

Insurance Times: Legislative Round-Up Mass. Genetic Testing Bill Awaits
Signature Of Gov. Cellucci
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Several life and health bills passed, while property/casualty was largely untouched

by Mark Hollmer
InsuranceTimes

A genetic testing privacy bill - considered one of the most stringent in the nation - sailed through the Massachusetts legislature at the end of its session. The bill - waiting for Gov. Paul Cellucci's signature as of Aug. 9 - ended a year that featured passage of a number of other laws also affecting life and health insurance issues, including diabetes cost reduction and additional non-group health insurance reform.

"It was a very productive session for us," said Andrew Calamare, president and c.e.o. of the Life Insurance Association of Massachusetts.

On the other hand, legislators left the property/casualty side of the insurance business almost untouched. Countersignature reform passed, but commercial lines deregulation and a proposed large-scale study of the auto insurance industry didn't.

Gerald Zimmerman, counsel for the National Association of Independent Insurers, said in a press release that the legislative session ended on a benign note because a number of trial lawyer initiatives and "onerous workers compensation bills" didn't pass.

"The first order of the Hippocratic oath is to 'do no harm,' and that's what happened in Massachusetts this year," Zimmerman said. At least one other industry insider found very little to complain about.

"Overall this past legislative session was good," said Dan Foley, director of government affairs and general counsel for the Massachusetts Association of Independent Insurers.

"It shows for the most part the marketplace is operating reasonably well. Consumers ... are generally happy and are not screaming and yelling to their legislators that they're getting ripped off and something has to be done," he said.

And though it was a quiet year for the MAIA, association Executive Vice President Frank Mancini said one important non-health insurance bill did successfully pass through the legislature during its session.

The new law, he said, places an independent agent on the board of directors of the Medical Malpractice Reinsurance Plan. Currently, Mancini said, the board is made of representatives from five companies and it lacks agent representation.

Genetic Privacy

Of all the insurance-related bills signed passed during the session, genetic privacy was arguably the most significant. Assuming Cellucci signs the bill, the Bay State will have some of the toughest standards in the nation governing genetic privacy,

including a restriction that bars insurance companies from requiring an applicant to take a genetic test.

An administration source said that "the Governor and Lieutenant Governor (Jane Swift) are leaning toward signing the bill ... but as of Wednesday (Aug. 9) had not made a final decision.

Cellucci will approve the bill, veto the measure or send it back to the Legislature with amendments.

Calamare said he was pleased that the law defines genetic testing as something that's a predictive test for a healthy person rather than a diagnostic one used to identify illnesses.

It was important, Calamare said, to establish that distinction so life insurance companies can continue to assess risks from a potential insured by requiring diagnostic tests to check things like blood sugar or cholesterol before underwriting a life insurance policy.

Supporters of the genetic testing privacy bill have understood from the beginning, Calamare said, that life insurance " ... is an optional form of insurance And they respect the right or obligation we have to assess the risk of an applicant."

According to Calamare, genetic privacy legislation has been under consideration in some form for about five years.

Recent advances in mapping the human genome, Calamare said, left his association feeling it was important "to come to terms with the various advocacy groups ..." who supported genetic privacy legislation.

"This whole notion of genetic testing is something that's just in its infancy and our key issue with this bill is in terms of the definitions," he said.

Busy Session

Overall, Calamare said the legislative session was a busy one for life and health insurers because legislators recognize the dual industries are "in a competitive environment throughout the country, not just here in Massachusetts.

"They need to have adaptive statutes that are very old, to allow companies to compete throughout the country,"

Even the Health Insurance Association of America got indirectly involved in Massachusetts' push for genetic privacy legislation, which joins similar laws passed in more than 30 states including Connecticut, Maine, New Hampshire, Vermont, Rhode Island and New Jersey.

Association spokesman Richard Coorsh said his group didn't take an official position on the genetic privacy legislation. But at the same time, lobbyists from his association worked with some Bay State legislators "and expressed some concerns" about the bill's scope, "particularly as it applies to medical expense carriers, and the extent to which it may apply to supplemental health insurance carriers."

Coorsh said the HIAA was ultimately "pleased we had an opportunity to get across our point of view."

The new genetic testing bill:

Protects individual privacy of genetic testing results or disclosure of those results without written consent. The results can't be used to discriminate in hiring or insuring someone.

Ensures that a customer applying for life insurance can't be made to take a genetic test or hand over the results.

Allows an insurer to ask a customer if he or she has taken a

life insurance test. If the answer is yes and that information isn't disclosed, an insurer can raise premiums or deny coverage.

Other Bills

Here's a list of the major bills that are now law, or are on the verge of being signed by Cellucci. Some are more consumer-focused and others industry-centered.

Chapter 33. This allows insurance and financial-planning products to be combined and sold together.

Chapter 78. An act that governs life insurance company liquidation proceedings.

Chapter 80. Expands insurance coverage for mentally ill patients, as of January 1. The Mental Health Parity legislation ends insurance limits on a number of biologically-based illnesses, expands outpatient visits for non-biologically based mental illnesses and improves coverage for children with mental health disorders. The law takes an extra year to kick in for small group and nongroup health insurance plans.

Chapter 81, Helps reduce the cost of diabetes coverage

Chapter 96. This law ends the countersignature requirement for certain insurance policies. An insurer can now print basic information on policies regarding incorporation, ownership and plan of operation.

Chapter 140. Non-group health insurance. Legislators initially passed reforms in 1996, requiring carriers to use a single standard plan to cover those not eligible for public or private group health insurance regardless of pre-existing medical conditions. A three-year grace period to phase out old non-group plans hits Sept. 30. The new law allows carriers to renew their closed plans or discontinue them when their subscriber base reaches 25 percent of 1999 enrollment figures. The law also addresses HIPPA requirements and gives carriers the right to offer an alternative, cheaper version of the standard plan.

Chapter 153. This requires salaries paid by a domestic insurance company to be authorized by the company's board of directors or trustees.

Chapter 177. An act authorizing nonprofit hospital or medical service corporations to make reinsurance contracts.

Two other bills remained pending last week and had some chance of being passed.

One creates stricter guidelines governing viatical settlements, and the other updates laws governing fraternal benefits societies. The House was working to make sure the language of both bills concurred with the Senate versions.

Insurance Times: E&S Brokers 'Wait-And-See' As Big 'I' Market Program Gets Underway In NJ
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Companies and brokers are being asked to pay up to \$25,000 per specialty product listing to access IIAA's members

by Mark Hollmer
InsuranceTimes

Think of New Jersey as "Ground Zero" for the Big "I" Markets program.

The Garden State was the first in the country to debut the IIAA-sponsored Internet-based system several weeks ago.

Big "I" Markets is intended to help member independent agents obtain specialty insurance products for their customers on their own, such as automobile extended-warranty, flood insurance, ocean cargo and yacht coverage.

But it would also potentially bypass surplus-lines brokers not aligned with the service.

That flip side isn't exactly stopping Big "I" Markets from attracting customers. The Hartford is the latest insurer that has joined Big "I" Markets and begun accepting applications from IIANJ members over the web for specialty products like construction wrap-ups, excess workers comp and tough property placements.

Among the other insurance providers who have signed up to take part in Big "I" Markets are The Chubb Group, Redland Insurance Co. and Virginia Surety.

Andy Bell, chairman of the IIAA's for-profit arm, says the new Internet-based system builds a bridge "between consumers who are seeking a specialty coverage product and independent agents who can (now) directly acquire the coverage for them through Big "I" Markets.

That may be, but some surplus-lines brokers see that as betrayal, because many are also members and supporters of the Independent Insurance Agents of America. In New Jersey and elsewhere, a number of surplus-lines brokers contribute financially to Big "I" conventions and run exhibit booths at the events.

"A lot are saying 'why are we spending the money trying to promote ourselves when the Big 'I' is trying to replace us and make us appear redundant to our members?'" said Jim Griffith, a Princeton-area surplus-lines broker in a unique position to see both sides.

Griffith, president of Princeton Risk Managers Inc, serves on the board of directors of the National Association of Professional Surplus Lines Offices (NAPSLO) and also the Independent Insurance Agents of New Jersey.

