bought or launched thrifts and later commercial banks, following financial services reform.
“We didn’t just charter these people,” Seidman said from Washington, D.C. during a recent InsuranceTimes telephone interview.
“We spent a lot of time making absolutely certain that we understood the industry (insurers) are in, and that they understood, and (that the) insurance community understood that we can work together.”
Seidman, a Clinton appointee, announced recently that she would resign her position at the request of President George W. Bush. OTS director since 1997, she’ll likely stay in the job until her replacement is appointed later this fall.
Seidman said the OTS has accomplished much to bring insurers, thrifts and commercial banks into a new financial age.
Before Gramm-Leach-Bliley financial-services reform became law in 1999, breaking down the barriers between commercial banks, insurers and brokers, insurers companies were allowed to buy thrifts. But the law prior to GLB didn’t allow much cross marketing or merging that’s permitted today.

45 Insurance Charters
The OTS has charted 45 insurance company applications to buy or open thrifts, Seidman said, of which seven took place before 1997.
InsurBanc – a venture from the Independent Insurance Agents of America -- was among the more high-profile charters handled by the OTS, Seidman said.
During her tenure, Seidman said she pursued a number of initiatives to increase communication between the OTS and

insurers, such as opening dialogue early in her term with the National Association of Insurance Commissioners.
In addition, Seidman said, she's pursued "a lot of cross training so that the insurance community understands how thrifts are regulated.

Insurance School

"We have also gone to insurance school so we understand much better the insurance industry and how it's regulated," Seidman said, adding her office has hired a former insurance industry analyst and ex- insurance commissioner "to help understand the industry."

Other ways Seidman says the OTS has helped facilitate the insurance industry's jump into the banking business:

• Establishing an information sharing agreement with insurance commissioners in 45 states.

• Working closely with the insurance industry to make sure officials knew what they needed to operate a bank, because regulations between the two industries are so different.

"We're very interested in the safety and soundness of (insurance and financial) institutions and (their) compliance with consumer laws and the Community Reinvestment Act and how it applies" to everyone, Seidman said.

"We understood (insurers) were used to a different regulatory system and worked hard to make sure the transition was good…."

No Rush of Insurers

Still, financial services deregulation hasn't exactly led to a rush of insurers purchasing banks or vice versa, Seidman said, adding that only a few major commercial banks and insurers have formed alliances since GLB.

"Folks are really just getting started," she said. "The barriers may be down but neither the insurance firms or security firms are taking wholesale advantage of this … the jury is still very much out as to how this is going to play out."

Seidman said insurers purchasing thrifts prior to financial services reform kept both institutions so separate within the combined company that they were essentially still "standalones." Mergers since then have seen much more integration of management and services, she said.

Deregulation Succeeded

Regardless of the early consolidation, Seidman said, deregulation has still succeeded in that it gives insurers and banks "another potential business strategy."

Future consolidation or cross business ventures, she said, will "turn on how the ones who have gotten into it already" are doing.

Seidman, in her letter to Bush, said she believed her requested resignation before the end of her five-year term in Oct. 2002 "was based entirely on the desire of the new Administration to have its own choices in senior government positions," rather than dissatisfaction with any of her policies.

At the same time, Seidman told Bush the move "creates an unfortunate precedent … that the office can be treated as a typical executive branch position" where "senior officers serve at the pleasure of the President."

She recommended changing the OTS director term to four years, ending July 31 following a presidential election.

Insurance Times: Berkshire Life gets a new 'guardian' to help it grow

July 24, 2001, Vol. XX No. 15

Merger with giant Guardian frees Berkshire Life to grow by exploring new products, including possibly LTC, specialty and workplace products

by Mark Hollmer
InsuranceTimes

PITTSFIELD, Mass. — After a century and a half of independence, Massachusetts' Berkshire Life begins the 21st century reborn in a much different way – as a wholly -owned subsidiary of a big New York company.

But the Pittsfield, Mass. institution still hopes to grow a niche market for itself, with big plans to expand its disability income insurance offerings – an arguably risky product line in recent years.

Guardian's Disability

The growth plan is part of the merger deal between the two companies closed at the end of June: Berkshire gave

Guardian its life insurance business but in return will become Guardian's sole provider of disability income insurance.
"It's a great opportunity because we've got probably less than 10 companies that offer the quality disability income coverage that professionals need, and the owners of (small) businesses need," said John Bergstrom, Berkshire Life's senior vice president and chief marketing officer.
The move comes at a time when disability income insurance hasn't exactly evolved into a booming market.
Disability income insurance grew in the late 1980s and through the 1990s after many companies chased the medical/dental market and wanted to increase their share.
Companies began to offer either simplified underwriting, guaranteed issues or discounted premium, Bergstrom said.
But instead, as managed care took hold, a lot of doctors found themselves making less money and there was less of an economic incentive to return to work if they became disabled.
Losses mounted, and "about 80 percent of companies offering individual disability income coverage got out of the business," Bergstrom said, adding that companies like Minnesota Life Insurance are "still … exiting the business."
So if everyone is exiting, why should Berkshire jump in?
"We luckily escaped the difficulties of the late 1980s and early 1990s and we were able to continue to offer the product," Bergstrom said.
He added that Berkshire carried a loss ratio of about 60 percent of premium through that period, which is considered "very good" compared to an industry average of that time of just over a 100 percent loss ratio.
Berkshire's loss ratio now, he said, is "a little bit less than 60 percent."

Growth Areas
Positive loss ratios aside, Bergstrom said Berkshire sees a number of growth areas for its disability income coverage.
"There's an awful lot of penetration in medical and dental markets," he said, but the company sees growth potential in other professions like architects, accountants, attorneys, business owners and executives.
"They may have group coverage but don't (necessarily) have individual coverage, which typically offers more protection," Bergstrom said.
Berkshire's disability coverage will have the Berkshire name attached along with a Guardian label. All other Berkshire policyholders are now officially Guardian policyholders, though their policies will continue to be serviced out of Pittsfield, as well as annuities and disability insurance.
Bergstrom also talked about a number of other issues relating to the merger. Among them:
• Agents. The merger and Berkshire/Guardian's shifting of business won't affect agents that much, Bergstrom said, adding that agents have offered generally positive responses to the whole deal.
"They're very comfortable with the Guardian brand," he said.
• Merger strength. Bergstrom said Berkshire has a greater ability to develop new products thanks to a merger with the much-larger Guardian.
"Not that we couldn't do these things before," he said. "I guess we could do more of them now."
• Product expansion. Berkshire Life is gearing up to expand its product offerings.
The company is developing an income coverage for the multi-life case marketplace, as well as a work site marketplace product, where employees at manufacturing firms would be offered disability income coverage to supplement group coverage voluntarily.
Berkshire Life is developing a product to cover people who work from home, beginning in September.
"In the past it was hard to get quality disability income insurance if you worked out of the home," Bergstrom said.
In addition, the company is creating a product to insure people so they can still contribute to 401K plans if they become disabled something Bergstrom called "a retirement completion type" of policy
• Possible future plans. Berkshire Life is looking into creating specialty life and health products, such as working in the "high end corporate market, targeting Fortune 1000 companies for … corporate owned life insurance (COLI).
Along those lines, company is also considering establishing long-term care coverage and work site products for life, disability insurance and dental.
• Claims trends. Claims trends in the disability income line seem to be relatively stable, Bergstrom said, though he adds there isn't detailed information available because companies don't share it.
"But I wouldn't say there are any abhorrent claims behavior happening now in most of the segments," he said, "but that's a very general comment."

