Insurance Times: Mass. insurers show progress in community development

December 19, 2000, Vol. XIX No. 26

by Mark Hollmer
InsuranceTimes

BOSTON - The Massachusetts life insurance industry is on target to raise $100 million over five years for a state-created community development investment fund. But property casualty insurers building an identical program will fall about $10 million short.

That's according to a new report issued recently by the Massachusetts Association of Community Development Corporations that evaluates the success of the separate life, and property casualty investment initiative funds.

Behind Expectations

"Industry participation has lagged somewhat behind legislative expectations," the MACDC said in the report summary.

But industry insiders say that conclusion is somewhat misleading and places property and casualty insurers in an unfair light even though the fund has raised much of the money it needs.

"They are very close to their goal," said Ed Donahue, vice president and counsel with the Independent Property and Casualty Insurers of Massachusetts.

"It seems like a pretty significant achievement in a fairly short period of time... and (that money) is already finding (its) way into communities (through) a whole bunch of loans."

In fact, the Property and Casualty Initiative raised about $16.4 million for 1999 and about $16.5 million for 2000, though the fund launched only near the end of 1999, said Stacy Townsend, executive director of the PCI.

"I think we're doing great," Townsend said.

In addition, the Life Insurance Fund launched almost a year ahead of its property casualty counterpart, in part because it already had a similar, 20-plus year organization in place.

Legislators established the Massachusetts Capital Resource Company back in 1977 -- essentially an economic development corporation that gives growth capital to statewide businesses.

As part of the arrangement, life insurers began to pay into the fund in return for the state phasing out the gross investment income tax and switching to a net investment income tax.

The newer Life Initiative operates as a subsidiary of Massachusetts Capital. And both programs continue to thrive, said Andrew Calamare, president and chief executive officer of the Life Insurance Association of Massachusetts.

"Both of these funds have made dramatic inroads around the Commonwealth in meeting capital needs...," Calamare said.

The new insurance investment funds began in 1998, when State legislators passed: "An Act Insuring Community Investment and the Equitable Taxation of Insurance Companies in Massachusetts." The law directs the state's life and property casualty insurers to develop two $100 million investment funds, to be funded at $20 million per year over five years.

Participating insurers share in a $50 million annual tax cut, and they get an added 1.5 percent tax credit if they give more than their minimum required share. Companies from outside Massachusetts are also eligible for the 1.5 percent cut if they participate in the program.

A coalition of trade associations and individual insurers worked with MACDC, the

Massachusetts Affordable Housing Alliance, the Organization for a New Equality and others to help pass the legislation and promote more investment in low income areas.
According to the report, the Life Insurance Investment Initiative and the Property Casualty Insurance Investment Initiative funds - as they are formally known -- have committed more than $66 million to community development projects.
The Life Initiative includes the state's largest life insurance companies, according to the MACDC report: Berkshire Life, Boston Mutual, First Allmerica Financial Life, John Hancock Mutual Life, Liberty Life Insurance, Massachusetts Mutual/The Blue Chip Company, Monarch Life Insurance, New England Life Insurance, Primerica Life, Savings Bank life, and The Paul Revere Life Insurance.
Chuck Grigsby, senior vice president and fund manager of the Life Initiative, said his fund has contributed to 33 projects so far, worth $49.4 million in projects around the state.
Among the fund's projects over the last two years: $1.9 million to help Holyoke Health Center build a new building, and the $6 million purchase of soft second mortgages from several banks. The latter effort frees up banks to offer more state-subsidized first mortgages to low-income residents.
"We are doing what the spirit of the legislation (intended)," Grigsby said.
Grigsby added that the MACDC report's conclusion that "very little capital" from the funds will be available after the first five years isn't necessarily true.
"If we invest both wisely and prudently we will see a cash flow of somewhere between $4 million and $7 million a year of investable funds coming back to us, to reinvest for the next 20 years."
The MACDC report notes the success of both the Life and Property Casualty Initiatives in contributing to community development projects, but also criticizes the state's larger property casualty insurers for not participating (joining is voluntary).
Commerce - one of the largest auto insurers in the country, the Andover Group, Electric, Safety, eastern Casualty, Atlantic Charter and Hingham Mutual Fire are some of the larger companies who have chosen not to participate, the report said.
But the number difference is relative, Townsend said.
Out of 62 Massachusetts-based property casualty insurers, about 24 have signed up with the Property and Casualty Initiative.
And while one-third of that number have signed up to participate, they've given 80 percent of the money needed, Townsend said.
And in that year-long period, Townsend said, the PCI has funded 14 community projects across the state, including a national a community health center and elderly assisted living complex.
"We've got about $22 million in commitments to date," she said.
The MACDC points out that both funds have successfully issued loans to a number of community development projects.
And there seems to be some consensus that their work will continue, even if the PCI fund doesn't reach its $100 million goal.
Jim Harrington, vice president of state affairs for the American Insurance Association, said the project will succeed in the long run.
"Sure, we would have liked to have more companies but over time, I think that the commitment the legislature intended to provide to assist low and moderate income communities is and will continue to be met."

Insurance Times: Insurer reaction to NH privacy rules mostly positive
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Opponents concerned over health and workers compensation sections

by Penny Williams
InsuranceTimes

CONCORD, N.H. - A proposed New Hampshire privacy regulation garnered both support and opposition from insurance trade associations at the public hearing held recently at the Department of Insurance.
The industry largely endorsed the New Hampshire proposal (INS 3000 - Privacy of Consumer Financial and Health Information) insofar as it conforms with the National Association of Insurance Commissioners' (NAIC) Model Privacy Law.

Health Information
Opposition centered around health information portions of the proposal that critics claimed go beyond the NAIC model and sections on workers compensation. States are under pressure to adopt their own privacy standards under Gramm Leach Bliley Act.
William Cahill, of Allmerica/Hanover Insurance, speaking for New Hampshire domestic insurance companies, supported the New Hampshire proposal. He indicated that his companies' major concern is getting something on the books so as to ensure having "consistency among the states."
Donald Baldini, assistant vice president for the northeast region for the American Insurance Association (AIA), suggested that if quick action isn't taken to promulgate privacy regulations, measures more extreme than this proposal could in fact be enacted because "there are people out there who feel these protections don't go far enough." Bartholomew suggested that promulgating regulations such as INS 3000 would "blunt a lot of activity at the state and federal level."
"The American Insurance Association supports reasonable privacy protections for consumers which also enable insurers to conduct their essential business operations. We believe the department's proposed regulations, and the NAIC regulations on which they are modeled, accomplish both these goals," he told state officials.

Health Requirement
The state's health information "opt in" requirement coupled with the "numerous specific exceptions to this general rule to allow insurers to carry out their normal business operations" provided greater protections for health information that is both "reasoned and workable," Baldini said.
Michael Bartholomew, speaking for the American Council on Life Insurance (ACLI), also supported the New Hampshire rules including the health information restrictions, saying the proposed regulation provides the "necessary limits on the use and disclosure of consumers' financial information to third parties, and is consistent with the regulatory structure set out for federally-regulated institutions pursuant to Gramm-Leach-Bliley."
Unlike those federal rules, however, the New Hampshire model "imposes stricter standards for the sharing of health information," Bartholomew said, adding that the ACLI agrees with this approach "as it considers a person's health history to

be worthy of greater safeguards."
But not every industry organization liked the Granite State proposal. Opponents warned of their effect in workers compensation and health insurance.