Not at Loggerheads

He insists that the organizations "are NOT at loggerheads" over the Big "I" Markets and said they're "trying to find a way to work and share and bring the benefits (of the new system) to each others' groups.

Many surplus lines agents locally feel that way, he said, but many are also more optimistic about the new program.

Personally, Griffith said, his position on the matter right now is a cautious one, as "a very interested" observer.

"Big 'I' Markets," he said, is "another player on the market that "can be a threat to us unless we carefully articulate to our clients, the Big 'I' independent agents, the value we bring to a transaction involving a surplus lines or specialty market placement..."

Another independent agent association -- the Professional

Insurance Agents of Connecticut, New York, New Jersey and New Hampshire - says it has a more collaborative approach toward working with surplus lines brokers.

Carol Burns, director of communications for the regional PIA, said her association had "no opinion" on the Big "I" Markets program and wouldn't comment on it because the PIA "has chosen to assist our members in their markets in different ways."

The PIA launched its MarketBase resource center in 1995, which allows members to call if they're looking for a "hard-to-place" market, Burns said.

The service helps members identify a risk, after which a PIA employee on the other end of the line will search the association's market database including over 2,500 specialty-risk categories. After that, the PIA comes up with a profile sheet listing surplus lines firms that carry the risk agents are looking for.

What's more, it doesn't cost surplus lines brokers anything to be included on the database, Burns said.

Competition?

IIAA press information compares Big "I" Markets to eBay, the online auction site.

"Just as eBay connects a prospective buyer with a seller, Big "I" Markets helps locate the right policy" from an insurance company for customers with "unique needs."

The system allows agents to complete a number of tasks, including securing coverages for clients, research terms and conditions, download policy forms and find electronic marketing and sales information on available products.

Bell sees Big "I" Markets as something radical that will change everything for independent agents. He also hastens to point out that association members from several states have trained to use the system already - anticipating its expansion over the coming months and years.

"It's just a revolutionary way for independent agents to do business accounts with more ease, and more markets than they would traditionally deal with," he said.

And Bell insists that surplus lines broker can benefit from joining up with Big "I" Markets.

"Once they're on the system they can have access to (our) entire membership of independent agents," he said. "It actually supplements their operations as opposed to being in competition with it ..."

Benefit Agents

"This is not designed to be in competition with or supplant surplus lines brokers at all," he said. "It's designed to benefit independent agents. Any surplus lines brokers who want to sign up, certainly it will enhance their marketing efforts... "

Of course, Bell points out, brokers would pay "an additional sign up fee and a fee for maintenance" to join the service.

The IIAA will charge insurance providers \$25,000 per nationally distributed product to be listed on Big "I" Markets, with a discounted price for five products: \$100,000, according to Ryann Harris, the Big "I" Markets program manager. She defines providers as carriers, managing general agencies, managing general underwriters, wholesalers and brokers.

In both situations, the IIAA charges a supplemental \$2,500 per year throughout the life of a contract. A company that wants to use Big "I" Markets regionally or locally garners a negotiated fee, depending on the number of products and how many states the products reach.

Member agents won't pay anything to use the service, Harris said. Griffith said he wasn't sure that surplus lines agents would be able to handle the level of fees the IIAA is proposing, especially a number that could reach \$100,000 for a handful of products.

"It is a big bite for someone who is merely a surplus lines agent who may be no larger (financially) than any individual member of the (IIAA).

Still, Griffith said, Big "I" Markets won't be competing in every area because the system will also offer more standard insurance products.

And it won't go national for a while. Each state association must decide whether or not to participate in the program, which will roll out in phases.

Frank Mancini, executive vice president of the Professional Independent Insurance Agents of Massachusetts, said he doesn't expect his associations' two boards of directors (covering non-profit and for-profit issues) to address the matter at least until January.

That's in part, Mancini said, because the national association "can only train and roll out so many states at a time. It will probably be a little time before they can get to us anyway."

"We have a lot on our plate right now," Mancini said.

So for now, while Big "I" Market begins in New Jersey, wholesalers like Griffith are willing to watch closely and see how the program all works out.

Griffith adds that the Big "I" has a big job ahead.

"It certainly is a new area for the Big "I" to be going into, one that obviously is not totally familiar to them ... (and) it represents a really challenge for them to begin to vie for surplus lines and specialty-type markets on behalf of their producers."

Insurance Times: Northeast States Explore Ways To Corral Drug Prices
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States seek to control drug
prices through bulk buying power

by Michael Mello
Associated Press

PROVIDENCE, R.I. (AP) - Northeast lawmakers seeking ways to curb prescription drug prices have discussed banding together to force manufacturers to lower prices.

At the center of the discussion is Boston University professor Alan Sager's report suggesting that legislation requiring drug

makers to slash prices would result in increased purchases by consumers and therefore not cut into the drug manufacturers' profits.

"It may take a few years but if we don't start now we won't get there. There is no alternative," said Sager, author of the report ``Cutting Prescription Drug Spending By Paying Federal Supply Schedule Prices.''

Drug manufacturers this year will be paid \$18 billion by private insurers, government programs and residents of the eight states for brand name prescription drugs, according to the report. A combined \$6.5 billion could be saved in the first year by forcing drug makers to offer prescription drugs at the same lower prices paid by the federal government, under the Federal Supply Schedule, the report said.

Lawmakers from New England, New York and Pennsylvania have been meeting on an ad hoc basis for months. The group is organized as a nonprofit corporation.

'Unfair Prices'

"All this association is trying to do is find a way to fair prices while drug makers are trying to sustain unfair prices," Vermont Sen. Peter Shumlin, D-Putney, said. ``This is a war we have to win for our constituents.''

Other lawmakers at the meeting, however, said they preferred to take a more conciliatory approach with drug makers.

"We need to look at the big picture of health care costs and why they are so high," said Pennsylvania Sen. Timothy F. Murphy, R-Harrisburg. ``We need to find a way to do this without getting any specific group in the crosshairs.''

Future Meetings

The group said it would meet again in November.

"We're not there yet, but there is agreement that it makes sense for us to get together," Rhode Island Lt. Gov. Charles Fogarty, a Democrat, said. ``With states fighting separate battles, it is easy for the opposition to overwhelm them.''

Sager said drug manufacturers' apparent unwillingness to lower prices means the states may have to act with legislation.

Average drug prices in the United States are higher than anywhere else, he said. Prices paid in seven wealthy nations to drug makers in 1997-98 ranged between 14.5 percent less in Switzerland to 38.5 percent less in Italy.

Buying Power

The report claims the eight U.S. states have a combined buying power greater than Germany, where prices paid to drug makers in 1997-98 were 21 percent less than in the United States.

Meanwhile, the report estimates the eight states have 10 million residents, or 23 percent of the total population, with no insurance for prescription drugs. Seniors make up slightly more than one-fifth, or 22 percent, of that group.

The report said Massachusetts has an estimated 303,000 seniors without coverage. But the state this year passed legislation offering all people age 65 and older affordable prescription drug coverage.

Sager said winning significant concessions on prescription drug prices will force drug makers' profits down initially. But the

report claims lower prices will increase demand and eventually help manufacturers recoup losses.

The report, produced at no cost to the association of lawmakers, suggested the states could jointly negotiate fair profit margins for drug manufacturers. The states could also help finance research on new drugs.

Recent Mass. Law

Massachusetts Senate Ways and Means Chairman Mark Montigny, D-New Bedford, said his state recently passed legislation allowing it to negotiate bulk purchases of prescription drugs for various government programs. He estimated it would result in 25 to 35 percent savings.

Fogarty said association members are also looking closely at Maine's recent move to negotiate lower prescription prices on behalf of more than 300,000 uncovered residents.

Under the state law, if negotiations with manufacturers fail to reduce prices significantly, the state could impose price controls three years from now. A similar bill failed in Vermont this year.

Sager said the Maine law shows states have the power to control the rising cost of prescription drugs.

"The United States is the world's shock absorber for drug manufacturers," he said. "There is no functioning market to fix the problem."

Insurance Times: Gov. Cellucci Kills Auto Insurance System Study
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BOSTON - A proposed \$200,000 auto insurance system study in Massachusetts won't happen this year after all.

Gov. Paul Cellucci vetoed the measure July 28 because the study would not have covered property damage matters, and lawmakers did not override the move.