Insurance Times: OpinionExchange

July 24, 2001, Vol. XX No. 15

The battle lines are being drawn over the issue of whether to permit insurance companies to choose federal chartering and regulation over state regulation.
After the American Council of Life Insurers recently announced its backing for the federal option, other trade groups have been wrestling with their position.
Last week, the American Insurance Association put its considerable weight behind the federal charter idea. The AIA formally endorsed draft legislation that would allow property/casualty insurance companies to obtain a federal business charter.
"This proposal fleshes out our collective vision of how an optional federal charter for insurers could look and work," stated AIA President Robert E. Vagley.
The AIA draft applies only to property/casualty insurance companies and contains no provisions for life insurers, reinsurers, agents or brokers-- provisions the AIA says could be added in the future.
Vagley noted that the insurance operating environment has changed dramatically in the past few years. For example, technology and trade liberalization have produced a truly global market for insurance, as it has for other products and services. In addition, enactment of the federal Gramm-Leach-Bliley Act of 1999 means ever-increasing and expanding competition among the banking, securities, and insurance industries.
"We must not ignore the realities of today's marketplace, or the potential of tomorrow's," Vagley said. "AIA's principles and our new draft legislation envision a progressive, market-based insurance regulatory model that both levels the playing field for insurers with respect to competitors at home and abroad, and provides strong consumer protections."
The AIA wants to create a new federal bureaucracy. A Federal Insurance Chartering Director, established within the Treasury Department, would issue federal charters to property-casualty insurers. The director would oversee both market conduct and financial regulation, and would be authorized to: establish chartering standards, including capital and surplus requirements based upon a risk based capital formula; financial examination authority (to supplement, as necessary) independent CPA audits; investment limitations; and holding company requirements. It would also take appropriate action against federally chartered insurers, including rehabilitation and liquidation proceedings for an insurer in hazardous financial condition; and promulgate unfair claims and marketing practices consistent with Internet developments and to conduct market conduct examinations and levy fines. There would be an administrative procedure for complaints against federally chartered insurers.
Under the AIA plan, all companies operating under a federal charter would have the authority, but not the obligation, to write all lines of property-casualty insurance in any state without state regulation of rates or forms; and be free of any requirement to file rates or get forms approved by the federal regulator.
For insurers choosing an AIA-style federal charter, there would be no antitrust protection for rates, except for participation in residual markets, and there would continue to be antitrust protection for the development, dissemination and use of standard insurance policy forms.
Not all insurers within a holding company system would be forced to select the same chartering option. Holding company standards would impose limitations on inter-affiliate transactions to prevent abuses.
State laws and regulations that relate to insurers with federal charters would be pre-empted to the extent they relate to rate and form regulation, insurer licensing, solvency or market conduct; not be permitted to discriminate against federally chartered insurers; be pre-empted to the extent they permit a private right of action based upon marketing activities regulated at the federal level; remain unchanged with respect to agent licensing and the NARAB provision of the federal Gramm-Leach-Bliley Act of 1999; remain unchanged with respect to mandatory reparation requirements and residual market mechanisms; and remain unchanged with respect to state fees, taxes, guaranty funds, and other assessments.
Under the AIA scenario, state-licensed insurers would continue to be regulated by the states and retain all of the McCarran-Ferguson protections that they have today.
The AIA appears out-of-step with other property/casualty trades in forwarding this proposal that is a serious threat to state regulation and consumer protections.
The AIA proposal prompted the National Association of Independent Insurers and the Alliance of American Insurers, to their credit, to reiterate their opposition to federal encroachment into insurance regulation.
As the Alliance and others have noted, there are political costs associated with federal regulation that are being overlooked. Proponents of a federal charter option should not expect the federal government to be a better or more benign regulator or that the effort to preempt state regulation can proceed without affecting states.
There has been no groundswell of discontent with the way state regulation has served the industry and the public. States need help, time and resources to improve their regulation; they -- and the industry-- do not need to divert their attention

and resources to defend their turf.
While debate is always healthy, to shift attention and resources to the federal could undermine the very promising efforts underway to improve the performance of the states.

Insurance Times: Eastern Casualty's not deviating in its lonely pursuit

July 24, 2001, Vol. XX No. 15

Insurer may escape assessments against WCRB member companies for the SRB and anti-fraud efforts but not micro-management by state
by Mark Hollmer
InsuranceTimes

As Eastern Casualty fights for a separate Massachusetts workers compensation rate increase, industry insiders are watching closely to see what happens next.
There's been a lot to grab their attention, because Eastern's management is pushing hard to get its way.
In legal filings, Eastern has come out particularly harsh against the State Rating Bureau – the DOI's actuarial arm that recommended a rate decrease of more than 17 percent rather than the 11.6 percent increase the company is seeking. The SRB supports using experience base, loss development, trend, expenses and underwriting profit, rather than Eastern's use of 2000 data to set a rate.
Eastern Casualty has, among other things, taken shots against the outside consultant the SRB hired to evaluate its filing, accusing him in its latest legal filing of being uninformed and poorly prepared.
Right in the middle of its rate case, the company announced it would stop writing new workers compensation business, in part because of its struggles to win an adequate rate. Eastern Casualty President Jim Moran, however, hinted the company might reconsider depending on the rate granted by Division of Insurance Commissioner Linda Ruthardt. She must make her decision by Sept. 1.
Moran could not be reached for this story. But Edward Donahue, an industry attorney, points out that the state's adversarial rate setting system doesn't give Eastern many other alternatives.
"They are doing it the only other way that's allowed," Donahue said.
Eastern was part of the Workers Compensation Rating and Inspection Bureau until last year, when it left to go its own way. This is Eastern's first independent workers compensation rate filing.
While a company hasn't followed Eastern's path in recent memory, if at all, state law allowing the practice for workers compensation insurers has been in place at least the 1980 -- as part of chapter 152. Sections of the law actually date to the 1940s.
Frank O'Brien, regional manager and counsel for the Alliance of American Insurers, counts many workers compensation insurers among its members, and Eastern recently joined the trade association.
O'Brien said many of his members are watching Eastern's rate case carefully.
"Whenever there is an entity that is following a different path, there is always some interest and maybe some concern with the actions that they're taking," he said.
"This is the first time that a company in memory is going off with this route, and whether you want to give them style points or take style points away for how they're doing it really doesn't matter," he said.
"They are in an adversarial proceeding and they're trying to put forth the best case that they can."

Is the SRB the problem?
Is Eastern pursuing its rate hike in the best way it can – targeting the SRB actuary and cutting back in the workers compensation market even before its rate case is finished?
It depends on whom you ask.
Donahue said, "Some would argue that the right way, the best way, is to have substantially less administrative control over the rate setting. But that isn't an option available to Eastern or anybody else."
The larger issue, Donahue said, is that "the mindset within … the State Rating Bureau is that the market must be micro-managed.
"That is not an attitude that, it seems to me, would be supported by policymakers within the administration, but it is that which grips the rate setting folks on both the auto and (workers) comp sides" in both the SRB and DOI, Donahue said.
"There is a fear, if not an apoplexy, that relinquishing (administrative) control over the rate will result in chaos…."

The fear is “incorrect,” Donahue said, because “49 other states (set rates) better than this.”
Donahue also points to the difference between the SRB recommending a 17 percent rate decrease for Eastern, but settling on a 1 percent increase negotiated for the remaining members of the Workers Compensation Rating and Inspection Bureau.
“For Eastern,” he said, “it doesn’t seem that there could be a swing in any of the factors that go into the rate decision that would yield that kind of differential.
“It almost seems as though some kind of message is … being sent to Eastern, to say ‘don’t rock the boat, or don’t open up the process so that other companies may file individually…”
Officials from the State Rating Bureau declined to comment for this story.
But Stephen D’Amato, head of the State Rating Bureau from 1992 through 1998, disagreed that SRB officials were attempting to send a message.
“It seems to me the SRB is simply making the same kind of rate filing for Eastern as they would have for the rest of the market,” he said.
“When you make a rate filing you don’t win every issue and the settlement with WCRB probably reflects … that … I’m sure the SRB filing (for WCRB) would have been for something significantly negative…”
O’Brien, of AAI, said the SRB is simply fulfilling its role of “being more aggressive in terms of rate suppression.”
At the same time, he said, rate hearings have become “increasingly adversarial.” O’Brien added that “government entities involved in rate setting hearings, whether they be SRB or the Attorney General’s office … sometime take a position simply to be able to take a tact that is clearly, simply different than the industry.”
Don Baldini, assistant vice president for state affairs with the American Insurance Association, said the larger issue is the “laborious” rate case proceeding used for workers compensation. He added his association supports legislation that would scrap the current system and replace it with a loss cost system “because it would be a lot easier for everybody.”
He added that Eastern’s departure from the WCRB has raised other issues. Companies are assessed annually through the WCRB for the state Attorney General’s anti fraud efforts, as well as funding for the SRB and the state’s Insurance Fraud Bureau.
Eastern Casualty is saying it won’t pay the assessment any more because it’s no longer part of the WCRB, Baldini said.
AIA is sponsoring a bill that would require any workers compensation insurer to pay their annual assessment whether or not they are WCRB members, he said.