The Alliance of American Insurers (AAI) and the National Association of Independent Insurers (NAII) expressed concern that the New Hampshire could undermine the exclusive remedy doctrine behind workers compensation.
Reynold E. Becker, vice president for the Alliance, objected to the fact that the New Hampshire proposal does not provide for a "general business practice" test with respect to unfair trade practices and that it allows for "private rights-of-action" that the association believes will lead to increased and potentially frivolous litigation. "Even more disturbing is the potential for breaching the 'exclusive remedy' doctrine under New Hampshire's workers compensation law," Becker observed.
Becker testified that if the objectionable portions of the proposed regulation are removed, Alliance member companies would support the balance of the proposal.

Primary Concern
Gerald Zimmerman, representing the NAII, said his organization's primary concern is the inclusion of health information privacy standards. "GLB does not include health information privacy and therefore does not require any action on the states' part on this issue," Zimmerman maintained.
The NAII believes inclusion of health information privacy standards could lead to "dual compliance standards for property/casualty insurers and confusion and frustration for the consumer," he said.
GLB, he observed, was enacted to "remove or lower barriers between and among banks, securities firms and insurers." The NAII believes that "the New Hampshire proposal goes beyond GLB and adds barriers."
The NAII objected to the sections on workers compensation criticized by the Alliance and both associations also expressed concern about potential conflicts if the state promulgates health information privacy standards before the federal agency, Health and Human Services, releases its recommendations.

Insurance Times: Tufts CEO sees health plans being treated like warranties
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Berman claims health coverage no longer emergency coverage in public view

by Mark Hollmer
InsuranceTimes

As Dr. Harris Berman sees it, consumers once wanted health insurance just in case something went wrong - a system that worked just like the property/casualty or life lines of business.
But customers today view their health insurance as an "extended service warranty

on a product" that is used regularly, rather than something on hand in case of emergency.

And Berman, chief executive officer of Tufts Health Plan, says that shift in thinking has helped create a difficult problem at the root of the nation's current crisis concerning health costs and coverage.

"If we financed auto purchases the way we finance health services everybody would think they're entitled to a Mercedes," he said.

Berman spoke about health care at the latest meeting of the Massachusetts Society of Licensed Insurance Advisors, held Nov. 29 at Ken's Steak House in Framingham. He elaborated on the subject in a subsequent question-and-answer session and also follow-up InsuranceTimes interviews.

Berman sees a basic conflict at the core of the national health care debate.

"The disparity of expectations between the people paying the bills who want cost control and the public who wants the absolute best treatment."

But a middle ground must be found through at least some restructuring of the system, Berman told InsuranceTimes.

"We need to restructure the market so people have multiple choices of health plans, with different levels of benefits," Berman said, "so people who want extras can pay for" them.

Other Issues

Berman also covered other issues in the health insurance industry, including:

• Computerization. "The health care industry has been very slow to computerize and deserves some very real criticism for that," he said.

• Unintended governmental harm. Congress has hurt the health care industry by its slashing of funding for Medicare reimbursements a few years ago. The business, he said, "is in a fair amount of turmoil from (actions) of Congress, and Congress has been slow to rectify it."

• Redirecting expectations. Berman said the health care industry has been slow to act, but there is discussion "that maybe the market will evolve

"Maybe instead of producing a defined benefit, employees would be given (a set amount of money) which they can then use to buy their own coverage.

But Berman cautioned that the industry isn't sure the market will head this way because, in part, set fees don't take into account coverage for severe illnesses.

And large employers are still focused on offering fixed coverage, Berman said.

• High cost of health care in Massachusetts. Berman said health care costs are higher here because of the high concentration of academic medical centers and patients' corresponding demands for services.

The high concentration of doctors and specialists, Berman said, also feeds the market because "supply really creates demand" in the medical profession.

Task Force

• Health care task force. In the wake of Harvard Pilgrim's receivership earlier this year, a large state task force has been looking into Massachusetts' health care coverage problems.

Berman said the 39-member task force has learned that "there are no simple solutions" to improve health care coverage at the state level, and that universal coverage must come federally rather than the state level.

He said changes at the state level "will be incremental and not dramatic" and "I'm not sure they're going to come out of this commission."

At the same time, Berman said, the commission is helping different sides on the health care debate learn more about each other, as members ranging from nursing home supervisors to insurance company heads exchange ideas with legislators.

"We all need to understand the system better," Berman said.

Insurance Times: Aetna US Healthcare loses $1.9 million appeal

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The U.S. Court of Appeals for the Third Circuit has rejected Aetna U.S. Healthcare's appeal of a $1.9 million jury verdict that found the health insurer illegally interfered with a contract between a third party administrator and its customer.

The original suit brought by Brokerage Concepts, Inc. a King of Prussia, Pa.-based third party administrator, was tried in 1996. A federal jury awarded Brokerage Concepts compensatory and punitive damages for the interference.

Brokerage Concepts claimed that U.S. Healthcare employed its financial muscle against one of its customers, a suburban Philadelphia pharmacy chain. BCI lawyers told the jury that BCI had landed a contract to administer self-insurance for the 90-employee pharmacy chain, I Got It At Gary's. But "David" lost the business to the substantially larger "Goliath", they said, when U.S. Healthcare retaliated by threatening to cut the pharmacy chain off from the constant flow of customers with USHC prescription plans.

Evidence showed that USHC put a freeze on giving any new plan members to Gary's while it investigated its high percentage of non-generic drug sales. It also delayed approval to take plan members to a new Gary's and allegedly told the chain's owner, Gary Wolf, that "we like doing business with people who do business with us."

"It is unfortunate for the shareholders of Aetna U.S. Healthcare that so much of their money was wasted, defending a suit that could have been settled six years ago with a simple letter of apology," noted Arnold M. Katz, BCI founder and president. "We were a small company, but thought we owed it to our clients, the industry and ourselves to stand firm and protest U.S. Healthcare's bullying business tactics."

Insurance Times: Electronic audit system saves CAR $2.1 million

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BOSTON - The state's auto residual market insurer has saved $2.1 million over the last 17 months as a result of switching to an electronic audit system for ceded policies.

Commonwealth Auto Reinsurers has reduced auditing processing time from up to 60 months to around a year.

"By our commitment to the utilization of technology we are providing much better service to the industry," said CAR President Ralph Iannaco.

CAR posted the news on its Web site, where the organization claims the new system has helped correct 1,876 claims.

Under the old way, CAR used a manual auditing system and issued quarterly documents to companies called "quality control reports."

"It would be several inches thick with literally thousands and thousands of data entries regarding claim payment issues," Iannaco said.

Today, CAR uses an automated system and sends audit information electronically to companies; both can then communicate back and forth on computer to review claims records and other materials.
The change, Iannaco said, has helped reduce backlog, which in turn has helped save money.
In the past, auditors saved a similar amount of money but the returns were "dribbled out over years," Iannaco said.
The change has also allowed the CAR auditing staff to eliminate a position through attrition, Iannaco said, adding that a second slot soon to open through a retirement won't be filled either.

Insurance Times: HIAA no longer in merger talks with AAHP

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WASHINGTON - The Health Insurance Association of America (HIAA) announced that it is no longer engaged in discussions with the American Association of Health Plans (AAHP) regarding a possible merger. HIAA will continue as a separate organization under the leadership of Chip Kahn. The two organizations will continue to work together on major health policy issues of common interest and concern.