"I am vetoing the section ... because the study cannot be properly completed without taking into account issues relating to property damage coverage (and) this section expressly prohibits the study from covering those issues," Cellucci said in a brief written statement to legislators.

Matt McDonald, Cellucci's deputy spokesperson for administration and finance, said that three specific items to be covered by the study - safe driver insurance, territorial ratings and the competitive rating system - all rely on property damage auto insurance.

"It strikes me (that) it's simply a flawed proposal," McDonald said

Legislators can't pursue the matter again until the new session in January. Last month, the study made it into the state budget following conference committee negotiations, weeks after a squabble nearly quashed it.

The House approved the study but the Senate initially left the measure out of its version of the budget, because of an apparent

misunderstanding over a consultant thought to have billed the Legislature for preliminary costs without the study even having approval. State. Rep. Nancy Flavin, the House chairwoman of the Joint Committee on Insurance, said the billing never happened. The study would have evaluated nearly all of the state's auto insurance system, including the Safe Driver Insurance Plan and the possibility of injecting competition into the industry.

Insurance Times: NY's WC Cut Not Shared By All Contractors
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NEW YORK - While the New York Insurance Department is touting lower overall workers compensation-rates for next year, at least one professional association alleges the claim isn't true for commercial contractors.

"The public announcement of the approved rating filing may be misleading...", said Robert Franzese, president of the Professional Agents of New York.

Franzese says the announcement of an overall 2.5 percent decrease in rates is potentially offset by a 2.6 percent increase in the assessment charge.

It is the actual change in rate for each specific classification, combined with the surcharge increase that decides a contractor's premium, according to the PIANY.

Still, overall rates in the last five years have dropped nearly 40 percent, according to the department.

The 2.5 percent average number factors in rates for some business that will see steeper declines and others whose rates will increase.

Rates for 56 construction classifications declined an average 8.3 percent, according to PIANY. On the other hand, 22 construction classification rates jumped an average of 7.5 percent.

According to the PIANY, the territorial surcharge should offset rate decreases or add to the rate of increase, depending on the classification.

New York Gov. George Pataki signed workers compensation reforms in 1996. The state's system, at that time, had been considered one of the most expensive in the country.

Insurance Times: Court Approves Liquidation Of Trust Insurance
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BOSTON - Trust Insurance Co. of Taunton is being liquidated. Massachusetts Supreme Judicial Court Judge Roderick Ireland approved the petition for an order of liquidation on July 26 -- following a five-minute hearing on the matter earlier in the afternoon.

Massachusetts Division of Insurance Commissioner Linda Ruthardt

asked for an order of liquidation earlier this summer, arguing that Trust was insolvent, in part because it didn't have enough money to meet its expenses through the end of the year. She had served as temporary receiver since February.

The Massachusetts Insurers Insolvency Fund now steps in along with similar guarantee funds in other states where Trust wrote business.

MIIF funds will cover claims up to \$300,000 dating prior to Feb. 10, when Trust was placed into temporary receivership. Claims filed up to two months after Aug. 2 are also included.

Liquidation of Trust and the selling of its assets will pay for any costs in between.

At least three different groups have claims on Trust's remaining pieces: Trust Group Inc., the corporate parent of Trust Insurance and sister company Trust Assurance; Fleet Bank, to which Trust owes a \$20 million loan and the vendor that developed the company's new computer system.

Trust Insurance reported a negative cash flow of about \$28 million as of June, and a negative policyholders' surplus of over \$5 million as of Dec. 31.

Trust's 200-plus employees will now be laid-off in stages. Trust Assurance will keep paying its claims and then be run off because it doesn't have its own internal system to run independently. Trust Assurance assets will help pay Trust Insurance liabilities from February 10 through Aug. 2 -- the life of the temporary receivership.

Trust had about 89,000 policies left as of the end of June.

Insurance Times: Maine Avoids Stacking With New Uninsured Motorist Law For Now
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by Penny Williams
InsuranceTimes

AUGUSTA - Much to the relief of the state's auto insurance industry, Maine lawmakers recently enacted a law that restricts the impact of a recent court ruling that could have opened the door to stacking of coverages.

The legislative maneuvering was a defeat for the state's trial attorneys who support stacking -at least until a Maine court takes up the issue.

The new law signed by Gov. Angus King requires that uninsured and underinsured motorist limits match a policy's liability limits unless policyholders have checked a form to opt-out of the matching limits.

The lawmakers averted what the insurance industry saw as a potentially drastic change regarding stacking by rolling two carry-over measures (LD 1258 and LD 2043) dealing with uninsured/underinsured motorist coverages into one proposal. While stacking is currently against the law in Maine, even insurance lobbyists acknowledge that lingering questions about

how Maine deals with stacking may eventually be settled by the courts.

The new law (PL 663) has two components. It incorporates features of LD 1258 that require that uninsured/underinsured coverage limits match liability policy limits with the proviso that the insured has the ability to opt out of that requirement. A check-off form can now be used to support a presumption that an individual has opted out of increased uninsured/underinsured coverage levels.

The second component the new law limits the effect of a court decision, *Saucier v. Allstate*, a December, 1999 decision that expanded Maine law with respect to uninsured/underinsured coverage.

"Saucier actually expanded Maine law to require that underinsured limits cover the difference between the amount actually received from a tortfeasor and underinsured coverage limits, without a direct comparison of underinsured limits to the policy limits of the tortfeasor," explained Bruce Gerrity, Maine lobbyist for the National Association of Independent Insurers (NAII).

But the amended version of LD 2043 as enacted, said Gerrity, "clearly limits the impact that Saucier otherwise would have had."

Gerrity indicated that the insurance industry was fortunate the trial bar missed the full implications of LD 2043 for Saucier, and that the final version that was enacted "has positive implications for the industry."

The lobbyist for Maine Insurance Agents Association (MIAA), Dan Bernier, called this legislation "probably one of the more significant bills of the session."

Insurance agents and companies will bear the burden of getting the opt-out forms signed, Bernier noted.

While stressing that there are still legal questions concerning the stacking component of the law that may well have to be settled by the courts, Bernier explained how the new procedure should work:

"First, you deduct the amount of money the individual(s) actually received from any applicable liability coverage from the amount of underinsured coverage. Second, you take the amount of applicable liability coverage and deduct the total amount received pursuant to the liability coverage by all the injured parties; whatever is left of the liability coverage also gets deducted from the underinsured coverage. The remainder of the underinsured coverage after making both deductions is the amount of underinsured coverage available."

Susan Leslie, owner of Bragdon Insurance Agency and past president MIAA, believes that the vast majority of policies sold in the state are already in compliance. "Most agents in Maine, I think, are already selling matching UM and liability coverage," she said. "I suspect not more than a handful of policyholders have lower UM limits."

But making sure that all of an agency's policyholders either have the matching uninsured/underinsured to liability coverage in place or the opt-out form signed is an errors and omissions concern for agents, she said.

Insurance Times: Mass. Court Permits Stacking Of Coverages With Out-Of-State Policy
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by Mark Hollmer
Insurance Times

BOSTON - A local insurance company lost its attempt to stop a man injured in a car accident from "stacking" - collecting a combined insurance payment from two companies.

Paul Doherty of Foxboro, Mass. can collect from both an out-of state underinsured policy and one issued in the Bay State, a Worcester Superior Court judge ruled recently.

Webster-based Commerce Insurance Co. filed suit in Superior Court to seek declaratory judgment to settle the issue. The carrier acted as the excess carrier for Doherty's accident injury coverage and USAA served as the primary carrier. The driver of the car Doherty was riding in was insured in Virginia through USAA.

Commerce, according to court papers, made its case using the 1988 Automobile Insurance Reform Act, which banned stacking of uninsured or underinsured motorist coverage for policies in Massachusetts issued after Jan 1, 1989.

But a Superior Court Judge said Commerce's use of the statute was "misplaced" because it only applies to Massachusetts insurance policies. "Commerce's reliance on the statute is misplaced because (it) governs Massachusetts policies only...."

Doherty's attorney, Edward Bassett Jr., could not be reached. Commerce officials declined to comment.

Commerce has the option now of filing for a reconsideration of the decision or appealing the ruling to the Massachusetts Appeals Court.