One way to work within the system?
Instead of a lengthy rate case, D’Amato said Eastern could just use the industry rates agreed to by the Workers Compensation Rating and Inspection Bureau –the 1-percent increase -- and then just not deviate downward as much.
In theory, the smaller deviations would give Eastern the rate increase it says it needs to not lose money.
“I think an important issue to examine would be how this rate filing would affect final premiums Eastern ends up charging,” D’Amato said.
“If they end up deviating downward from these rates to a level below that which the WCRB just received in its settlement, then it seems Eastern could have avoided this hearing by accepting the industry wide settlement result, and filing for a lesser deviation from those rates than they would have otherwise.
“But,” D’Amato added, “it’s not for me to say what decision Eastern should or should not have been making.”
Eastern offered up to a 30 percent credit under the DOI’s 1999 rate deviation decision, according to DOI spokesman Christopher Goetcheus. And as of April 1, he said, the company applied to offer up to a 25 percent deviation on certain categories, “and that was approved.”
In the end, Goetcheus said, Ruthardt will ultimately base her decision on the evidence, “as she’s done in every other case … and that’s the point that’s missed.
“These cases are based on evidence presented by the parties and she reviews that evidence.”

Insurance Times: Web Pay lets agents post payments immediately

July 24, 2001, Vol. XX No. 15

BOSTON — Web Pay, a new service that lets independent agents immediately post payments for new auto policies and late payments/cancellation notices, has been introduced by Plymouth Rock Assurance Corp. It makes it easy for their customers to pay premiums by phone and saves agencies time by eliminating followup phone calls to the company.
The customer can bring in a check or just call the agency. The CSR logs onto Plymouth Rock's secure Web site and

enters the customer's checking account number, bank routing number and amount of payment. If the customer pays in cash, the agency's checking account can be used instead.
The payment is automatically processed through the national check-clearing system, and the money is credited to the customer's account the same day. The service is free.
The Hartford forges alliance with ePolicy
California-based ePolicy.com Insurance Services, Inc. (www.epolicy.com) has signed an agreement with The Hartford Financial Services Group, Inc. to offer workers compensation policies, business owners policies (BOP), commercial auto insurance and umbrella coverage to ePolicy's clients.
ePolicy offers insurance products for small businesses and professionals over the Internet.
Using proprietary technology to streamline the application and policy writing process, ePolicy aims to deliver high quality insurance programs in a matter of minutes instead of days and often at significantly reduced rates, while providing support through its customer care center.

Insurance Times: InsuranceNoodle celebrates first year

July 24, 2001, Vol. XX No. 15

One year ago, InsuranceNoodle began providing small business owners with direct, online access to solutions for their insurance needs with the launch of a single product offering in four Midwestern states. Today, the e-broker is licensed in 40 states, offering five major insurance product lines, working with several leading national insurers, and building a distribution network of more than 300 insurance agency partners across the country.
Among the national insurers InsuranceNoodle has teamed with are AIG, The Hartford, Kemper, The St. Paul, and Zurich.
InsuranceNoodle, based in Chicago, is currently licensed in 24 of the 25 largest states for small business and can provide nearly five million small businesses (more than 92% of the country's total) with access to its tailored insurance solutions and broad product line. InsuranceNoodle is licensed in Alaska, Arkansas, Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Missouri, Montana, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Vermont, Virginia, Washington, West Virginia, and Wisconsin.
InsuranceNoodle will soon add Employment Practices Liability Insurance (EPLI), specialty liability products, insurance for home-based businesses, and a package for hi-tech consulting and software companies.
In addition to its Web site applications for small business owners, InsuranceNoodle also provides more than 300 NoodleNetwork agency members with access to a complete agency management system for their small commercial clients.

Insurance Times: Coregis, Westport merge into single operation

July 24, 2001, Vol. XX No. 15

CHICAGO — A. Louis Parker, CEO of GE Commercial Insurance, announced the consolidation of the operations of Coregis Insurance Co. and the affinity insurance business of Westport Insurance Corp. into a single operational unit. The union of the two commercial insurance operations strengthens each organization by enabling both to offer a broader range of products and services to existing distribution partners and insureds, according to Parker.
"This creates a $400+ million commercial insurance operation in Chicago, which is uniquely structured to meet the specialized needs of individual customer groups, such as public entities, lawyers, accountants, insurance agents, architects and engineers," he added.
Coregis Insurance will remain the brand for public entity products and services.

Insurance Times: Auto insurers say premium hikes needed to cover cost of personal injury fraud

July 24, 2001, Vol. XX No. 15

BOSTON (AP) — Auto insurance companies in Massachusetts estimate they pay about $80 million worth of personal injury claims suspected to be fraudulent annually, and that is passed along in the form of higher premiums.
Insurance officials and prosecutors blame the problem on so-called “runners" who provide some personal injury lawyers and physical therapy clinics with a steady stream of people willing to file the suspicious claims.

Legal Prohibitions
Lawyers and medical providers are prohibited by state regulation and professional cannons of ethics from paying for such cases, but the Boston Globe says few disciplinary actions have been taken.
“It's so difficult to prove, because you're dealing with cash payments, and it is very, very rare that someone is willing to blow the whistle on an accomplice," said William G. Wood, director of the state Division of Registration, which oversees the boards that supervise physical therapists and chiropractors.
“We would not have the fraud that we're seeing persist with the participation of professionals _ lawyers and medical providers," said Daniel Johnston, president of the Automobile Insurers Bureau of Massachusetts, an industry umbrella group. “Fraud 'mills' depend on these payoffs, and they should be stopped."
“While some people think insurance fraud is a victimless crime, the fact is that it costs the consumer between $200 to $400 in additional premiums," said John T. Sargent, corporate manager for Metropolitan Property and Casualty Insurance Co., the fourth-largest auto insurer in Massachusetts.

Use of Runners
John L. Ciardi, former head of the Massachusetts attorney general's economic crimes division, said that a significant amount of fraud in automobile insurance cases has occurred through attorneys or medical professionals gaining business through runners.
Many of the suspicious claims come from poorer neighborhoods and from some immigrants, according to insurance and law enforcement officials.
Donald K. Stern, former U.S. Attorney in Massachusetts and now a lawyer with the Boston firm Bingham Dana, said runners provide unscrupulous lawyers and medical providers with ready access into immigrant communities to secure clients.
“Too often, their injuries are not real, but feigned ones," Stern said. ``It is unfortunate because they just wind up as pawns in the hands of the runners and the professionals."
Between 1994 and 2000, payments to medical providers for treatment of accident victims grew by 20 percent, from $247 million to $297 million, according to the Automobile Insurers Bureau.
The vast majority of claims involve “soft-tissue injuries," sprains and strains to neck and back muscles that are nearly impossible to disprove. Insurance companies reject only about 1 percent of those claims.
Settlements between insurance companies and lawyers for claimants usually range between three to five times the amount of the medical bills accumulated.
Kathleen M. O'Donnell of Lowell, former president of the Massachusetts Academy of Trial Attorneys, said that while some attorneys make improper payments to runners, the vast majority of personal injury lawyers conduct their practices ethically.

Insurance Times: Shortage of insurance claims pros a potential crisis
July 24, 2001, Vol. XX No. 15

HARTFORD — While the overall U.S. job market has cooled considerably over the last year, the demand for qualified insurance claims professionals has never been higher. In fact, the dearth of experienced claims professionals could reach crisis levels for the industry unless insurers do more to attract and develop the future claims leaders of their organizations, according to a new Conning & Co. study.