Insurance Times: Plymouth Rock acquires another Mass. agency

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BOSTON - BCS Holding, a subsidiary of Plymouth Rock Assurance Corp., recently acquired all the assets of the MacNeil Insurance Agency, Inc., Lexington, Mass.
"The purchase reflects our goal to be a value-added partner for independent agents, helping them increase and realize the value of their agencies," said BCS Holding President Don Southwick.
Terms of the transaction were not disclosed. MacNeil will continue to operate as an independent agency under the MacNeil Insurance Agency name and maintain relationships with multiple carriers. Based in Lexington since 1939, the agency wrote more than $3 million in property-casualty premiums in 1999.
Daniel Lucas, MacNeil's owner since 1981, will continue to be actively involved in the agency.
BCS Holding Company was formed in late 1999 to acquire and operate independent agencies, particularly those facing succession or perpetuation issues. This is BCS Holding's third acquisition, following the purchases of Amherst-based Blair, Cutting & Smith and W.G. Leavitt & Son Insurance Agency of Stoneham.

Insurance Times: P/C 'excess capital' seen as challenge for insurer management

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OLDWICK, N.J. - Over the past decade, the U.S. property and casualty insurance industry's excess capital position has grown dramatically due to slower premium growth, better risk management techniques and significant surplus gains.
This assessment is confirmed within A.M. Best's study of the P/C industry's capital adequacy at year-end 1999. This study involved a detailed capital analysis of 996 individual companies and groups that are rated by A.M. Best that represent over 99% of the industry's capital base. A.M. Best used its database and integrated capital adequacy model (BCAR).

$180 Billion
From a solvency perspective, A.M. Best estimates that the domestic P/C insurance industry remains significantly over-capitalized relative to Best's B+ capital standards. Effectively, the industry's individual companies and groups could return a total of $180 billion of capital to their stakeholders, which equates to 53% of the industry's 1999 statutory surplus, and still qualify for A.M. Best's lowest Secure Rating of B+.
From a ratings perspective, Best's analyses of individual insurers' balance sheets reveals that over three-quarters of the P/C industry's organizations maintain "extra" capital totaling $88 billion--26% of the industry's 1999 surplus--when compared against the capital required by A.M. Best to support their respective rating assignments. Excluding the two capital-rich groups -- State Farm and Berkshire Hathaway- -the industry still maintains roughly $48 billion in extra capital.

$48 Billion Extra
Importantly, this $48 billion of "extra" capital already accounts for P/C insurers' material financial risks identified within Best's 1999 year-end capital reviews, including:
• $30 billion of potential losses stemming from insurers' 100-year catastrophic events;
• $35 billion of estimated reserve deficiency equating to 10% of the industry's 1999 carried reserves;
• $25 billion, or 15%, decline in insurers' stock investment values;
• $ 20 billion of unfunded Asbestos & Environmental (A&E) liabilities.

The industry's over-capitalization represents a significant capital management challenge and opportunity for most insurers. Best's capital study may surprise some industry observers that a majority of P/C insurers could return extra capital to their stakeholders without greatly risking a ratings downgrade--assuming they exhibit stable operating results.
However, for some insurers that are experiencing poor performance in the near-term, it may prove beneficial for them to maintain extra capital to mitigate the threat of a rating downgrade, according to the report.

Other Study Findings:
-- Less than 8% of P/C insurers exhibited "Vulnerable" capital strength at year-end 1999 that fell below Best's minimum B+ capital standard. Of these "Vulnerable" insurers, 90% maintained surplus below $25 million.
-- Under Best's baseline stress test, less than 10% of the P/C organizations exhibited an excessive premiums to surplus ratio of 3.0 or more--stemming from the convergence of a severe 100-year catastrophe loss, severe reserve development of 30% relative to insurer's unpaid loss and LAE reserves and a 20% decline in stock investment values.

-- Roughly one-half of the P/C insurers rated by A.M. Best maintain capital strength that exceeds the capital standards for Best's top rating of "A++"; yet only 3% are assigned an A++ rating.
-- Only 50% of the P/C organizations rated within A.M. Best's "Excellent" and "Superior" rating categories generated five-year returns on surplus that exceed their estimated cost of capital. Based on 1999's depressed industry results, only 39% of the companies generated returns on surplus that exceed their cost of capital.
A.M. Best's capital study reinforces that Best's Ratings are not based solely on insurers' current capital strength and do incorporate our assessment of a company's long-term financial strength derived from its operating performance and competitive position. This is evidenced by the fact that the majority of Best's P/C rating downgrades in recent years have been driven more by insurers' poor performance and weak operating fundamentals than by capital adequacy issues.

2000 & Beyond
The industry's excess capital position is expected to diminish somewhat in 2000 due to lingering under-priced business, more adverse reserve development, and an overall decline in surplus levels.
At the same time, A.M. Best said it will continue to refine its BCAR capital adequacy model. Within its 2000 capital evaluations, A.M. Best expects to incorporate an explicit credit for multiline diversification, and will be refining reinsurers' underwriting risk factors to reflect the changing nature of their products. These model revisions are expected to further temper A.M. Best's capital requirements for diversified primary insurers and reinsurers going forward.
While it maintains that the current BCAR model remains a "powerful tool" used in the rating process, A.M. Best says it is working towards the development of a "more dynamic" approach to assessing enterprise risk and capital requirements. This initiative includes the development of a Value at Risk (VAR) model that takes into account emerging as well as traditional risks. A.M. Best believes VAR provides a valuable dynamic view of an organization's risks that could complement more static risk-based capital measures in the future.

Insurance Times: Arbella's CEO leaves auto insurer to head ProMutal

December 19, 2000, Vol. XIX No. 26

by Mark Hollmer
InsuranceTimes

Arbella Mutual - one of the Bay State's largest writers of personal automobile insurance - is losing its longtime president and chief executive officer this month to a smaller, specialty market medical malpractice insurer.
Richard Brewer said he's leaving Arbella after 12 years to become ProMutual Group's new president and CEO. He's taking a job that's been vacant since late spring.
Brewer, 53, explained that he wasn't looking to leave Arbella but "this is an opportunity that came in my direction, and I became more and more intrigued

(about) this company and what it is doing...
"It's a superb opportunity this time in life, and a company that's really in my view an outstanding industry leader in its field," he said.
ProMutual's previous president and CEO, Stefan Brueckner, left the company in April after two years on the job, because he and the board "disagreed on the long-term direction of the company," said Jim Rugh, ProMutual's marketing communications director.
Brewer is leaving a company with $450 million in annual premium and a $200-$235 million surplus, for one with $90 million in annual premium and a $400 million surplus. Arbella Mutual has more than 1,000 employees compared to ProMutual's 140.
ProMutual issued a press release announcing Brewer's arrival, calling him a "seasoned executive who is highly regarded" by both the regional industry and independent agents.
"He brings over 30 years experience and a proven track record of building a large property and casualty insurance company he will make a positive contribution to the organization in his new role," Dr. Barry Manuel, ProMutual's CEO said in a written statement.
Brewer has served as president and CEO of Arbella Mutual's virtually since its creation out of Kemper's old Massachusetts' book of business in 1988.
John Donohue, chairman of the board of Arbella Mutual, helped found the company and bring Brewer on board.
Donohue said he and Brewer worked in a successful partnership where both "each had certain skills that the other didn'tit was a very good relationship all of these years."
"We at Arbella are sorry to see Dick leave (he) was a wonderful leader and wonderful business strategist for the organization he has contributed a lot to our success.
"We wish him well in his new endeavor and completely understand why he is making this decision, that he just wants to try and do something different after 12 years doing the same job."
Donohue says Arbella will continue its course as a mutual insurance company, and will continue its "commitment to our agents, to the community and the customers."
Donohue, 48, will take over Brewer's job at Arbella Mutual, but remain as chairman of the board, and also chief executive officer of Arbella, Inc., Arbella's holding company that handles non-Massachusetts personal lines business.
He said he's assuming the extra role, in part, to insure Arbella's continuity.
But Donohue said he now has the time for the job after finishing or shepherding some long-term projects to successful levels, such as establishing sub-companies to handle different lines of insurance, or modernizing the company's computer systems and products.
Brewer worked in executive positions at Hartford Insurance and National Grange Mutual insurance before coming to Arbella.
He's also been an active voice in the property casualty insurance business, most recently as CAR's former Governing Committee chairman.
Brewer stepped down recently but remained on the CAR board, and was a vocal supporter of changing how CAR divides the Massachusetts residual market deficit between member companies, as defined in Rule 13.
Insurance Commissioner Linda Ruthardt will have to appoint a replacement for Brewer on the Governing Committee, and Donohue said he hoped "an Arbella person would be designated."
For now, Brewer continues to sound off about the auto insurance industry he is soon leaving behind.
He spoke at the Worcester CPCU meeting on Dec. 7, and said the Massachusetts private passenger automobile market was "still fragile" but that he was