In 1991, Doherty was a passenger in a car driven by son-in law George Lancaster, when a car driven by a drunken driver struck them from behind, according to court records. Doherty suffered a number of injuries including fractured ribs and a punctured lung. The driver that struck the car had a \$20,000 bodily injury policy and Lancaster was insured in Virginia with a \$100,000 'uninsured motorist' coverage.

"Doherty recovered the full amount of (the drunken driver's) bodily injury insurance coverage and USAA tendered the difference of its policy with Lancaster," according to the court case summary.

A year later, Commerce told Doherty that USAA would serve as the 'primary carrier' for underinsurance benefits and Commerce was the 'excess carrier.' Three years later, Commerce informed Doherty the company wouldn't pay any claims as excess carrier because USAA paid over its policy limit. Subsequently, Commerce said it would instead pay USAA a proportionate part of the settlement, according to court papers.

Doherty disagreed and pushed for court arbitration.

The court awarded Doherty's motion for breach of contract, and determined Virginia insurance policy overruled Massachusetts policy, because that's where Lancaster's policy was issued from.

The court ruled that Commerce owes Doherty the difference between the \$100,000 he's recovered and the \$200,000 the Virginia policy allowed him to recover. Doherty hasn't recovered the policy's full limit, according to court papers, because "the Virginia policy governs and Commerce accepted its role as the excess carrier."

Insurance Times: NJ Court Says Juries Must Know Insurers Not Always Liable
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TRENTON, N.J. (AP) - A jury needs to know that an insurance company is not always liable, especially if an owner could have taken steps to prevent property damage, the New Jersey Supreme Court has ruled.

In a 6-1 decision, the court ordered a new trial after a jury said The Princeton Insurance Co. had to pay \$150,000 to the owners of a failed nightclub damaged by arson.

During the trial, no one disputed that the June 1994 fire was intentionally set. But witnesses disagreed over whether the managers of Hollywood Nights in Bloomfield turned off the automatic sprinkler system before the fire.

The trial court judge was wrong when he failed to tell jurors the insurer could not be held liable if something changed on the property that would increase the risk of a fire.

Standard fire insurance contracts allow for the policy to be suspended if that fire risk is somehow increased. The policy is only in effect once that fire risk is gone.

"Our holding today is dictated as much by common sense as by a straightforward reading of the statute," Associate Justice Peter G. Verniero wrote in the opinion.

The court found "by plain logic" that a property owner who may have disabled a sprinkler system could be found to have

"increased the hazard," Verniero wrote.

"We cannot fathom that the Legislature would have intended a contrary conclusion in mandating the increase-of-hazard clause in policies," Verniero said.

Insurance Times: Conn. Investigates Two Auto Insurers
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NEW HAVEN, Conn. (AP) - The state Insurance Department is investigating the settlement practices of two insurance companies, following lawsuits that accuse the insurers of violating state law.

Civil claims in Superior Court allege Progressive Northwestern Insurance Co. and Nationwide Mutual Insurance Co. settled personal injury claims within a few days of car accidents.

State law requires a 15-day waiting period, so claimants can assess injuries and property damage before agreeing to a settlement payoff from an insurer.

Connecticut lawyers for both companies said they cannot comment on pending litigation.

Insurance Department legal counsel Mark Franklin said he could not comment further on the investigation.

But lawyers are trying to get class-action status for their complaints after Progressive's answers in court documents showed the 15-day rule may have been violated 816 times between February 1997 and February 2000.

New Haven lawyer Kenneth Bartlett said he also has asked Nationwide to provide answers about how many times the 15-day rule was not followed.

The lawsuits allege the insurers violated the Connecticut Unfair Trade Practices Act, and further accuses Progressive of a pattern of abuse.

``I would think with 800-odd times, that's a pattern,'' Bartlett said.

Both lawsuits seek more than \$15,000 in damages and injunctions to prevent the companies from settling claims before the waiting period has ended.

One lawsuit claims Anna Rodriguez of New Haven was injured after an October 1999 car collision with a Progressive client.

Two days after the collision, Rodriguez was home in bed when a Progressive adjuster visited her and manipulated her into signing a settlement contract for \$1,500, the lawsuit claims. Rodriguez ended up spending about \$8,000 for treatment of neck and shoulder injuries, her case claims.

``The company's policy is not to comment on pending litigation,'' said William Prout, a New Haven lawyer for Progressive.

Another lawsuit claims Nationwide ``wrongfully and deceptively'' convinced Dominick Diglio of East Haven to release the company of liability four days after a June 1999 collision.

Nationwide's Hartford attorney, Deborah Freeman, declined to comment.

Insurance Times: Kennedy Pushes States' Plan For Low Income Health Insurance

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by Adam Gorlick
Associated Press

WASHINGTON (AP) - Patricia Quezada and her husband can't afford private health insurance and don't qualify for the federal coverage their three children receive.

Mrs. Quezada, who works part-time, and her self-employed husband go without insurance so they can make payments on their home in Virginia, buy groceries and afford transportation.

"I continue to fear what would happen if my husband or I fell sick or had an injury," Mrs. Quezada said.

She was brought to Washington recently to help push a proposal by Sen. Edward Kennedy, D-Mass., and John Rockefeller, D-W.Va., that would make 6.5 million low-income parents eligible for federal health coverage.

The Family Care Act of 2000 is similar to a plan offered by Democratic presidential candidate Al Gore. It would spread \$50 billion across the country during the next 10 years so states could insure parents whose children are enrolled in Medicaid or the Children's Health Insurance Program.

To get the money, states would need to adopt guidelines so the maximum number of eligible children were enrolled in CHIP.

States Set Eligibility

States are allowed to set eligibility levels so people at 200 percent of the federal poverty level - or a family of three with an annual income of about \$28,300 - received coverage. Currently, some states have set lower income standards to receive coverage, meaning fewer families are eligible.

Kennedy said the higher income requirement would boost enrollment in CHIP from 2 million to 8 million children.

The bill also would let states set up insurance programs for legal immigrant children and pregnant women, allow people leaving welfare for work to keep Medicaid coverage for one year and expand outreach programs to get more people enrolled in Medicaid and CHIP. Those programs would cost an estimated \$12 billion over 10 years.

"We should work through the states in this time of bounty to try to help everyone have access to health insurance," Kennedy said. Most Republicans oppose the plan. They would rather see the government provide tax breaks that would allow parents to choose a private insurer.

51 Votes

Kennedy's measure got 51 votes- including six Republicans - when it was offered as an amendment to the marriage penalty tax cut bill this week. But that was nine votes short of what was needed for approval.

If the bill fails to get out of the Senate Finance Committee, Kennedy said he will try to attach it to a spending bill on the Senate floor. However, as Election Day nears, the odds of Congress tackling a thorny issue like health care get longer.

Insurance Times: NY Auto Insurance Card Pilot Gets Underway
August 15, 2000, Vol. XIX No. 17

Industry is coming around to supporting the system which the state hopes will cut down on the number of uninsured drivers on the roads

by Mark Hollmer
InsuranceTimes

New York officials plan to test a new high-tech auto insurance card as early as this fall as part of a multi-year modernization plan for the Empire State's Department of Motor Vehicles insured-driver database system.

The hope is that a better database system combined with the new insurance cards will help reduce the population of uninsured drivers on the road.

DMV testing should begin this month with eight agents and two companies. If the system works, licensed agents and direct-writer companies should have access to the insurance card software by September, according to the National Association of Independent Insurers.

'Get Bugs Out'

"They're getting ready to test this out with a few select agencies to get the bugs out," explained Kathy Weinheimer, vice president of industry relations for the Independent Insurance Agents Association of New York. She's served on a DMV steering committee that has helped shape the new system.

And true to high-tech, the software - once available -- will be distributed over the Internet, Weinheimer said.

Bar-coded auto insurance cards should be mandated by next April if everything runs well. Even if that date doesn't change, officials have built in a flexible transition period. Companies will have from April 2001 until April 2002 to issue cards for their renewal book of business, according to the NAI.

Regulations for the encrypted insurance cards should be out by mid-August, the NAI said.

1997 Law

Governor George Pataki signed the DMV revamp legislation back in 1997. At the time, he said the goal was to use advances in computer technology to "ultimately create a system where a police officer can, by reading a sticker on a motor vehicle, instantaneously determine if the driver has insurance. The officer can then get an uninsured driver off the road."