Took Backseat
According to Conning's most recent study, "Property-Casualty Claims Management: Adjusting to New Realities," during much of the 90's, many insurers sought profitability by bringing in premiums to invest in the surging capital markets, not through efficiencies in their core services.

Thus, insurers considered their claims departments an operational expense that took a backseat, in terms of attention, to marketing, sales and asset management. However, this attitude has recently changed as a weaker investment market has forced insurers to re-focus their attention on their core operations, including claims management. But, prior cuts in recruiting and training of new claims adjusters have left many claims departments severely weakened and overworked.
"There are many experienced professionals at the executive and senior management level, but not enough people lower down the line who can be expected to take their place," said Geri Riley, assistant vice president at Conning & Co. and author of the study. "The scarcity of future claims leaders needs to be addressed immediately. The claims division is the most public part of an insurer and it is as responsible for retaining customers as it is for minimizing losses."
Conning attributes some of the fault for the claims labor shortage to the insurance industry. The industry has not done enough to attract college graduates to a career in claims. Insurers also need to be more proactive in making advanced training and educational opportunities available for their claims staffs.

Career Path

Many of the claims executives interviewed for the Conning study pointed out that there is often no clearly defined career path for claims professionals and no development plans to prepare people for positions of increased responsibility.
Runaway litigation has exacerbated the impending crisis of the shortage of qualified claims professionals in the property casualty sector. Since in many cases, insurers cannot rely on the courts to put a cap on the size of a claim and juries have shown a tendency to side with the claimants, their best defense is to maintain highly experienced claims departments.

Insurance Times: Commercial lines cross-selling works best when buyer behaviors segmented
July 24, 2001, Vol. XX No. 15

Customers who consolidate policies are better prospects for cross-selling than others

Independent insurance agents can increase sales of life, health, retirement and group benefits to small business customers, but cross-selling is more effective when agents understand buying patterns and characteristics of specific groups of customers, according to a new study by Baetis, Inc.
The survey of small business owners suggests that agent marketing can be more effective by paying attention to campaign characteristics such as frequency of contact. For example, when asked how they are contacted by insurance agencies, 61% of respondents said they are contacted at least once a month but only 40% of them want to be contacted that often.
The study also identifies two kinds of "policy consolidation behavior" - whether customers prefer to consolidate insurance products with one agency or distribute them among more than one agency.
"Consolidators," who are better prospects for cross-selling, are more likely to use independent agents rather than buy direct, the study found. Consolidators are more likely to be experienced insurance buyers, making decisions alone rather than as a group. They also are more likely to be found in manufacturing, retail and wholesale industries, while "distributors" - those who buy insurance products from more than one source - are more likely found in the services, transportation and utility services sectors.
Women buyers also are much more likely to consolidate over their male counterparts (65% vs. 35%).
"Small business owners are buying multiple policies, and it's clear that as they gain buying experience, they see value in consolidating with a single trusted source, an independent agency," said Jack McMahan, president and CEO of Baetis. "However, agents can do a better job of consolidating those policies at an earlier stage by targeting the right messages at the right frequency to the right person - blanket marketing campaigns the old way won't cut it. Effective dialogue from the customer's point of view is critical."
Telephone calls are the preferred method of contact by agents, said 35% of respondents, followed by direct mail of brochures (28%), e-mail or electronic newsletter (19%), and personal visits (11%).
Agents also should be cognizant of the insurance-buying experience of their prospects and customers, McMahan said. The study classifies the number of years a respondent has been making business insurance decisions. "Rookies" have had three or fewer years of business insurance decision authority. "Veterans" have between three and 10 years of decision-making, and "pros" have more than 10 years. Rookies prefer more frequent contact, McMahan noted.
The study also identifies the number of years a decision maker has been doing business with the agent or agency from which they purchased their most recent policy. The "tender" category covers those who purchased a policy from an

agent they have known for three years or less. "Mature" have purchased from an agent they've know for between three and 10 years; and "enduring," more than 10 years. Each category has unique characteristics for marketing purposes. Based in Boulder, Colorado, Baetis Inc. (www.baetis.com) is a marketing services and customer relationship management (CRM) software company.

Insurance Times: State Farm, Fortis Health expand alliance

July 24, 2001, Vol. XX No. 15

MILWAUKEE — State Farm Insurance Companies and Fortis Health announce the latest advancement in their alliance, an agreement that will enable State Farm agents to sell Fortis Health's Short Term Medical and Student Select products effective July 1.

Short Term Medical is designed for people who are generally healthy and looking for temporary health coverage. Student Select is a guaranteed-renewable, year-round health policy for college and university undergraduate and graduate students. It offers students the opportunity for better coverage than they may get through school, in a manner that is quick and cost-effective.

State Farm joined forces with Fortis Health last year to offer individual medical insurance coverage.

Insurance Times: Transamerica offers ‘sunset’ survivorship option

July 24, 2001, Vol. XX No. 15

LOS ANGELES — In a move to combat long-term financial planning uncertainty generated by recent federal estate tax legislation, Transamerica Occidental Life Insurance Co. is adding an option to its survivorship life insurance policies issued June 7, 2001, or later. The option will allow policyowners to fully surrender their inforce contracts during the calendar year 2010 with no surrender penalties if the repeal of federal estate taxes extends beyond Dec. 31, 2010.

Transamerica Occidental Life developed its so-called "Sunset Option" in response to the "Sunset Provision" of The Economic Growth and Tax Relief Reconciliation Act of 2001. The Act reduces estate taxes gradually over the next nine years until Jan. 1, 2010, when they disappear entirely. However, the Act's Sunset Provision restores estate taxes beginning Jan. 1, 2011, on the same basis that existed before the new legislation went into effect on June 7, 2001.

"The Sunset Provision creates so much uncertainty for clients moving forward," said Joel Seigle, Transamerica Insurance & Investment Group's senior vice president for Life Insurance and Annuity Products, "that we concluded we needed to add a special option to our survivorship products to support sound tax and estate planning efforts.

Insurance Times: MDRT adds premium-based qualification

July 24, 2001, Vol. XX No. 15

The Million Dollar Round Table has made a significant change to its membership qualifications effective with the 2002 Round Table.

The change involves implementing a premium-based production system as an alternative to the current commission-based qualification system. Applicants must choose to qualify for membership based on either the premium credit or commission credit, but not both. Production credit will be based on eligible premium paid or new money invested during 2001.

“We want to embrace top producers, whether they are paid by commissions, performance-related salary or fees,” said 2001 MDRT President Tony Gordon. “The new premium option better positions MDRT to do just that. Membership should be for those who reach sales excellence in our business, however we choose to be paid. As our marketplace changes and methods of remuneration shift, we, too, must be flexible to continue to attract the best.”

This is the second change in MDRT membership qualifications in three years. In 1998, the Round Table proactively expanded the products fro which membership credit is given and eliminated the lives/cases requirement.

Membership in the 2002 Round Table, based on production in 2001, is $63,000 eligible commissions paid or $126,000 paid premiums to the writing producer’s account. Additionally, applicants must be members of an MDRT-accredited life underwriters association to be eligible for membership, unless they reside in a country where an accredited association does not exist. For more information, visit www.mdrt.org.

Insurance Times: New York Life enhances universal life portfolio

July 24, 2001, Vol. XX No. 15

NEW YORK — New York Life Insurance and Annuity Corp. has introduced additional competitive features to its NYLIAC Accumulator and NYLIAC Protector Universal Life insurance products.

“We now have new options for our clients to choose from, including multiple No Lapse Guarantee Riders and a Life Extension Rider. These make our products more attractive and enable New York Life Insurance and Annuity Corporation to stay competitive in the universal life marketplace," says Michael Gallo, senior vice president, Individual Life Department, New York Life. "The new features will broaden the market for these products and increase their appeal to customers."