encouraged by long-term trends. He also advocated for reform of CAR's Rule 13.
ProMutual Group has about 140 employees and writes medical professional liability insurance coverage for about 14,000 physicians, surgeons and dentists, and health centers, hospitals and clinics in Massachusetts, Connecticut, Maine, New Jersey, Rhode Island and Vermont.
ProMutual has about the same assets as Arbella does, Brewer said.
ProMutual is 25 years old and was formed originally as the Joint Underwriting Association for Massachusetts. The company switched to its current status about five years ago.
Arbella Mutual is a multi-line, property casualty insurer.

Insurance Times: Notification requirement among proposed change to disabilities act
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The Americans With Disabilities Act was passed in 1990, mandating that public places be made accessible to disabled citizens.
A decade later, proposed changes to the act promise to enhance it - or threaten to defang it, depending on whom you ask. The debate surrounding these proposed changes to the ADA is the subject of an article in the December issue of the ABA Journal.
According to the Journal, the most prominent of the current proposals to amend the act is the ADA Notification Act, which would mandate that no one could sue a business for violating the ADA unless they notify the business in writing or in person of the alleged violation and then, wait 90 days before filing suit.
Lawyers who file suit prematurely would be sanctioned, and plaintiffs who violate the 90-day notice requirement would be prevented from collecting attorney fees, even if they win the case.
"This bill would allow small business owners to be made aware that they might be out of compliance before they have to hire an attorney and be forced to settle," Scott Vinson, policy analyst for the U.S. Chamber of Commerce, told the Journal. The U.S. Chamber of Commerce supports the measure.
Former U.S. Attorney General Richard Thornburgh, an ADA supporter since its inception, told the Journal that disability advocates should consider agreeing to the 90-day notice period, if for no reason other than good public relations. "As a practical matter, most suits cannot be prepared and filed within 90 days, anyway," he said.
But according to the Journal article, not everyone agrees that the amendment is a good idea. James Carr, chair of the ABA Commission on Mental and Physical Disability Law, told the Journal about his concerns. "I worry that this amendment as proposed would reward delay and penalize people who are proactive about enforcing the ADA."
John Kemp, vice president of the disability resource Web site Halftheplanet.com, says the 90-day notice period is unnecessary because the ADA's requirements have been clear since the law was passed 10 years ago. Business owners have already received sufficient notice of the statute's requirements, he told the Journal.
The ADA Notification Act isn't the only proposed change that is stirring up debate. In the past year, a handful of other measures have been proposed to amend the act - and, according to the Journal article, this fact has some

disability activists concerned. They fear that amending the act would open the floodgates for numerous business-friendly changes that would erode its landmark protections.

According to the Journal article, an upcoming ruling by the U.S. Supreme Court may also have wide-ranging impact on the law. In October, the Court heard oral arguments in the case of University of Alabama v. Garrett, No. 99-1240, which asks whether the ADA applies to state governments. The plaintiff, an employee of the University of Alabama, was demoted upon her return to work after receiving treatment for breast cancer. Alabama argues that the 11th Amendment protects states from being sued in federal court for violating the ADA. A decision in the case is not expected before spring.

According to the Journal, disability activists are concerned that the Court may continue its recent trend toward exempting states from federal laws and rule in favor of the school. Such a ruling, activists fear, could allow states to ignore the ADA in matters of employment as well as in the treatment of the disabled in state institutions and with regard to accessibility on municipal and state-owned property.

The Journal reports that the American Bar Association has filed a friend-of-the-court brief arguing that the ADA protects fundamental constitutional rights and is therefore applicable to states.

Still, many would welcome measures that would curb the ADA's reach. "The way the law is now, it benefits no one but the class action trial attorneys, who file suits in hopes of getting quick settlements out of cornered business owners," Vinson told the Journal.

He also argues that the ADA is filled with technical requirements that many small-business owners should not be expected to decipher and implement. He cites examples such as exact heights of restroom grab bars and inclines on wheelchair ramps.

It is yet to be seen whether a workable balance between the rights of the disabled and the cost of compliance for businesses can eventually be reached, but as the Journal article demonstrates, ADA enforcement will remain a contentious issue for the time being.

Insurance Times: NY's uninsured auto program too 'perfect' at matching names

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ALBANY, N.Y.(AP) - You may know you have auto insurance. Your agent may know you have auto insurance. Your company may know you have auto insurance.

But if a new state Department of Motor Vehicles computer program does not recognize it, you could end up in trouble.

"Welcome to New York, huh?'' laughed Blaine Friedlander of Ithaca.

He was wrongly identified as having no insurance because, as it turns out, his name was too long. The computer chose to identify the Cornell University employee as "Friedlander,B,P,Jr,'' when all his insurance records read "Blaine P. Friedlander Jr,'' he and his agent said.

He was caught in the maw of the early days of a DMV computer system approved by the Legislature three years ago. The system aims to weed out drivers who don't have insurance by keeping them from registering vehicles. Industry officials estimate 1 in 10 drivers on the road don't have insurance - a problem for the other nine should they get into an accident with the driver who can't pay for damages.

The Professional Insurance Agents Association supports the program, "but we know we'll have some rocky points,'' the association's Ellen Kiehl said. The group represents 18,000 agents statewide.

"It will be a huge asset to New York and a lot of other states are looking at us with great interest,'' she said.

One of the system's "rocky points'' is the computer program's apparent requirement that perfect matches for names are needed to show that a New York driver has state-mandated insurance coverage.

When a name is too long, the computer strikes out vowels beginning at the start of the name, according to Kiehl whose association was involved with implementation of the new system. Local agents need to anticipate - or react - to this so insurance company files exactly match the DMV's computer records so the necessary verification of a person's status as an insured driver is confirmed.

"My early understanding is there may be some minor problems with the system,'' said DMV spokesman Ken Brown. "Apparently there are some rare instances, but considering the overall numbers, it's not a major problem. We're ironing those out with insurance agents.''

Brown said he's unsure how many people among the 8 million driver files now in the computer have had problems with a system devised by state computer specialists. Nor could he say what the limit of characters is before the computer starts to abbreviate a name.

He noted that if a problem arises, the driver will be informed. But part of the problem is that drivers often don't inform DMV of address changes or name changes by marriage or other purpose as required. Agents also fear many people will disregard the notices as DMV error because they know they have insurance.

Brown said the DMV won't suspend a registration for 30 days. A driver's license wouldn't be suspended for 90 days.

Friedlander, however, said he never received a letter from DMV.

His insurance agent received a notice from DMV that her client's name did not compute. So the agent called Friedlander who had to go to the office to show that his registration matches his computer file data.