Neither DMV nor New York Insurance Department officials could be reached for comment.

The first phase of the DMV modernization plan - known as the Insurance Information and Enforcement System -- began two years ago. This has involved the meticulous downloading of insured-driver information from over 200 companies into a modern database system. According to Weinheimer, that process should be finished by this fall.

The combined system should allow the DMV and police officers to determine quickly if a motorist is covered by insurance. In tandem, the identification cards will carry information including the owner's name, birth date address, insurance information, vehicle identification number (VIN), and a listing of other drivers covered by the insurance.

That's more than what the DMV used to require from insurance cards. Companies didn't report a driver's license number, birth date and additional names before.

Reforms Now Supported

According to Weinheimer, some companies fought the bar code changes a few years ago but the reforms are now supported, for

the most part.

"We felt it was something that needed to be done in order to address uninsured motorist problems in New York State," Weinheimer said.

"We felt ... it was worth the extra work in order to address the problem ... it was a very unpopular decision for a while. We had companies fighting us and other trade associations. We're glad we stuck with our guns ... it was the right thing to do."

Under the older system, companies download policyholder information to the DMV but there's up to a month lag time before an update is complete, Weinheimer said.

Policies could have been canceled and reinstated in the interim. A driver stopped for speeding would be evaluated by a police officer inadvertently accessing the outdated information.

The DMV also had to resort to paper correspondence with insurance companies to correct information. Now, the computer system will allow companies and DMV officials to correct problems more quickly.

According to DMV estimates, eight percent of New York's 10 million vehicles are uninsured or fraudulently registered - about 800,000, Weinheimer said.

Insurance Times: Editorial Opinion Race-Based Traces
August 15, 2000, Vol. XIX No. 17

Insurance companies that insured slaves as property profited from and helped prolong slavery, and should be held accountable for their practices, the Rev. Jesse Jackson recently said in urging an investigation of the insurance industry.

"It is time to learn the full extent of the insurance industry's complicity in the slave business," Jackson said at his Rainbow/PUSH Coalition's annual convention, according to the Associated Press.

The sale of policies to slave owners meant insurance companies had a vested interest in the maintenance of slavery and "had an unquestionable impact on prolonging the practice of slavery," Jackson said.

Jackson is setting up a coalition of state legislators from around the country who will meet with their state regulators and urge them to investigate local insurance companies.

Jackson is looking for more than confessions and apologies from insurers.

If insurance companies are found to have profited from slavery, reparations will be sought, he said.

"You can't just apologize, you must also pay money you took," Jackson said. "If I rob you and I apologize, that's not enough."

You want your money back.'

In March, Aetna Inc., the nation's largest health insurer, apologized for selling policies in the 1850s that reimbursed slave owners for financial losses when their slaves died.

Aetna, based in Hartford, Conn., said it has no plans to make reparations. Aetna said its records show the company wrote no more than a dozen such policies to slave owners.

Jackson said his campaign will extend to redlining practices - the denial of coverage to applicants in certain neighborhoods - and decades of "race-based gouging" of consumers by insurance companies.

Jackson has issued an invitation to the industry to set the record straight on its involvement in slavery and race-based practices.

No doubt that most insurers, like Aetna, will resist Jackson's call for reparations.

However, Jackson is right to call for an honest accounting of the industry's past and present racially discriminatory practices.

Industry resistance to reparations should not prevent exploration and acknowledgement where appropriate of past race-based activities, whether profitable or not.

Recent news reports suggest that there remain vestiges of racially discriminatory sales practices . While that seems hard to believe, Jackson's campaign should be seized upon as an opportunity for the industry to re-commit itself to uncovering and eradicating any and all traces of racially discriminatory practices once and for all.

Insurance Times: A proposal to revamp Rule 13
August 15, 2000, Vol. XIX No. 17

by Mark Hollmer
InsuranceTimes

A proposal to revamp Rule 13 - a Massachusetts C.A.R. regulation that governs servicing carrier requirements - has gotten mixed reaction from a subcommittee charged with considering the change. Right now the rule allows a company to cancel an Exclusive Representative Producer (ERP) immediately if that person has violated CAR rules. A carrier must notify an ERP of the cancellation in writing, though the ERP can appeal after the fact.

But William Whitebone, vice president of marketing for Quincy Mutual, proposed some changes as a member of the Commonwealth

Automobile Reinsurers' market review committee ad-hoc sub-committee.

He proposed a 30-day suspension instead of an immediate cancellation. An ERP would face cancellation only if he or she did not request a hearing or an appeal during the suspension period. The agent could service an in-force book of business but would not be allowed to bind new business during a suspension. At the same time, Whitebone proposed keeping three conditions that would cause an ERP to face immediate cancellation: for failure to maintain a valid broker's license, failure to forward premium to an insurance company on time, and the charging of servicing fees.

"The intent was to modify the rule so it gave ERPs additional maneuvering room, so it didn't put them out of business before (getting) a chance to appeal," Whitebone explained.

The subcommittee expressed mixed feelings about Whitebone's proposal, according to the May 31 minutes.

"The Committee agreed that immediate appointment termination for producers who fail to maintain a valid broker's license and for premium remittance violations, as contained in the current (Rule 13) should remain intact, but that immediate termination for charging service fees is irrelevant in today's market and should be removed from the Rule," the minutes read.

Some committee members said they supported delaying cancellation to allow for some sort of review. But they also said they were concerned that suspending a producer's binding authority during a suspension would be "more onerous" than the existing rule, according to the minutes.

"It was a problem and I thought I saw a (resolution) to it," Whitebone said. "It seemed like a reasonable compromise."

Another ad-hoc subcommittee meeting should be held this fall to discuss the issue further, Whitebone said.

In addition, the group is expected to review a CAR rule that governs ERP requirements.

Insurance Times: Brownyard Customizes Cleaning Industry Program
August 15, 2000, Vol. XIX No. 17

Bay Shore, N.Y. - The Brownyard Group now offers a complete comprehensive insurance package tailored for the cleaning and maintenance industry under its program, ServiShield.

In addition to providing liability coverage, Brownyard's ServiShield can also provide Business Auto, Workers Compensation, Employment Practices Liability, Third Party Fidelity Coverage, License Bonds, Property Coverage, Inland Marine and an Umbrella Policy.

Through Brownyard Claims Management (BCM), Brownyard's in-house claim facility, insureds have the added advantage of prompt claims handling, as well as all the tools necessary to reduce losses and insurance premiums.

According to Brownyard's president, Bryan H. Brownyard, "With all the exposures a janitorial firm can encounter, it is important

that they be offered a custom-designed policy fits their needs. As specialty liability coverages providers, we have the expertise and experience it takes to fulfill these unique needs." For more information call 800-645-5820 or visit www.brownyard.com.

Insurance Times: WCRI's Compscope Offers Multistate Comparisons
August 15, 2000, Vol. XIX No. 17

CAMBRIDGE, Mass.- The Workers Compensation Research Institute is making available copies of its landmark benchmarking report that compares the performance of the workers compensation systems in eight important states - California, Connecticut, Florida, Georgia, Massachusetts, Minnesota, Pennsylvania and Texas. Together, these states account for at least 40 percent of workers' compensation benefits nationwide.

WCRI found wide variations in system costs, the expenses of delivering benefits, the timeliness of payments, and litigiousness among these states -- for a similar group of claims. Among our major findings:

-- Benefit payments: these ranged from \$6,742 in Massachusetts to \$11,406 in Texas.

-- Litigiousness: defense attorneys involvement ranged from 6 percent of claims in Texas to 28 percent in Georgia. The average fee varied from a high of \$2,594 per case in Florida to a low of \$865 in Connecticut.

-- Expenses: the expenses involved in delivering benefits account from 6 percent of claim costs in Connecticut and Texas to 13 percent in California.

-- Timely payment: just over 50 percent of injured workers receive their initial indemnity payment within 21 days of an injury, although the states ranged from 41 percent in Pennsylvania to 58 percent in Florida.

-- States with high weekly maximum benefits are not necessarily high cost states, and vice versa.

For more information, contact Jill Lawson: jlawson@wcrinet.org, or call WCRI at 617-661-WCRI (9274).