Some highlights of the new features are: -- Contractual five-year No Lapse Guarantee provision; -- No Lapse Guarantee rider for 10-year, 20-year or to age 100; -- Life Extension Rider extends full death benefit beyond age 100; -- Death Benefit Option 3 pays a variable death benefit equal to the face amount plus the total premiums paid less any partial withdrawals; -- Issue age increased to 90; and -- Loan interest rate lowered to six percent.

Insurance Times: Mass. lawmakers taking sides on bulk purchasing drug program

July 24, 2001, Vol. XX No. 15

Some contend bulk plan needed to save senior drug program
by Elisabeth J. Beardsley
State House News Service

BOSTON — Acting Gov. Jane Swift and House Speaker Thomas Finneran are skeptical of a Senate leader's claim that the state's new prescription drug insurance program will founder without a bulk purchasing plan aimed at extracting discounts from drug manufacturers.

Senate Ways and Means Chairman Mark Montigny (D-New Bedford) recently predicted that Prescription Advantage, the landmark insurance-based drug program that was launched in April, "will fail" if the Swift administration does not pursue discounts through bulk purchasing. Thousands of senior citizens have enrolled in the program, hoping it will solve their prescription drug affordability problems.

While the program is immensely popular among Beacon Hill policy makers, the Massachusetts Taxpayers Foundation and others have predicted a dramatic rise in its taxpayer-funded costs, which they say will either bankrupt the program or force cuts elsewhere in the state budget.

Drug Firms Oppose

Despite legislative directives in fiscal 2000 and 2001 to explore bulk purchasing, former Gov. Paul Cellucci had dismissed the notion as unwarranted marketplace interference that could hamper research into potentially life-saving drugs. The pharmaceutical industry argues the same.

Swift says her administration is trying to sort through conflicting information. Officials from the Hynes Foundation, which developed the new drug plan, told the administration that bulk purchasing would produce "exactly the opposite" of what Montigny contends, she said. Instead of lowering programmatic costs, bulk purchasing could "jeopardize the whole plan," Swift said.

"We're trying to figure out where the accuracy is," Swift said. "We already do bulk purchasing for a lot of the plans that would be subject to this, so we wouldn't want to jeopardize any of those contracts."

Montigny countered that the facts are obvious at a glance. "Anybody in their right mind understands that if you buy 100 of something, you get a better deal than if you buy one of something," he said. "It's page one of capitalism." The New Bedford senator says other states are being more aggressive in their bids to control state spending by forcing drug manufacturers to provide their products for less.

The state's senior pharmacy-related prescription drug costs have grown from $30 million in 1996, when the first senior pharmacy program was launched, to an estimated $114 million for the first year of the new Prescription Advantage program. MTF predicts steep cost hikes in coming years.

Seeks Report

Expressing frustration that the administration has not acted on the Senate-sponsored bulk purchasing law for two years, Montigny demanded that a report be issued providing evidence the plan wouldn't work. "You can't just pick and choose laws off the menu and conform to some and break others," he said.

Swift contends the administration hasn't been ignoring the Legislature's directives, which were to explore the feasibility of such a program. "We've pursued it. We've done a lot of analysis," she said. "But we've had a lot of folks come to us and say implementing this may jeopardize other cost saving initiatives that we've already implemented, and it might require us to break existing contracts and destroy existing programs that save us money." If Montigny wants a report, Swift said she would "certainly consider" it.

Bankrupting States

Speaker Finneran reiterated concerns about the long-term sustainability of the new drug program, noting that similar entitlements in New Jersey and Pennsylvania are "bankrupting" those states. Finneran said he's perusing two legal cases in which the pharmaceutical industry sued Vermont and Maine. In November, those states and New Hampshire plan to launch a tri-state bulk-purchasing program.

"I'm not philosophically opposed to bulk purchasing," Finneran said. "But you have to do it in a way that's consistent with federal law, clearly, and you have to do it in a way that does not create a situation in which you end up spending all your time and all your effort in court in litigation, rather than in the provision of services."

Court Case

Montigny called the speaker's arguments a "smokescreen," and said threats from a "suit-happy industry" shouldn't dissuade lawmakers from trying to help their elderly and disabled constituents. "A court case of any kind shouldn't discourage lawmakers," Montigny said. "Give me a break."

In each of the last two budgets, the Senate has sponsored bulk-purchasing initiatives, and the House has ultimately conceded in conference committee. This year, during House floor debate, members inserted the bulk-purchasing directive after rejecting a series of leadership-backed cost-containment measures for Prescription Advantage, including higher co-payments and deductibles, and restricted formularies.

With a version of bulk purchasing in both branches' budgets, the final conference committee report will contain some amalgam of the proposals, again applying pressure to the Swift administration.

Despite Finneran's stated lack of philosophical opposition to bulk purchasing, he added, "I don't think that, the proposal Mark is making, is the sole or exclusive way to keep this program on the rails. There are other ways that should probably be considered."

Cost Controls

Finneran indicated lawmakers must "be prepared to take steps politically, substantively, programmatically" to keep program costs under control. He warned against the temptation to "grandstand for purposes of a campaign."

"If we're serious about it, everybody has to come into the room prepared to make difficult decisions, and not throw the hot potato around until somebody finally decides to act like an adult," Finneran said.

Noting Swift has requested a meeting to talk with Senate leaders about bulk purchasing, Montigny said he's "not losing hope" that Swift will depart from her predecessor's opposition. The issue of prescription drugs has become "much juicier" in recent years as the Baby Boomer generation ages and even the historically resistant US Congress begins more seriously considering a Medicare drug benefit, he said.

"The political winds are blowing in our favor," Montigny said. "I have a great hope Gov. Swift will take a different tact here."

Insurance Times: Insurance.com announces major online partnerships

July 24, 2001, Vol. XX No. 15

NEWTON, Mass. — Insurance.com, a Fidelity Investments(company, announced a series of strategic online marketing agreements with AOL-Time Warner (AOL), Bloomberg, Bankrate (RATE), Yahoo! (YHOO), Multex (MLTX), and Learning Network/Family Education that point to the company's growing consumer appeal and Fidelity Investments' continued investment in Insurance.com.

Growing Traffic

The campaign comes at a time when Insurance.com is growing site traffic by 30 percent each month, with 25 percent of those visitors being repeat visitors.

Users of the partner sites included in the new campaign will have access to Insurance.com's insurance content and free auto, home, health and life insurance quotes.

Insurance.com will also premiere a rebranding campaign that features an increased emphasis on the company's affiliation with Fidelity Investments.

Already, Insurance.com powers The Insurance Center @ Fidelity, (www.Fidelity.com), which allows Fidelity customers to receive free quotes and information on auto, home, and health insurance from carriers across the country.

"Our goal with these marketing initiatives is to increase our presence in places where people are already looking for financial tools and guidance. This is in keeping with our strategy of conducting targeted marketing campaigns and building our brand over time," said Insurance.com president Lou Geremia. "Also, by aligning ourselves more closely with Fidelity, consumers will be able to more easily make that connection of how important insurance is as a part of their overall personal finance portfolio."

Insurance Times: Another firm drops single premium credit sales

July 24, 2001, Vol. XX No. 15

NEW YORK (AP) —Household International, one of the nation's largest consumer finance companies, announced last week that it will stop selling single-premium credit insurance on real estate-secured loans.

Community groups have been fighting the insurance as a predatory practice.

The decision by the Prospect Heights, Ill., company comes just two weeks after CitiFinancial, the consumer lending arm of New York's Citibank, said it would stop selling the insurance.

Fixed Monthly

Household International — which does business under the names HFC and Beneficial — said it would begin making a fixed monthly premium insurance policy available to consumers who want it.

Single-premium credit insurance, which is optional coverage usually pitched to unsophisticated consumers, covers loan payments if the borrower gets sick or dies.

Community groups argued that it often was priced considerably higher than other insurance products, such as term life insurance. When financed over the life of the mortgage, it was even more costly.

Community Groups

Community groups and government officials hailed Household's move.

David Swanson, spokesman for the Washington-based Association of Community Organizations for Reform Now, better known as ACORN, said Household was ``the last major pusher of this product'' to agree to reform.