The agent then sent the corrected information to the DMV computer, where it could take 24 hours to fix and two or more days to get a confirmation letter out to Friedlander. During that time, agents warn, if Friedlander was stopped for a traffic infraction, he would likely get a ticket he'd have to battle in court.

Agents are advising clients caught in this limbo not to drive until the DMV confirms what the driver, agents and insurance companies already knew.

Friedlander said that if his agent had ignored or missed the notice, the problem wouldn't have been cleared up. That would lead to $8-a-day fines for driving without insurance and other increasing penalties.

"The dilemma is, if the insurance agency doesn't take care of it, I'm the one who's going to be fined, I'm the one who's going to get my registration suspended, I'm the one who is going to get my license suspended,'' Friedlander said.

Friedlander's insurance agent, Sally Hoyt, said the problem is hardly a "minor'' one, as Brown characterized it. She said she is snowed under trying to deal with problems created by the apparent computer glitch. She said she has handled more than 100 problems among customers and worries from many others who may have missed or discarded a cautionary letter from the DMV.

"It's kind of like DMV thinks it's God and if we don't like it, too bad,'' said Hoyt.

She added, "I've never had something like this happen before and I've been here 23 years.''

Insurance Times: CAR commercial rates going up
December 19, 2000, Vol. XIX No. 26

by Mark Hollmer
InsuranceTimes

CAR commercial motor vehicle fleet and non-fleet customers in Massachusetts will see a 9.8 percent overall increase in their 2001 rates.

Commonwealth Automobile Reinsurers - the state's auto residual market insurer - originally submitted a 22-percent proposed rate increase. But CAR and the State Rating Bureau agreed on a compromise rate stipulation, and the Division of Insurance signed off on the measure Dec. 1.

"We find that the agreements set forth in the stipulation will result in rates that are not excessive, inadequate or unfairly discriminatory," presiding DOI officer Sharon Kamowitz and Commissioner Linda Ruthardt wrote in their decision.

They also had great things to say about how CAR was able to propose rates for car service vehicles.

"We are pleased that this year, for the first time, CAR was able to propose rates for car service vehicles based on the actual loss experience for such vehicles," Kamowitz and Ruthardt said in the decision.

"Changes such as this one are important for the development of a more equitable system for insurance public service vehicles..."

Rate increases range from 4.6 percent for public buses to 30 percent for limousines and a 29.1 percent increase for car service rates.

Before reaching a compromise with the SRB, CAR proposed a 58.2 percent and 80.2 percent rate increase for limousines and car services, respectively, the DOI noted in the decision.

The new rates take effect retroactive to Oct. 1, when the new policy cycle began.

Both CAR and the SRB had said that the rates needed to be approved by Dec. 1 so new rate pages could be sent out to carriers. There was no delay last year because all parties agreed to a rate before Oct. 1.

The DOI theoretically could have approved the new rate during a Nov. 30 hearing held to discuss the matter, but Ruthardt took the matter under advisement for a day. She asked both sides to submit legal briefs to see if she had the authority to grant a retroactive rate.

Last year, CAR proposed increasing commercial rates by 9.6 percent overall, but Ruthardt approved a rate decrease of minus-2.5 percent.

Here are the individual CAR commercial rate increases included in the new 2001 stipulation, by percentage:

Trucks, Tractors and Trailers, 11.3; Private Passenger Fleet (i.e. vehicles used by real estate agents), 9.6; Garages, 5.9; Special Types (ambulances, antique cars, golf cars, snowmobiles, etc), 9.6; Zone Rated, Garage physical damage (repair shops, public parking lots), 9.6; Taxis, 8; Limo, 30; Car Service, 29.1; Public Buses, 4.6; Van Pools, 30; Private Passenger Non-Fleet, 5.9.

Insurance Times: OpinionExchange
December 19, 2000, Vol. XIX No. 26

Is it now safe to say the insurance industry survived the Y2K scare?

It's been a year since the millennium bug threatened to infect the industry, indeed the entire economy.

But it's clear that the insurance industry readily survived Y2K and all that 2000 threw its way.

More significant than the Y2K computer bug for the industry was the enactment of Gramm-Leach-Bliley, which has put states under pressure to develop privacy and licensing laws that make sense or face federal intervention.

Other than GLB and the resulting fallout for states, however, 2000 was not a big year for legislative and regulatory solutions.

Debates over aftermarket parts, patients rights, commercial deregulation and health insurance were vigorous but after all the discussion, lawmakers for the most part postponed passing a slew of new laws.

The news in 2000 came less from state houses, courts and insurance departments and more from the marketplace.

Pricing improved while markets generally remained stable.

A number of insurance companies and HMOs went under.

More and more agencies and companies found merger partners.

The Internet became as much a competitive edge for agents and insurers as a competitive threat.

InsurBanc, agents' answer to bank competition, cleared the hurdles.

The year 2000 saw the industry confront plenty of change, competition and even criticism. The industry approached these challenges from a position of strength and determination to control its own destiny.

It didn't hurt that the weather cooperated. Catastrophe losses for the year 2000 are estimated to be half what they were in 1999.

To the extent that the industry finds itself in a good place as it prepares to face 2001, it has its own sound business decisions in the face of economic, technological and social change to thank.

The industry's overall record of 2000 bodes well for whatever 2001 has in store.

Insurance Times: Mass. gauges insurer market share in neighborhoods
December 19, 2000, Vol. XIX No. 26

by Mark Hollmer
InsuranceTimes

BOSTON - A Bay State law that encourages insurers to write more policies in underserved neighborhoods has had mixed results in its first two years, according to a new study.

Four companies increased their underwriting in those areas in 1998 compared to 1997, but just as many companies reduced their business, the Massachusetts Affordable Housing Alliance concludes.

Details are included in "Insuring Neighborhoods IV," an annual study MAHA puts out to gouge progress since the Insurance Anti-Redlining Act of 1996.

This years report compares statistics from 1998 to 1997, the first two years after the Anti-Redlining Act passed and the most recent years for which numbers are available.

Several 'Great Job'

"It shows that there are several companies that have really done a great job of writing more business in the underserved zip codes," said Thomas Callahan, executive director of the Massachusetts Affordable Housing Alliance.

But "the bad news is that still too many companies 13 of the top 24 companies wrote less policies (in 1998) than in 1997."

Callahan said his group is disappointed that more companies haven't taken advantage of the law in the years since it passed.

Still, Callahan added he's heartened that some companies have pushed to increase their underwriting in underserved areas.

"The fact that there are a handful of companies that have increased their business in these neighborhoods shows that it can be done," he said.

For the study, MAHA looked at company market share in 15 zip codes in Boston, Chelsea, Lawrence, Lynn, New Bedford and Worcester. MAHA also compared each company's 1997 and total polices in the state.

Among the report's findings:

• Arbella, Hingham, Vermont Mutual and Quincy were the top four companies to increase business in areas covered by the 15 zip codes, with a net gain of about 1,019 policies from 1997 to 1998. Vermont, Hingham, Arbella and Liberty Mutual currently "write proportionally more business in the targeted neighborhoods compared to statewide."

• During the same time period, Trust (now in liquidation), Plymouth Rock, Commercial Union and Fireman's Fund were the bottom four companies conducting business in areas covered by the 15 zip codes, with a net decrease of 1,444 policies.

• Andover, Commerce, Travelers, Commercial Union, Quincy and Chubb - six of the state's top seven insurance companies - "write proportionately less business in the underserved zip codes than statewide."

• Eleven of 24 of the top insurance companies wrote more business in underserved zip codes in 1998 than in 1997.