Insurance Times: Mass. LLJUA Adds Property Coverage
August 15, 2000, Vol. XIX No. 17

WESTBORO, Mass. - The Liquor Liability Joint Underwriting Association of Massachusetts, a liquor liability insurer of last resort, has added property damage coverage to its available add-on coverages.

The property damage endorsement covers claims arising from physical damage to tangible property caused by the negligence of the insured in the distribution, sale or service of alcoholic

beverages. The coverage will pay up to 10 percent of the liability policy's per person limit. For example, a policy with a \$500,000 per person limit per incident will provide excess property damage coverage of up to \$50,000.

If there is other insurance against a loss also covered by the LLJUA endorsement, the LLJUA endorsement will be excess to the other insurance. The endorsement does not change the policy's liability limits. For example, the per person limit is the maximum the insurer will pay for injury to one person and damage to property, while the per incident limit is the maximum the insurer will pay for injury to two or more persons and damage to the property.

Call 1 877-366-1140 for more information.

Insurance Times: Oneshield Enters Commercial Insurance
August 15, 2000, Vol. XIX No. 17

BURLINGTON, Mass. - OneShield, a provider of Internet insurance distribution services, announced its entry into the commercial insurance market, offering insurance carriers, brokers and non-insurance firms with turnkey e-commerce programs. OneShield Direct and OneShield Connect provide real time analysis, streamlined policy application and expert underwriting. These products also include automated rating, binding and policy issuance for more than eight lines of business in all 50 states, enabling providers to distribute and service products to both buyers and brokers.

The OneShield Brokerage product allows non-traditional providers to leverage their existing client base and brand equity to provide a full range of commercial insurance products and services to their customers.

The OneShield Call Center, a 24-7 facility utilizing voice, fax and chat, can be bundled with all OneShield products.

Insurance Times: Survey: Internet Ceos Dismiss Concerns Over Employment Practices

August 15, 2000, Vol. XIX No. 17

Survey finds too many ignore potential for lawsuits

STAMFORD, Conn.- At a time when many high-profile dot-coms are tightening their belts and in many cases shutting down altogether, a new national survey finds that 76 percent of Internet start-ups surveyed plan to increase their staff 68% within the next 12 to 18 months.

However, findings further indicate that while the majority of these companies have significant growth plans in place, they are unconcerned about basic human resource and compliance issues,

leaving them vulnerable to potentially crippling sexual harassment and other employee lawsuits.

The survey - sponsored by EmployeeMatters, an integrated, Web-based provider of employee administration outsourcing services to small and medium-sized businesses-- was conducted among nearly 200 CEOs, senior officers and executives from Internet startups throughout the United States and it discovered surprising news in connection with attitudes on HR and compliance issues.

When asked if they have a dedicated HR person, and upon whom they rely most for counsel regarding HR and compliance issues, Internet companies indicated the following:

51% do not have a person on staff dedicated to HR

71% are confident they will not hire an HR person

41% do not rely on anyone other than themselves for advice on HR matters, 28% rely on friends or colleagues for advice and others seek counsel from their accountants, brokers and lawyers

"Though most start-ups are extremely self-reliant, they don't have the expertise to deal with HR and benefits issues," said Elliot Cooperstone, CEO of EmployeeMatters. "In fact, our survey found that most Internet companies are ignoring fundamental HR and compliance issues even though they are growing rapidly and, as a result, they are leaving themselves wide-open to major liability. That's one of the reasons outsourced services such as those offered by EmployeeMatters are critical to small and medium-sized businesses that have neither the time nor resources to address these needs."

Without proper emphasis on and commitments to HR and compliance issues, most start-ups are failing to educate and train their employees about the laws they must comply with, leaving companies open to workplace harassment claims. Despite recent high-profile sexual harassment lawsuits--involving both large Fortune 500 companies and major Internet start-ups alike--which might have served as a sharp wake-up call to businesses nationwide, the study found an overwhelming 79% of executives surveyed said they are still "not at all concerned" with sexual harassment in the workplace.

The study also uncovered that 54% of companies surveyed have no written sexual harassment policy in place. Of those companies, 64% do not plan to have one within the next 12 months. While the majority--58%--said they thought an employee handbook is important, 52% do not have one.

"Our firm alone currently has approximately 1,000 clients in the high-tech arena," said Gary Mathiason, Esq., senior partner of the national law firm Littler Mendelson based in California.

"Approximately 90 percent of the start-up companies that I've seen do not have adequate systems or infrastructure in place, due either to their small size or the speed of their growth. It's been our experience that a large number of start-ups tend to ignore employee relations issues until they hit the 100-300 employee mark, but by that time much of the legal damage has already been done."

August 15, 2000, Vol. XIX No. 17

LLJUA had argued otherwise

by Mark Hollmer
InsuranceTimes

BOSTON - The Liquor Liability Joint Underwriting Association may be a state-created entity, but it's not immune to suits alleging unfair claim settlement practices - just like any other insurer. That's the summary judgment issued recently by the Worcester Superior Court in the case of Bolden versus the LLJUA. Geraldine Bolden is Lynn Bolden's guardian, and she sued to hold the LLJUA liable for the 1991 accident in which Lynn Bolden was seriously injured.

Lynn Bolden was a passenger of a driver who was served at Leitrim's Pub in Worcester before the accident. The LLJUA defended the pub and covered it with a \$100,000 maximum policy. A jury eventually ruled in the Boldens' favor by returning a \$20 million verdict.

But the LLJUA, representing the bar, apparently didn't offer its \$100,000 policy limit until after the trial, according to the Massachusetts Lawyers Weekly.

The LLJUA argued that it should not be held liable for "bad faith judgments in excess of their policy limits" because it was created by the Legislature, and no legislation exists governing how it can pay "judgments or settlements in excess of its coverage limits."

Judge Timothy Hillman didn't accept the argument.

"The fact that an entity of a type specifically defined as being in the 'business of insurance' was also created by the Legislature should not excuse it from liability for unfair settlement practices," the judge ruled.

"Exempting the LLJUA from such liability would confer upon it an unfair advantage over the private insurers already regulated by Chapter 176 D. More importantly, it would allow the defendant to flout this specific directive against unfair settlement practices with impunity and without recourse..."

Hillman argued that the organization is 'in the business of insurance' under Chapter 176D, which makes it liable under Chapter 93 A for "its failure to settle a specific claim."

Hillman's ruling is a mixed one because the plaintiffs unsuccessfully sought to also hold the LLJUA liable for the accident itself.

"With respect to the LLJUA's liability under the circumstances of this case, a fact-intensive inquiry is necessary and therefore summary judgment is inappropriate," the judge wrote.

The legislature created the LLJUA to provide liquor liability insurance to businesses that sell or distribute alcohol and can't obtain private liability insurance.

Parties involved can accept the summary judgment ruling, file for reconsideration or appeal to a higher court.

Insurance Times: Lloyd's Predicts More Lawyers Will Use Overseas Markets For Liability Coverage
August 15, 2000, Vol. XIX No. 17

Lloyd's chairman expects domestic companies to withdraw from lawyers market

LONDON - Lawyers in the U.S. could become increasingly dependent on overseas insurers to provide their professional liability cover, the chairman of Lloyd's of London told the American Bar Association (ABA) recently.

Max Taylor, chairman of the London-based insurance market, told over 200 ABA members visiting London that the increasing number of lawsuits and damages awards in the United States against lawyers could make it increasingly difficult for them to buy cover from domestic insurance companies.

"While it is too early to say that lawyers are unable to get insurance coverage," Taylor said, "there are signs of withdrawals from the United States market by domestic companies, and some people feel that quality coverage is more difficult to find." Taylor said a growing mistrust of the legal profession had been responsible for the increasing number of lawsuits against lawyers in recent years. "As the business environment has become more competitive, the traditional client-attorney relationship, which used to be based on personal trust and understanding, has frequently broken down," he said.

He also said that many law firms today need broader liability coverage because they are branching out into ancillary activities such as financial services. Coverage for these broader risks, however, can be difficult to obtain.

Taylor made his remarks at a reception honoring the new president of the ABA, Martha Barnett, of Holland and Knight.