"We think it is a good step that will benefit a lot of people," he said.

Elizabeth McCaul, superintendent of banks in New York, said in a statement that Household's decision was a "significant step to provide a balance between offering access to credit for those who need it most, while eliminating the potential for abuse."

Household said in its announcement that the decision to eliminate the single-premium insurance was made after discussions with the National Community Reinvestment Coalition in Washington.

Insurance Times: Marshall & Swift/Boeckh Conference

July 24, 2001, Vol. XX No. 15

Executives share strategies for better bottom lines
P&C leaders urge focus on increasing rates, improving integrity of data, abiding by strict underwriting rules and forming strategic alliances
Atlantic City, N.J. — The lure of new strategies for a better bottom line in the property insurance industry drew top underwriting and claims executives to the recent conference hosted by Marshall & Swift / Boeckh (MS/B) at the Trump Marina and Casino in Atlantic City, New Jersey.
"Industry wide, claims cost increases are running as high as 7-8%, net written premium growth is leveling, combined ratios continue to rise, and now there is a squeeze on investment income as well, " said Bob Crine, president of MS/B. "Prices may be increasing in commercial lines, but it's still hard to get homeowners price increases in this competitive market.
“This is a time of challenge and opportunity. Individually, we can make a difference in our companies by the strategies we choose.
“One strategy is to go out of business - we've seen this in the property market. So fix your book of business or someone will fix it for you. "

CNA Viewpoint
Dennis H. Chookaszian, chairman, Executive Committee, CNA Financial concurred with Crine's assessment of the state of the industry, and cited major market indicators such as increasing combined ratios, declining return on net worth, and changes in the premium-to-surplus ratio. As Chookaszian explained, " The premium to surplus ratio is the historical method of how you measure leverage, which is the amount of insurance risk relative to your company's capital. Over the last 25 years it's dropped steadily from a 2:1 ratio to a point where it's under 1:1.
“Probably the most important impact is that the insurance industry has become much less leveraged than it was. So, not only have the underwriting results been poor, but the amount of investment income that you can earn because of the lower leverage is also dramatically down. That's even more of a reason why the key focus needs to be on profitability improvements and on what you can do to get your underwriting results back to where they really need to be."
Chookaszian's answer for property insurers is to focus on increasing premiums. He outlined how in previous cycles the industry was re-stabilized by big spikes in premium, with rate increases of as much as 25%.
"Large rate increases are unlikely because of competition and regulation,” he added. “That means we have to get it back in incremental steps - the blocking and tackling things that need to be done to improve profitability throughout the industry."
Paul Lewis, senior vice president, Chubb & Son, said the strategies insurance companies have traditionally used to improve their performance, such as non-renewing policies and increasing rates are not working. Instead, he proposed two key strategies: maintaining data integrity and recognizing the important role underwriters play in profitability.
"Data is suspect at many companies, and I wonder how those companies can make strategic decisions without accurate data," he said.

Critical Data
Critical data issues can be as simple as maintaining correct and accessible client information or as complex as "slicing and dicing" client and policy information for analyses of rate integrity or book profitability.
"Chubb focuses on profitability right down to the underwriter level,"Lewis added.
He believes hat insurance companies need to renew their focus on adhering to strict underwriting guidelines.
"Companies must focus on the actions underwriters take," he said.
Lewis encouraged the audience to value the skills of their underwriters, compensate them adequately, tie rewards to company results, and especially, to empower them to make decisions.
Larry Forrester, president of the National Association of Mutual Insurance Companies (NAMIC,) presented profitability strategies from the perspective of his trade association members. Top issues driving the mutual insurance companies to improve their bottom lines are cost containment, capital requirements, expanding geographical territory, financial performance, and the financial services marketplace.
"Because of the legal structure of a mutual insurance company, some strategies can be proscribed or circumscribed by law, " he said, "but common strategies include demutualization, surplus notes, mergers and acquisitions, creating mutual holding companies or public stock subsidiaries, or forming joint ventures."

Mutual Alliances
According to Forrester, joint ventures and strategic alliances are an especially interesting strategy that may be a

growing trend.
"Members who have formed these alliances are very positive about the outcomes of this strategy. They continue to operate on their own, but now they can get access to expertise they never had before, such as technology expertise, and they can get reduced costs in reinsurance, which is especially important. I predict we'll see more of these. "
Following their presentations, the speakers fielded questions from the audience concerning increasing use of credit scoring as an underwriting tool, the shrinking independent agency force, the need for premium increases and the role of regulators will play in that process.
A question about the survival of smaller mutual companies drew some interesting responses.
Chookaszian commented that it's easier for smaller companies to survive because of the many services that can be outsourced: IT, underwriting, claims services, and ITV services.
Forrester agreed, saying, "In the past the idea about outsourcing was 'What can we get rid of to cut expenses?' Now the approach is 'Let's define what we do well and outsource what we don't do well.' Don't lose control of underwriting, claims, or marketing, but you can outsource to take advantage of economies of scale."

Insurance Times: Insurance costs contribute to western Mass. town's fiscal mess

July 24, 2001, Vol. XX No. 15

by Michael P. Norton
State House News Service

State bureaucrats are now in charge of signing off on all fiscal decisions made by government leaders in Pittsfield, a western Massachusetts city of 45,000 that is struggling with tax hikes, deficit bonds, insurance costs and leadership issues.
Under legislation signed by Acting Gov. Jane Swift, the city is authorized to issue up to $10 million in 10-year bonds that, along with an 8 percent property tax hike, will help the city raise cash to dig its way out of a crisis rooted in health insurance, pension and school construction finance problems.
It's the first time in years that a special law has been passed to place a city's finances under state control. The state has intervened previously to stabilize finances in Holyoke, Chelsea, Brockton and Lawrence.
Due to the immediacy of the situation, the bill was rushed though the Legislature in less than two months.
"If the city wants to increase any fee or tax or buy any paper clips, that raising of revenue or that expenditure must be approved by the control board," said Sen. Andrea Nuciforo, a Pittsfield Democrat.
Nuciforo said Pittsfield Mayor Gerald Doyle and the City Council must get their problems under control. "One of the things I as a senator and citizens in Pittsfield deserve to see is the addition of some fresh and capable blood within City Hall," he said. "We need a stronger hand at the rudder."
Longtime city assessor G. Richard Bordeau, now serving as acting treasurer, said the city has been croaked by back-to-back annual city employee health insurance deficits of $3.3 million and $5.7 million. The city spends almost $100 million a year and even the steep tax increase didn't produce enough revenue to erase the deficits. So now the city is looking at a borrowing that will take years to pay back.
Pittsfield's problems are surprising given that most cities and towns have been running surpluses during recent economically strong years. But rising costs, especially in health care and utilities, are erasing gains in Pittsfield and across the state. "Just keep a close eye on it," said Bordeau. "You are going to start seeing it. Health insurance is becoming a real problem for cities and towns. It's moving at double-digit growth rates. You talk to any town administrator, it's a real concern right now."
Indeed, state budget writers are being accused this year of unrealistically shortchanging the state's large health insurance cost accounts. And health care providers are increasingly outraged by state government reimbursement rates, saying they fall far short of the costs of delivering services and are affecting both the quality of patient care, staffing levels and the bottom line finances at health care institutions.
The new law signed by Swift creates a five-member Finance Advisory Board with three state appointees and two city appointees. It's not a receivership situation. But the board is charged with securing the city's fiscal stability and as such, must sign off on all appropriations, loans or money transfers.
Bordeau said the deficit bonds are required to avoid cuts "that would have jeopardized the operations of the city." Even with the bonding authorization, the city is level funding education, an area targeted for big funding hikes in most cities and towns. Without deficit bonds, the city would have been forced to cut its budget by up to $4 million. Instead, it's