• The FAIR plan actually had more policies in force in the 15 underserved zip codes in 1998 than in 1997. MAHA said this was bad, because the law's goal was

to reduce or "depopulate" FAIR plan membership.
The 15 zip codes used to compile the report have FAIR Plan market shares ranging from 23 percent to 62 percent.
Eight other zip codes have a FAIR Plan market share above 20 percent, according to the report: Boston, Brockton, Cambridge, Lawrence, New Bedford, Provincetown, Revere and Wareham.
The report includes a number of recommendations, such as ending redlining of flat roof triple-deckers and adopting a lead paint exclusion. Insurers should also appoint and train more neighborhood agents, invest in underserved neighborhoods and require insurance companies to verify or correct any data they submit, according to the report.
The 1996 Insurance Anti-Redlining Act requires property insurers to disclose where they do business. The law also allows for financial incentives for companies who write more policies in underserved neighborhoods.

Insurance Times: Ruthardt seeks broad commercial lines deregulation

December 19, 2000, Vol. XIX No. 26

Division of Insurance proposal would permit any size business to self-certify for eligibility under deregulation; agents oppose broad eligibility

by Mark Hollmer
InsuranceTimes

BOSTON - The Massachusetts Division of Insurance is raising eyebrows in the industry with a commercial lines deregulation proposal that goes a lot further than past attempts by allowing businesses of any size to participate.
The DOI bill, as filed before the Dec. 6 legislative deadline, lacks a threshold defining larger risks that could also keep small companies from participating. It would also deregulate both forms and rates. It's among the dozens of bills filed by the DOI and industry trade associations in anticipation of the new State House session in early January.
Frank Mancini, executive vice president of the Massachusetts Association of Independent Agents, said the two-page bill goes too far.
"The legislation that the (DOI) has filed is extremely broad," he said. "It's not what we have in mind for commercial lines deregulation."
On the other hand, Donald Baldini, the American Insurance Association's assistant vice president for state affairs, said his group supports the DOI legislation.
"We are very supportive of what (Commissioner Linda Ruthardt) filedit accomplishes what we were hoping to accomplish with the bill we've been filing over the last several years."
The short bill - a little over a page long - would remove "a large commercial policyholder" from state regulation of "policy form and content and filing, approval and fixing and establishing of rates."
A "large commercial policyholder," as defined in the proposed bill, would be any "corporation, partnership, trust, sole proprietorship or other business or public entity" that has certified itself to be "a large commercial policyholder

and understands the limited regulatory oversight that such an election connotes."
Insurers working with large policyholders would still have to "maintain underwriting files, premium, loss and expense statistics, financial and other records" for DOI examination as required under law. Right now, all commercial policy forms and rates must be approved by the DOI.

Potential Problems
Mancini said the DOI-created commercial lines legislation creates added potential problems.
"Every individual business in Massachusetts under this proposal could certify itself as a large policyholder and the companies could develop an individual policy form for each one of them (which is) taking it to the extreme but it could happen under a policy like this."
Mancini said the MAIA, as it has with past attempts, would support applying a more limited commercial lines deregulation.
"Certainly there is room for deregulation of certain commercial rates and policy forms but it should be limited to certain risks," he said.
Mancini added that attempts in Massachusetts last year, and in other states, following the NAIC model, would establish standards for companies to meet before they're considered to be large commercial policyholders and then exempt from rate and form regulation.
He said he would also support a deregulation bill that requires a large commercial policyholder to have a qualified risk manager on staff.
Baldini, on the other hand, said the DOI-proposed bill "accomplishes what we were hoping to accomplish with the bill we've been filing over the last several years.
"This lets any company self-certify that they are willing to deal in a deregulated market or purchase products that do not have the same level of oversight (and) that's a step in the right direction," Baldini said.
"It avoids the question of threshold, a sticking point in other states it is more in line with commercial lines deregulation (philosophy) that the customer(s) should decide their own level of sophistication and what degree of oversight they're comfortable with."
The DOI filed about 12 bills in all, addressing issues including privacy, anti-discrimination regarding victims of abuse, insurance adjusting, producers, uniform accounting principals, penalty increases for unfair and deceptive business practices, equity in assessments on insurers and consumer protections.
Some of the major trade associations have also filed bills - a mixed bag of delayed proposals from last year and new legislation.
AIA 's agenda includes bills on assessments, motor vehicle damage appraisers, fire insurance companies, insurance compliance and self-audit privileges, workers compensation rate competition and the Mass. Insurers Insolvency Fund.
The NAII 's agenda includes bills on privacy, workers compensation loss cost rating, commercial lines deregulation, producer licensing,and anti-rebating.
MAIA is sponsoring a bill to change the date private passenger automobile insurance rates are set from Dec. 15 to Nov. 14, with the rate to become effective on April 1 the following year.
Mancini said the bill is at "the top of our legislative agenda," because "the influx of safe driver discounts and group discounts over the last five years has really changed the calendar as to when final rates are approved.
"The present calendar we're operating under doesn't make any sense," he said.
MAIA is also supporting a number of other bills, covering issues including group marketing plans for automobile and homeowner insurance, group discounts under the safe driver insurance plan, public insurance adjusters, workers compensation and the sale or advertising of insurance on the Internet.
The NAII recently announced its 2001 Massachusetts legislative agenda, a mix of

old and new proposals, focusing on privacy, workers compensation loss cost rating, commercial lines deregulation, producer licensing, anti-rebating, and the auto rate effective date (similar to MAIA's April 1 proposal).

Insurance Times: Intracorp's offers carpal tunnel program

December 19, 2000, Vol. XIX No. 26

PHILADELPHIA - Intracorp has launched a program to help organizations prevent and manage carpal tunnel injuries -- the most expensive musculoskeletal disorder (MSD) suffered by American workers.

Intracorp maintains that the program is available in every state and meets the requirements set forth by the OSHA standard, effective October 17, 2001.

The Bureau of Labor Statistics reports that carpal tunnel syndrome incurs a median of 25 lost workdays, outpacing the lost work time sustained by fractures and amputations. Many employers estimate that their costs far exceed that figure, averaging as much as $30,000 per case.

"This program puts the focus of intervention where the injuries are," says Connie Miller, Intracorp's director of strategic markets and a certified professional ergonomist. "We firmly believe that by implementing a proactive strategy, we can help organizations reduce the considerable amount of corporate dollars invested in compensation for this injury. Furthermore, we can help improve worker productivity through a systematic program that addresses both the risk factors and management of this costly injury."

Through a structured pre-injury plan, the program helps employers minimize the risk factors that lead to carpal tunnel injuries by carefully analyzing the scope of the problem -- such as number of cases, existent risk factors and problem locations. The program also establishes a plan for aggressively managing carpal tunnel injuries once they occur with the intent of accruing minimal to zero lost time.

Insurance Times: SAFECO targets boiler/machinery market

December 19, 2000, Vol. XIX No. 26

SEATTLE - SAFECO announced a business alliance with The Hartford Steam Boiler Inspection and Insurance Co. to expand both companies' boiler and machinery insurance books of business.

The alliance includes outsourcing SAFECO Business Insurance's (SBI) Boiler & Machinery insurance operations to Hartford Steam Boiler, which specializes in inspecting and insuring machinery.

SBI's Boiler & Machinery coverage will now be known as "Equipment Breakdown" coverage. The insurance covers the physical and financial damage that may stem from a customer's covered equipment breakdown.

The new relationship will take effect Dec. 31, 2000, and "it will be advantageous for everyone concerned," said Senior Vice President Dale Lauer, chief operating officer of SBI.

Agents will still do business with SAFECO, and they'll still get a commission for that business; they'll just have a Hartford Steam Boiler representative serving their clients instead, he explained.

He stressed that this agreement does not mean SAFECO Business Insurance is getting out of the boiler and machinery line.