Lloyd's insurance brokers, Paragon International Insurance Brokers, and Hilb, Rogal and Hamilton, the U.S. insurer broker who places Holland and Knight's legal professional indemnity insurance program at Lloyd's, organized the reception, which was attended by 200 ABA members.

James Kalbassi, joint managing director of Paragon, noted that an increasing number of law firms in the United States are coming to Lloyd's for professional liability products. Within the last year, Paragon has successfully placed a number of programs for some of the largest United States law firms with specialist Lloyd's underwriters.

"Lloyd's is leading the field in giving innovative coverages and specialty programs for U.S. law firms seeking a long-term relationship," Kalbassi said.

The U.S. now accounts for one-third of all Lloyd's business and that premium income from the United States rose 17 percent last year to \$4.8 billion from \$4.1 billion in 1998.

Insurance Times: Sage Life Expands Bank Distribution
August 15, 2000, Vol. XIX No. 17

STAMFORD, Conn. - Sage Life Assurance of America, Inc. announced three new alliances to expand bank distribution of its variable annuities and variable life insurance. It has established relationships with Bank United Securities, First National Bank of Southwest Ohio and Sky Investments.

Bank United Securities, an affiliate of Bank United, has assets exceeding \$18 billion. It is the largest publicly-traded depository institution headquartered in Texas and operates a 154-branch community-banking network. First National Bank of Southwestern Ohio, founded in 1863, is the 12th oldest national bank in the U.S. It operates 30 retail-banking centers in Southwestern Ohio.

"We are delighted Bank United Securities, First National Bank of Southwestern Ohio and Sky Investments have joined with Sage," said Lincoln Yersin, national Sales Manager of Sage Life. "We are committed to helping them expand their investment and insurance businesses, increase market share and achieve their business goals."

Sage Life, rated "A (Excellent)" for financial strength by A.M. Best Company is the U.S. subsidiary of the Sage Group Inc., a major, international, financial service organization based in Johannesburg, South Africa. In addition, Swiss Re Life & Health, one of the world's leading reinsurers, has a financial interest and strategic reinsurance arrangements with Sage Life. Visit www.sageusa.com

Insurance Times: Princeton Provides Agents With LTD Product
August 15, 2000, Vol. XIX No. 17

PRINCETON, N.J. - Princeton Insurance is making long-term disability coverage available for its agents to sell through a new relationship with two national life insurance companies, Nationwide Life Insurance Co. of Columbus, Ohio, and Union Central Life Insurance Co., of Cincinnati.

The long-term disability product is geared toward physicians, chiropractors, dentists and other medical and non-medical classifications.

The program also includes business overhead coverage, which pays continuing expenses such as rent and utilities while the insured is disabled.

"This is a nice added convenience for our insureds, who have traditionally had limited resources of reasonably priced disability coverage," notes Toni Chiszar, Princeton's manager of product development. "We're also giving our agents an opportunity to round out the services they can offer through companies they otherwise wouldn't be dealing with."

Princeton is a specialty insurer writing in 15 states. Visit www.princetoneasyaccess.com.

Insurance Times: Conference On Becoming A Financial Planner
August 15, 2000, Vol. XIX No. 17

As more and more professionals weigh whether to enter the financial planning profession, the Society of Financial Service Professionals is sponsoring a video teleconference featuring a team of planning experts in a discussion of the benefits and burdens of this profession.

"Through the Looking Glass: Making the Decision to Become a Financial Planner," promises to address issues relevant to those who have already made the transition into the financial planning profession, those who are considering adding this to the portfolio of services they offer, as well as those who sell variable products to clients.

The program will be broadcast live via satellite to more than 250 Society chapter locations on Sept. 20, from 12:30 to 3:30 p.m., and will be rebroadcast on Sept. 21 from 10:30 a.m. to 1:30 p.m. Issues to be addressed include licensing and registration (NASD, SEC, state, and insurance companies); SEC regulations and audits; compliance; becoming your own broker/dealer; and compensation. The teleconference qualifies for three Professional Achievement in Continuing Education (PACE) credits. For more information and site locations, call 1 800 392-6900 or visit www.financialpro.org.

Insurance Times: MDRT Connect Gives Agents Web Services
August 15, 2000, Vol. XIX No. 17

The Million Dollar Round Table (MDRT) has launched a new program, MDRT Connect, offering its 21,000 members a financial web site development, content and support service. The web site service is being offered through a partnership with AdvisorSquare, which sells web site services to investment advisors and the MDRT's own Center for Productivity. The service includes a free introductory brochure site for each of its members.

"The MDRT believes that financial, professionals require a well-defined Internet strategy to be successful in today's financial environment," said Bruce Holmes, publisher of MDRT's Center for Productivity. "Our partnership with AdvisorSquare will enable each member to develop a compelling Internet presence and to leverage this presence to the benefit of their practices and clients."

Visit mdrtcfp.org and advisorsquare.com

Insurance Times: Supreme Court To Clarify State Law Effect On Benefits
August 15, 2000, Vol. XIX No. 17

by Laurie Asseo
Associated Press

WASHINGTON, D.C. - The Supreme Court has agreed to clarify whether state law can override many people's decisions on who will receive their life insurance and pension benefits after they die.

The court said it will hear a Washington state woman's argument that she is entitled to the life insurance and pension benefits of her ex-husband, who died in an accident shortly after they were divorced. His children from a previous marriage say they should receive the benefits.

Donna Rae Egelhoff and David A. Egelhoff were married in 1988 in Tacoma, Wash., and were divorced in April 1994.

The following June, David Egelhoff was injured in an auto accident, and he died the following month. He died without a will, and Mrs. Egelhoff remained the designated beneficiary under his life insurance and pension plans, which he had received through his employment at Boeing.

State Law on Divorce

His children from a previous marriage, Samantha and David Egelhoff, sued in state court, saying they were entitled to the pension and life insurance benefits. They relied on a state law that said divorce revokes a spouse's designation as beneficiary. A state judge ruled for Mrs. Egelhoff. The judge said a federal law that governs employee benefit plans, the Employee Retirement Income Security Act, overrode the state law and therefore she remained the beneficiary.

A state appeals court and the Washington Supreme Court reversed and said the children were entitled to the benefits. The federal law did not pre-empt the Washington law that revoked her status as beneficiary, the court said.

In the appeal granted review by the Supreme Court, Mrs. Egelhoff's lawyers said ERISA aims to protect plan participants and beneficiaries by overriding state laws that would allow someone else to receive pension and life insurance benefits. Lawyers for Egelhoff's two children said that allowing Mrs. Egelhoff to collect the benefits would amount to ``unjust enrichment.''

The case is Egelhoff vs. Egelhoff, 99-1529.

Insurance Times: Producers Share Profits Of New NEF Distribution Unit
August 15, 2000, Vol. XIX No. 17

Boston-based firm eyes turning distribution into a profit center,
with producers gaining equity

Boston - New England Financial recently launched a separate
distribution company, NEF Distributors, LLC, that will give

qualifying top producers and field managers an opportunity to share in the profits of the new company through equity ownership.

Profit Center

To finance the equity participation and profit sharing, NEF is taking the novel approach of turning its sales and marketing operations into a profit center. Generally, sales and marketing activities are seen only as an expense. However, because top producers and field managers who meet certain qualifying standards will be offered the opportunity for equity participation in the new company, the company expects product sales to grow faster than sales and marketing expenses, thereby producing additional profits, explained Thom A. Faria, CLU, president of NEF Distributors.

The plan makes New England Financial the only New York-licensed insurer to offer equity participation in a distribution affiliate. Another distinguishing feature of the plan is that the company is providing this opportunity not only to qualifying producers, but also to top field managers and middle managers who meet certain requirements.

New England Financial also offers its top qualifying producers participation in one of only a few active agent-owned reinsurance companies, where underwriting profits from the manufacturer are shared on business the participating producers place with the company. The equity participation plan and the agent-owned reinsurance company opportunities are in addition to the existing competitive base compensation and benefits package offered to producers and field managers by New England Financial.

"The goal," Faria explained, "is to attract and retain the best and most productive producers and field managers by creating innovative financial incentives to maximize their compensation. These same incentives encourage top producers to place all their business through NEF Distributors. As a result, it's a win-win-win situation for producers, field management and the company. We call this 'putting business through the house,'" he said.