cutting $1.3 million, "which is difficult in itself," he said.
The city is reportedly considering turning off many of its streetlights, canceling curbside recycling pickups and cutting back on animal control, crossing guards and police patrols to balance its budget. An emergency one-month budget is in place now, pending the outcome of ongoing budget talks and hearings.
James Johnson, director of accounts for the state Department of Revenue's Division of Local Services, said that in addition to the health insurance woes the city "imprudently" failed to set aside state school construction funds and instead poured those Department of Education monies into its general city budget.
"That was unfortunate and has made resolution of the budget issues more difficult," he said.
Said Nuciforo: "I'm not a CPA and I know that's a bad idea. It's issues like this that haven't been addressed for two years that have caused us to confront some pretty serious problems."
Nuciforo added that excessive pension system payouts have added to the mix of fiscal problems. "There is a problem with the issue of pension money, a problem with the health insurance account and also just some general housekeeping matters within city government," said Nuciforo.
Johnson said state officials have detected accounting and fiscal discrepancies during their annual review of city finances, a review required before the state signs off on annual tax rate adjustments. In addition to extra monitoring and oversight, the new law will emphasize the need for stronger accounting, he said.
Municipal experts say that in some communities, health insurance costs are consuming almost all new disposable budget revenues. And solutions are not imminent, said David Baier, legislative director for the Massachusetts Municipal Association.
"President Clinton found out that reforming health care is not easy. It's an exceedingly complicated situation that you have," Baier said. "HMOs trying to get market share had not been charging enough. Now they are. It's a tremendous national scandal and a tremendous national problem. I don't think we can solve it by ourselves here in Massachusetts. We are looking at solutions that would be years down the road before they take effect."
With statewide tax cuts taking effect, the economy slowing, energy costs soaring and warnings about state aid limits, Baier said other towns may soon join Pittsfield in confronting budget woes. "Communities that are largely residential with small commercial industrial bases are going to be looking at a very difficult time next year," he said. "The property tax is capped. You can get a lot of taxes from a mall."
The City of Pittsfield pays 90 percent of its employees' health insurance premiums and workers pay the remaining 10 percent. Bordeau said that split is part of a collective bargaining agreement that is in effect through the middle of 2003. The city uses a self-insured health insurance system.
Pittsfield Mayor Gerald Doyle could not be reached for comment. He is not seeking reelection this year.

Insurance Times: NAIW, NAHU elect leaders; OneBeacon names Haefner, Walls, Ritchie; Stacy heads marketing for National Grange Mutual; Allied American promotes Bernardin; Carnall adds Dunn, McNally
July 24, 2001, Vol. XX No. 15

NAIW
The National Association of Insurance Women has elected Aleta Stephens, an executive analyst for GMAC Insurance in Winston-Salem, North Carolina, as president of the international organization. She has held numerous positions in NAIW state and local organization prior to being elected president. She was recognized as NAIW's Insurance Professional of the Year in 1996.

NAHU
Bynum R. Tuttle, Jr., of Denton, North Carolina, was recently sworn in as president of the National Association of Health Underwriters. Tuttle, founder of Employee Benefit Design Inc., vowed that the association's 17,000 members would redouble their efforts to insure every American.
Tuttle joined NAHU in 1988 and joined NAHU's national board as legislative chairman in 1997.

Allied American
Allied American Insurance Agency, Inc. recently promoted Daniel C. Bernardin to vice president of commercial lines sales for its Andover, Mass. office. Bernardin joined Allied American in 1994 and most recently held the position of assistant vice president and account executive for commercial lines. Prior to that, he worked as an account executive for The Bernardin Insurance Agency in Andover.

Carnall Insurance
Carnall Insurance in Ridgefield, Conn. has added two new employees, according to Matthew J. Chrupcala, president of the agency.
Tammy Lee Dunn has joined the business development area and will be responsible for developing business accounts in the Danbury and Ridgefield areas as well as assisting in cross-marketing activities with the Ridgefield Bank.
Karen A. McNally has joined the agency as commercial lines account manager. She most recently served as a customer service representative for a New Jersey agency.

RI Chapter CPCU
Installation of new officers for the Rhode Island Chapter of the Chartered Property Casualty Underwriters Society took place last month, with Robin Federici being sworn in as president. Federici is director of education and communications for the Independent Insurance Agents of Rhode island. and has served on the RI CPCU board for four years in various positions.
Other newly-elected officers include: president-elect, Evelyn L. Watkins, of Metropolitan P&C, Warwick; vice president, Barbara L. Smith, of F.M. Global, Johnston; secretary, Clara M. Custy, of Amica Mutual, and treasurer, William G. Arnold, of EMC Insurance, Warwick.

National Grange Mutual
Kelly Stacy has been named vice president of marketing for National Grange Mutual Insurance Co., in Keene, N.H. Most recently, Stacy has been president of the NGM subsidiary, Old Dominion Insurance Co., and regional director for NGM's company operations in Florida and Georgia. he has 20 years experience in the insurance business, including assignments as regional vice president, vice president of underwriting and branch manager with three leading insurance organizations.

OneBeacon
Larry Haefner has been named managing director and chief actuary with responsibility for all corporate pricing, reserving and management information, at OneBeacon Insurance Group in Boston, formerly CGU. Haefner, who was previously vice president of strategic planning, will report to Ray Barrette, managing director and chief executive officer, and Jim Ritchie, managing director and chief financial officer.
Bill Walls has been appointed senior vice president for executive team support. Reporting to Barrette, Walls will help coordinate the company's new senior team efforts as OneBeacon continues its transition from CGU. Walls was most recently a vice president of field operations.
Also reporting to Ritchie is Bill Jensen, senior vice president and controller, who will focus on maintaining a disciplined balance sheet and the reliability of related control processes. Jensen, who joined Commercial Union in 1978 as an assistant manager in financial reporting, was most recently controller of CGU.

CISR
The Society of Certified Insurance Service Representatives and the Society of Certified Insurance Counselors have announced the state winners of the 2001 Outstanding CSR of the Year Awards. Among the winners: Helene F. Culin, Conn.; Sandra Redlon, Maine; Laurie Beckwith, Mass.; Lucy Teresa Strauss, N.Y., and Ruth E. Goodwin, Vt.

Insurance Times: UnumProvident forms an alliance with Kemper
July 24, 2001, Vol. XX No. 15

UnumProvident Corp. and Kemper Insurance Cos. have formed a strategic alliance to offer employers an alternative for meeting their Integrated Disability Management (IDM) needs.
Through their combined efforts, these insurers will offer an
unbundled solution to the growing number of corporate customers who wish to integrate the management of their group disability and workers compensation coverages.
The companies' vision is an IDM offering flexible enough to accommodate the unique needs of the customer, including

providing the accommodation of multiple carrier choices in a packaged offering. In addition to working through this alliance, the companies will continue to have the ability to partner with other organizations on related IDM offerings. UnumProvident will provide the employers' disability income protection coverages, as well as manage the related claims. Kemper will provide the workers compensation coverage and
the unbundled claims management through Gallagher Bassett, a third party administrator (TPA). GENEX Services, Inc., a subsidiary of UnumProvident, will provide the alliance with case management, return to work programs, and cost containment options.
The benefits of this new IDM approach include a single point of entry for claims reporting, integrated case management, and one source of information for workers' compensation and disability claims analysis.
The sales organizations of all the companies will remain responsible for developing these IDM opportunities in the brokerage and consultant communities.

Insurance Times: Standard Insurance, M Financial in marketing pact

July 24, 2001, Vol. XX No. 15

Portland, Oregon-based Standard Insurance Co. and M Financial Group have entered into a marketing and distribution agreement.
Under the arrangement, The Standard aligns with M Financial Group's distribution channel to market The Standard's group insurance products and executive benefits.
Under the marketing and distribution agreement, M Financial Group producers will market The Standard's executive benefits plans, as well as group insurance products, including long term disability, life and dental.

Insurance Times: Zurich tailors products for foreign employees

July 24, 2001, Vol. XX No. 15

Zurich Life, in partnership with Zurich Life International, has launched Zurich Life Global Group Solutions, offering U.S. corporations tailored group plans for life, long term disability and accidental death and dismemberment insurance for foreign-based employees.
"More U.S. corporations are sending consultants and executives to foreign countries, but many of these employees don't enjoy the same level of life or disability income insurance coverage as their U.S.-based counterparts, leaving them under-protected," said Zurich Life International's Kathleen Longueil, sales manager. "In the past, the only option many corporations had for providing coverage for their international employees was self-insurance, which can be cost-prohibitive," she added.