Through the relationship, Hartford Steam Boiler will reinsure 100 percent of SBI's Equipment Breakdown coverage business, as well as providing representatives in the field who will offer jurisdictional inspection service and loss control tips to customers. Plus, Hartford Steam Boiler representatives will provide SAFECO with claims and underwriting guidance, along with employee training for the insurance line.

Insurance Times: BrokersPortal signs Plymouth Rock

December 19, 2000, Vol. XIX No. 26

WRENTHAM, Mass. - StarNex, Inc., provider of the BrokersPortal online insurance marketplace, has entered into an agreement with Plymouth Rock Assurance Corp., a Boston-based insurance provider. Under the agreement, Plymouth Rock plans to bring their agents into the virtual community provided by BrokersPortal. BrokersPortal will make available its reference library as well as a portal to specialty markets.

Insurance Times: The Hartford reaches small business milestone

December 19, 2000, Vol. XIX No. 26

HARTFORD - The Hartford Financial Services Group Inc. has just surpassed the $1 billion milestone in annual sales (written premium) of insurance for small businesses, making The Hartford one of the nation's largest providers of insurance for this market.

This insurance is sold primarily through a countrywide network of over 4,000 independent agents who represent The Hartford.

"The achievement of this milestone clearly demonstrates the value of focusing on the customer by teaming a broad, flexible insurance product designed around the coverage and financial needs of the small business owner with a motivated sales force and an efficient system of customer service," said Jim Ruel, business leader of Select Customer, The Hartford's small commercial segment. "We are profitably growing at an estimated five times as fast as the industry average and expect to be reaching new milestones in the future."

The Hartford's SPECTRUM business owners policy, which now includes more than 700 classes of business, offers a range of coverage options tailored for the needs of specific industries. The Hartford also provides workers' compensation and commercial auto insurance.

Insurance Times: Workplace bias claims seen affecting most businesses

December 19, 2000, Vol. XIX No. 26

NEW YORK - Allegations of discrimination in the workplace are becoming commonplace. Coca-Cola's recent decision to pay $192 million to settle charges of racial discrimination is only the latest in a series of multi-million dollar settlements stemming from alleged acts of racial, sexual and other discrimination, according to the Insurance Information Institute (III).

Recent Cases

CBS recently settled a sex bias case with the Equal Opportunity Employment Commission (EEOC) for $8 million while Commonwealth Edison agreed to pay up to $2.5 million to settle charges that it discriminated against Latino employees.

In recent years, Texaco, Home Depot, Mitsubishi, PepsiCo and dozens of other well-known corporations have spent hundreds of millions of dollars in settlements and jury awards in the midst of what has become a virtual explosion in employment practices liability litigation.

During fiscal year 1999, 19,694 charges of discrimination were filed with the Equal Opportunity Employment Commission (EEOC), up 77% from the 11,096 charges files in fiscal year 1992. Approximately 37% of complaints allege racial discrimination, 31% allege sex discrimination while 9% assert discrimination based on national origin. The remaining 23% are a mixture of claims of discrimination based on religion, age, disability and other factors.

"Sooner or later, virtually every medium-to-large sized company is likely to find itself the defendant in a discrimination or sexual harassment lawsuit," said Dr. Robert P. Hartwig, III vice president and chief economist.

6 out of 10

"It is estimated that six out of 10 companies have been named in a discrimination or sexual harassment lawsuit in the past five years," he added.

Hartwig said that the boom in employment practices litigation is being fueled by new legislation that allows the recovery of monetary damages in cases of intentional discrimination, vaguely worded federal and state anti-discrimination laws, conflicting court rulings, heightened public awareness and rapidly changing workforce demographics.

"The 21st century's racially and ethnically diverse workforce is a potential powder keg," said Hartwig, adding that the litigious nature of today's society is the spark that could set it off.

"Men and women of every conceivable race, creed and color are more likely to be working with each other not just as peers, but also as subordinates and superiors than at any point in American history," he said.

He said corporate America is clamoring for ways to reduce its exposure to allegations of racial, sexual and other forms of discrimination.

"There are two defensive measures every corporation should take to protect itself against the threat of employment practices litigation," said Hartwig. The first involves the creation of a written policy that strictly forbids all forms of discrimination and harassment. The policy must be consistently enforced, be made known to all employees at all levels of the organization and include effective procedures for filing complaints.

A second line of defense, according to the III, involves the purchase of employment practices liability insurance (EPLI) products and services. EPLI typically covers legal costs, damage awards and settlements arising from alleged

claims of discrimination or wrongful termination. Insurers may also provide a wide range of resources such as attorney review of current employment practices, training and sample anti-discrimination policy handbooks. Standard commercial general liability, directors and officers liability and workers compensation policies typically do not cover costs associated with defending or settling discrimination lawsuits.
More than 60 insurers sell EPLI today compared to just a handful when these policies first hit the market in 1990. The relatively modest cost of EPLI makes them attractive for even a moderate-sized company. A typical $1 million dollar policy with a $10,000 deductible for a company with 200 employees costs between $10,000 and $20,000, depending on the type of industry.
"For about $40 a day, a mid-sized company can protect itself against the ruinous impact that a discrimination lawsuit can have on a modest-sized business," said Hartwig.

Insurance Times: Liability rates seen rising for SUVs, pickups, vans
December 19, 2000, Vol. XIX No. 26

NEW YORK (AP) - Two insurance companies are raising liability premiums for sport utility vehicles, pickup trucks and big vans because of evidence that they cause more damage in accidents, The New York Times reported recently.
Allstate Insurance Co. and the Progressive Insurance Group, which together cover almost 25 million vehicles, also said this week they had begun lowering premiums for other cars.
Until now, drivers with similar records often have paid similar premiums for liability and personal injury coverage, whether they own a small car or SUV, the Times said.
"People with standard sedans and smaller cars today are subsidizing people with sports utilities and vans and pickups,'' said Kevin Kelso, in charge of auto insurance at Farmers Insurance Group, which plans to adopt similar measures next year.
However, the newspaper said, accident data are persuading the industry to make changes that better assign costs according to the safety record of a particular model.
Bigger vehicles can cause more damage to other cars, but that doesn't always mean they're safer for the people riding in them, Progressive spokeswoman Leslie Kolleda said.
"We look at data from crash tests, look at what cockpit protection the vehicle affords, how the vehicle is designed and made. It's a lot more than just size,'' Kolleda said.
She said Progressive has been pricing liability coverage based on vehicle characteristics since 1983.
Allstate spokesman Mike Trevino said the company will raise liability premiums for some SUV models, while premiums for some vans and cars may decrease.
"We will reflect the actual claims experience (for each vehicle) onto the price of insurance,'' Trevino said. But he said some SUV owners may also see a decrease in the medical portion of their premiums because the vehicles better protect occupants.
Premiums are likely to rise or fall by $150 or less a year under the new plans,

insurance executives told the New York Times.
State Farm, the nation's largest auto insurer, earlier announced that it would reduce the cost of personal injury coverage for drivers of what it considers the safest vehicles, including some luxury cars, vans and SUVs. However, it said owners of SUVs and other big cars will still pay more for their insurance than small-car owners do.
State Farm said its new system will result in no more than a $50-a-year difference in insurance costs.