Expecting producers to place all their business through NEF Distributors works only if they have a top-flight product line to sell, Faria acknowledged. "New England Financial's strategy is to get and keep its core product line in the top quartile compared with select industry criteria and competitors. For those products that we don't offer or products that producers need to diversify a client's portfolio, we've negotiated access to an array of financial products from select carriers who are leaders in their niche markets. This commitment to a robust product portfolio that includes investments, annuities, retirement plans, disability insurance, variable life insurance as well as long-term care insurance shows that we are serious about wanting producers to place all their business 'through the house,'" continued Faria.

Field Perspective

David Pittman, CLU, ChFC, managing partner of the Birmingham, Alabama affiliate of New England Financial, provides a field management perspective on product. "Because of this new distribution company and access to a broad product array, field associates in the future will not need to go outside the local distribution point or outside the national distribution system for a complete product offering," he maintained.

Faria believes that by focusing more closely on the producer and what he or she needs to be successful, NEF Distributors will be the organization of choice for the best financial services professionals. His goal is to help producers increase their productivity by making it easier and more efficient to do business through NEF Distributors than through any other company.

Online System

"For example, we have an initiative underway called Platform 2000 that provides one online system through which a producer and field manager can have access to case status activity no matter what life insurance product they are selling or from which carrier we've selected. It will be consolidated and allow a total picture of what business they are writing, how much and with which manufacturer. This ability will make it very easy to do business with NEF Distributors," he said.

According to Gary Schulte, an authority on life insurance distribution systems, distribution is a key ingredient for success in the financial services industry going forward. "Advice is going to be increasingly important to the consumer. As a result, attracting professionals who can offer sound advice, giving them competitive products, and developing a strong partnership is where a company can truly distinguish itself in the marketplace," he predicted.

Faria said that leaders from NEF's field force worked with the home office in creating NEF Distributors."

Larry Minarsich, CLU, ChFC, an NEF representative who is based in Albuquerque, New Mexico said, NEF Distributors recognizes the importance of looking at the "total compensation and benefits picture and to quantify the many benefits that are derived from putting business through the house."

According to Joe Naselli, CLU, ChFC, AEP, managing partner of the Creative Financial Group, an NEF affiliate located in Philadelphia, the creation of NEF Distributors is what the field and home office team as been striving for. "The intensified focus on the producer and how we can help producers be highly productive and successful is what this is all about. Product, compensation, and marketing and sales support are three key focal points for the new distribution company," he explained.

Insurance Times: State Farm To Add Sales Of Mutual Funds To Portfolio
August 15, 2000, Vol. XIX No. 17

BLOOMINGTON, Ill. - State Farm Mutual Automobile Insurance Co. will start selling mutual funds in four states by January 2001 with the goal of being in all 50 states by March 2001.. The first four states will be Kansas, Missouri, North Carolina, and Virginia.

The Securities and Exchange Commission has given State Farm permission to sell the funds.

The funds will include a Standard & Poor's Index 500 fund, an international index fund, and a small cap index fund. Those funds

will be managed by Barclays Global Investors, an asset management firm based in San Francisco.

State Farm also will offer a small cap equity fund, a large cap equity fund, an international equity fund, a money market fund, a taxable bond fund, a tax-advantaged bond fund and an equity and bond balanced fund. State Farm will set up a new unit, State Farm Investment Management Co., to manage those funds. Capital Guardian Trust of Los Angeles, another investment firm, will serve as co-advisor to State Farm on those funds.

State Farm customers will be able to buy the mutual funds through their agent, on the Internet, or by mail. Dick Luedke, a spokesperson for the company, says about half of the company's 16,000 agents are already licensed to sell variable life products and hopes that a good number will apply for the extra training needed to sell mutual funds.

Insurance Times: Hancock's Signator Network Adds Web Tools
August 15, 2000, Vol. XIX No. 17

BOSTON - Signator Financial Network, an affiliate of John Hancock Financial Services, has opened a new Extranet site that provides its 3,000 representatives with web-based access to financial tools, product information, commissions data, and client accounts. In addition, users can use links to outside vendors, online education and product vendors. The company plans to add a consumer section on the site at www.sfnonline.com.

Insurance Times: Cyr Joins Allied/Carlin; Paleschi And Brophy Join McCarthy; IIARI Honors Csrs Bonville, Conn, Harvey
August 15, 2000, Vol. XIX No. 17

Allied American/ Carlin

L. Lee Cyr has joined Allied American/Carlin Insurance in Natick, Mass. as a commercial lines account representative. Previously, Lee worked at Brewer & Lord as an administration manager.

The McCarthy Companies

The McCarthy Companies, a member of the Hub International based in Wilmington, Mass., announced two key appointments. Richard J. Paleschi is new agency president and chief operating officer. His primary responsibility is to oversee day-to-day insurance and administrative operations. He will also be actively involved in recruiting agencies for merger and acquisition purposes. He was a partner with O'Brion, Russell & Co. in Boston. Also, Charles J. Brophy, III, has been named executive vice president and treasurer. Brophy, who joined The McCarthy Companies in 1996, has 18 years experience with a national

insurance broker and, prior to that, was a senior commercial lines underwriter with The Travelers.

IIARI

The Independent Insurance Agents of Rhode Island awarded several scholarships to deserving customer service representatives recently. Mary Bonville of the Lathrop Agency in Westerly and Kathy Conn of the Capuano Agency in Cranston received scholarships for achieving the highest grade point averages in the state on a series of national Accredited Customer Service Representative (ACSR) property and casualty exams.

IIARI also recognized Wendy Harvey of Meredith & Clarke Insurance Agency in Jamestown, as its 2000 ACSR of the Year. The award is presented annually to recognize the value customer service representatives bring to the independent agency system.

PLI Brokerage

James P. Kane has been appointed mid-Atlantic regional manager of PLI Brokerage, Inc. of Warren, N.J. PLI Brokerage is a wholly-owned subsidiary of The Chubb Corp.

NAII

The National Association of Independent Insurers (NAII) announced several promotions. Terry Tyrpin, vice president, Insurance and Research Services was promoted to senior vice president. Tyrpin, who has been with NAII for 26 years, manages the Insurance and Research Services division, which provides public policy, information/data, and research services for NAII staff and member companies.

Scott Joyner, assistant vice president, advanced technology was promoted to vice president. Joyner is responsible for the Office Technology department and the development and use of technology at NAII.

John Eager, director of claims services was promoted to senior director of claims services. Eager oversees the Claims Committee and its five subcommittees that handle all claims related public policy, legislative and regulatory matters for NAII.

Sue Miller, application development manager was promoted to assistant vice president. Miller is responsible for the design, development and support of all the applications for NAII's Information and Statistical Services department.

Jerry Zimmerman, associate counsel, was promoted to counsel. Zimmerman oversees regulatory and legislative issues in Connecticut, Maine, Massachusetts, New Hampshire, Vermont and Rhode Island.

Maine Chapter CPCU

Robert J. O'Brien, CPCU, CIC, vice president of Blake, Hall & Sprague Insurance Agency in South Portland, Maine, recently received the 2000 Eagle of Excellence Award from the Maine Chapter of The CPCU Society.

PIA National

The National Association of Professional Insurance Agents has named Sheila McNamara Greenwood to head the government affairs operations of the association, as the assistant vice president of the government affairs department. The appointment was announced

by PIA executive vice president Gary Eberhart. Greenwood joined PIA in October 1997. A graduate of the University of Louisiana at Lafayette, Greenwood has lobbied on Capitol Hill since the early 1990's. Prior to her association with PIA, she lobbied on behalf of various energy concerns.

Alliance of American Insurers

The Alliance of American Insurers has appointed Deborah Sherno, APR, as federal public affairs representative in the association's office in Washington, D.C.

A Washington, D.C. native, Sherno brings 14 years of experience to the Alliance. She most recently managed the public affairs department for the American Society of Landscape Architects, which focuses on land-use planning and development issues.

Delta Dental of Mass.

Delta Dental Plan of Massachusetts announced that Joseph F. O'Connor, former chief administrative officer for Draper Labs, has been named chairman of its board of directors. Also, Neil B. Epstein, a pediatric dentist, has been named vice chairman.