Insurance Times: Society Financial Service Pros accepts CEBS

July 24, 2001, Vol. XX No. 15

The Society of Financial Service Professionals has agreed to extend membership criteria to include the Certified Employee Benefits Specialist (CEBS) designation. Professionals holding the CEBS credential are eligible to join the society and enjoy the same benefits and services as members holding the other 10 designations accepted.
The CEBS credential, developed by the International Foundation of Employee Benefit Plans and the Wharton School of the University of Pennsylvania, is gained by completing a 10-course program. The CEBS program covers all aspects of employee benefit package development and is designed to help individuals attain a comprehensive understanding of employee benefit principles and concepts.

Insurance Times: The Council forms employee benefits division

July 24, 2001, Vol. XX No. 15

The Council of Insurance Agents and Brokers in Washington, D.C. has formed a new program to represent the interests of its members with employee benefit firms or divisions. The new organization will be known as the Council of Employee Benefits Executives.
According to CIAB, employee benefits business accounts for between 15 and 20 percent of total revenues of its member firms.

Insurance Times: Study confirms that fit employees have fewer injuries on the job

July 24, 2001, Vol. XX No. 15

by David Goodman
Associated Press

Employers may have another reason to encourage employees to stay fit, trim and healthy: reducing the $128 billion lost each year to workplace injuries.
For years, advocates of workplace wellness programs have promoted them as a way to reduce the cost of health care and employer-financed health insurance. Now, a four-year study of Xerox Corp. workers has found significant reduction in the frequency and seriousness of workplace injuries among those who participate in a wellness program.
“Those people who are healthier have fewer injuries," lead researcher Shirley Musich of the University of Michigan Health Management Research Center said Tuesday.
The study examined on-the-job injuries among 3,338 workers at a Xerox's Rochester, N.Y., manufacturing complex from 1996 to 1999. The results were published in the July issue of the Journal of Occupational and Environmental Medicine.
The workers studied had been employed full-time by Xerox since 1981 and were members of Blue Choice Health Maintenance Organization. Seventy-two percent were men, and their average age was 55.
Of the group, 943 participated in 1998 in the company's health risk appraisal program, a key part of its employee wellness plan.
The health risk appraisal evaluated the workers' health risks such as smoking, obesity, drug and alcohol use, high blood pressure, life and job dissatisfaction. It is designed to steer them toward a healthier lifestyle.
“What companies like Xerox want to know is, does this program have value?" Musich said. “What does the company gain in spending money on employee wellness."
The answer, according to the study, is yes, such programs do have value because they save considerably more than they cost.
Among those who participated in the health risk appraisal, 5.6 percent made workers compensation claims, compared with 8.9 percent of non-participants
And when they did get hurt on the job, the health appraisal participants had an average cost per injury of $6,506, compared with $9,482 for non-participants, the study found.
“Over a two-year period, we found a 5-1 return on investment," said Deborah Napier, health management director for Xerox and a co-author of the study.
On-the-job injuries cost $125 billion in the United States, according to a 1999 estimate by the National Safety Council. That includes $62 billion in lost wages and productivity, $19.9 billion in medical costs and $16.7 billion in other employer costs.
Workers compensation insurance cost about $42.4 billion that year, the council said.
Employers should look closely at the study's findings and seriously consider adding or keeping wellness programs, said Lucia Corral Pena, a program director at the California Wellness Foundation in Woodland Hills, Calif. Wellness programs typically cost 1 percent to 2 percent of a company's health care expenses.
While medium and small companies will not be able to match Xerox's ability to run an in-house wellness program, she said they can bring in consultants to accomplish the same goal.
“This shows that there's an economic incentive to do it," Corral Pena said. p

Insurance Times: A.M. Best, NCQA to share health ratings

July 24, 2001, Vol. XX No. 15

OLDWICK, N.J. — A.M. Best Co. has struck an agreement with the National Committee for Quality Assurance (NCQA) to feature each others' health plan ratings and accreditation statuses in their respective information products. The two organizations will present their ratings, data and quality information together in selected product offerings to better support their customers' needs for comprehensive information to generate value-based health care decisions.

A.M. Best and NCQA will continue to conduct their reviews and develop their health plan ratings independently; the result of those reviews, however, will be presented together in selected information products in order to give users a more complete picture of those entities.

NCQA's Accreditation assesses the core systems and processes that make up a health plan, as well as the results the plan actually achieves on key dimensions of clinical performance and customer service.

A.M. Best's financial strength ratings are the result of an evaluation of a health plan's balance sheet strength, operating performance and business profile.

Insurance Times: Mass. House leader proposes tax credit for paid family leave

July 24, 2001, Vol. XX No. 15

by Michael C. Levenson
State House News Service

BOSTON — House Speaker Thomas Finneran has proposed tax credits for companies that offer their workers paid time off to care for a new baby.

Finneran said the paid leave would help reconcile "the most unappetizing choices any adult has to make: the choice between staying home with one's children and going off to earn one's bread."

The Massachusetts AFL-CIO, the state's largest union, and a small band of liberal lawmakers have long advocated the issue of paid family leave to help parents nurture their new baby or adoptee without sacrificing financial security.

Several of the union-backed bills that have circulated in the state Legislature would tap the Unemployment Insurance Trust Fund (UI), which now pays benefits to injured or laid off workers, to fund as many as 12 weeks of time off.

Voluntary Credit

Finneran, outlining his draft plan at a news conference, eschewed the UI proposals and said he would instead offer businesses a voluntary tax credit. A company that extends paid time off to a new parent could receive a credit equal to 20 percent of the cost of the leave program, Finneran said. A new parent - man or woman - could take between four and six weeks off and receive 50 percent of their average weekly wage, capped at $477 per week.

"We think it's a proposal that is very clearly child-friendly," Finneran said. "It's certainly better than anything that is available right now."

Only businesses with fewer than 250 employees will be eligible for the tax break, Finneran said. Larger corporations, because of their ample workforce and stronger financial standing, do not need the incentive, Finneran said. About 90 percent of the state's employers will qualify.

Major House Debate

The Speaker's announcement almost certainly sets the stage for a major debate in the House on paid family leave benefits between supporters of the proposal and critics who say the plan doesn't go far enough to ensure benefits for all workers.

Indeed, liberal advocates of paid family leave welcomed the Speaker's attention to the matter but said they are looking forward to debating the merits - and drawbacks - of tax credits for paid family when the Speaker's plan hits the House floor this fall, as expected.

The plan is in outline form now and Finneran is directing his leadership team, particularly Rep. William Greene (D-Billerica), co-chair of the Commerce and Labor Committee, and Rep. Paul Casey (D-Winchester), co-chair of the Taxation Committee, to fill in the details and prepare a final bill for debate by September.

Supporters of the Speaker's measure say the plan is family friendly without bankrupting the Unemployment Insurance Trust Fund at a time of economic instability.

With the uncertain economy and rising unemployment, Greene said, "We don't want to go into a position as we did several years back where we ended up with a deficit" in the UI fund. The fund must remain exclusively for injured or laid off workers, he said.

James Klocke, vice president at the Greater Boston Chamber of Commerce, agreed. "We think it's a great way to advance family leave while preserving the economy's ability to create jobs," he said.

But Richard Marlin, lobbyist for the state AFL-CIO, said he is concerned a voluntary tax credit may not effectively spur businesses to offer benefits to their workers, especially their lowest paid employees. "We don't think this is going to be done through a voluntary system, or it would have been done already," he said. The union-favored proposals would require business to offer paid leave benefits.

Shawn Feddeman, a spokeswoman for Acting Governor Jane Swift, said Swift supports the concept of paid family leave, but, like Finneran, opposes tapping the UI fund. Feddeman said Swift is looking at different funding sources and wants "to do what makes the most sense for families, taxpayers and businesses of Massachusetts."