Insurance Times: Back lifting belts found ineffective
December 19, 2000, Vol. XIX No. 26

by Lindsey Tanner
Associated Press

CHICAGO - Just in time for all those workers handling heavy holiday packages, new research suggests that back belts widely used in industry to prevent lifting injuries don't work.
The findings, based on interviews and worker-compensation claims, stem from a study of more than 9,000 employees at Wal-Mart stores in 30 states.
``Back belt use is not associated with reduced incidence of back injury claims or low back pain in material handlers,'' the researchers wrote in Wednesday's Journal of the American Medical Association.
The study was done by the National Institute for Occupational Safety and Health.
An increasing number of employers use back belts to try to prevent back injuries, which are one of the nation's most common occupational disorders, costing the nation an estimated $20 billion to $50 billion a year, according to NIOSH. The researchers noted that about 4 million back belts were purchased in 1995 alone to try to prevent back injuries.
The snug belts are purported to help strengthen muscles that support the spine, though little research has been done on them.
A study published in 1996 on back belt use at Home Depot stores in California suggested that the belts reduced the incidence of back injuries.
But NIOSH statistician Douglas Landsittel, a co-author of the JAMA study, said the previous study focused only on California stores.
There is no company wide policy on belt use at Wal-Mart, the nation's largest retailer. Some stores require belts for certain employees involved in heavy lifting, such as those in shipping and receiving, said Wal-Mart spokesman Tom Williams.
Williams said the company collaborated with NIOSH after many employees questioned whether the belts did any good. He said Wal-Mart is studying the findings and will use them to improve work conditions.
The researchers interviewed 9,377 employees at 160 Wal-Mart stores and collected workers' compensation data between 1996 and 1998. The study included 89 stores that required back belts. Those used were made of stretchable nylon, adjusted with Velcro straps.
About two-thirds of the workers in stores with mandatory belt use reported wearing them daily, compared with about one-third of those at stores where use was voluntary.
There were 195 workers' compensation claims filed for back injury during the

study, and of 6,311 employees who completed follow-up interviews, there were 1,088 reports of frequent back pain.
Employees who wore the belts regularly were just as likely to report back pain or file claims as those who didn't wear them.
Despite the findings, some workers swear by their belts. Benita Mills, 38, a Federal Express driver in Chicago, said the one her company requires her to wear has helped her avoid back injuries.
``I've been doing this for eight to 10 years and I've never hurt my back,'' Mills said.
The findings were questioned by an official with the International Mass Retail Association, an industry group whose members include 200 retail chains, including Wal-Mart and Home Depot.
The researchers did not directly compare workers doing the same jobs, said Morrison Cain, the group's senior vice president of government affairs.
``I don't believe this establishes conclusively one way or the other whether back belts work,'' Cain said.
On the Net: http://www.cdc.gov/niosh/backfs.html
http://jama.ama-assn.org

Insurance Times: Insurance in church fire boosts community

December 19, 2000, Vol. XIX No. 26

HOLYOKE, Mass. (AP) - The Roman Catholic Church will use an $18 million insurance settlement on a burned church to merge two parishes and possibly replace a parochial high school.
"We can see a blessing arising out of the ashes of that church for the people of Holyoke,'' said Bishop Thomas Dupre, who once attended the destroyed church.
The fire, which broke out Aug. 29, 1999, burned down Our Lady of Perpetual Help Church, gutted its school, and destroyed some apartment houses.
The settlement, reached privately about a month ago, comes from a group of insurers to compensate the western Massachusetts diocese for the property loss.
"I can't tell you how important an investment of this magnitude is to a very poor community like Holyoke,'' Mayor Michael Sullivan said. He joined church officials at a news conference in the rectory of Sacred Heart Church, a block from the burned church.
Since the fire, many parishioners from that traditionally French Canadian church have been going to Sacred Heart. A plan to merge the two parishes had been under way before the fire.
The Rev. J. Lessard, who arrived at Perpetual Help six days before the fire, has since transferred to Sacred Heart. He said that the creation of a combined parish, with about 1,200 families, will help both congregations.
"Without it, you would end up with two struggling communities,'' he said.
Under the bishop's plan, $6 million of the settlement will build a parish center with a gym and make other improvements to Sacred Heart. Another $9 million will go toward a fund for the replacement of Holyoke Catholic High School. Another $1 million from the settlement will create an endowment to help maintain another old French Canadian church in the Flats, an impoverished neighborhood.

Insurance Times: Affluent market group formed in Conn.

December 19, 2000, Vol. XIX No. 26

GREENWICH, Conn. - A seasoned veteran of the life insurance and financial services sales community has formed a group from Greenwich, Conn. aimed at addressing the challenges of selling and advising the affluent. The Wealth Preservation Group LLC is an alliance of financial services professionals who market and operate as a unit of specialists similar to any national consulting firm. Members have advanced degrees in law, accounting, finance, insurance, banking, investments, and other professions.

The WPG strategy is to work with affluent families and their advisers in the areas of asset protection, tax minimization, and the efficient transfer of their wealth to those they want eventually to have it. The group has internal attorneys who attend sales sessions and prepare legal documents for clients. The adviser is at every important meeting and is perceived to be a partner in the process, rather than an agent or referrer.

"The objective of many advisers is to interact with affluent families for a variety of reasons: larger sales, better likelihood of repeat sales, larger consulting fees, more likely to act, higher quality of referral, more interesting to work with, to name a few," explains founder Ray Chodos.

"So why is it so difficult to accomplish? Many younger advisers are not frequently in the position to have 'natural access' by virtue of common activities and interests with affluent people who tend to be older than the adviser. Solicitation is distasteful to adviser and worse to those solicited. ... How likely is it that we are successful ourselves if we resort to cold solicitation of strangers? This approach makes a favorable first impression even more unlikely," says Chodos.

The program includes cooperative advertising aimed at the legal and accounting communities, plus 12 days of continuing education. The monthly dues are $125. Contact Chodos at 203 622-6592, email Chodos @ WealthPreserve.com, or visit www.WealthPreserve.com.

Insurance Times: IFS to sell annuities through NY banks

December 19, 2000, Vol. XIX No. 26

CINCINNATI - IFS Financial Services, Inc. (IFS) said it will expand into New York by distributing National Integrity Life Insurance Co. annuity products through New York banks.

IFS is one of the 10 largest distributors of fixed annuities through banks in the United States. National Integrity is among the leaders for individual annuity sales by companies domiciled in New York. Both operate as part of The Western-Southern Enterprise consumer financial services group.

National Integrity product offerings include two variable and two fixed annuities. The flexible-premium variable annuities are Pinnacle, a multi-manager product, and the GrandMaster III, with all Fidelity Investments portfolios. In addition, there are two fixed-rate annuities. New Momentum is a fixed-rate annuity with guarantee periods of two, three, five, seven and 10 years. SPDA Series is a single premium deferred annuity with one-year and five-year

guarantee periods.
Integrity operates in most states except New York, New Hampshire, Maine and Vermont.

Insurance Times: Hancock enhances executive variable life

December 19, 2000, Vol. XIX No. 26

BOSTON - John Hancock is making improvements to Medallion Executive Variable Life III (MEVL III), its corporate owned/sponsored variable universal life insurance policy. The product is intended for funding multi-life executive benefit plans.

When properly funded, multi-life executive benefit plans generally offer valuable life insurance benefits for selected executives at retirement, as well as supplemental retirement income, at minimal net cost to the sponsoring business.

The product's enhanced design will provide corporate clients with stronger early cash-value growth while maintaining solid long-term performance. The enhancements include:

* Over 101 percent first-year cash values, which results in a positive impact to earnings, when MEVL III is maximum funded
* Stronger enhanced early, as well as long-term, cash value growth when compared to other leading corporate-owned life insurance products. Strong long-term cash value performance leads to higher death benefit for cost recovery at death (strong internal rate of return at age 80)
* The option to use an enhanced cash value rider to attain early surrender values in access of 107%, depending on underwriting and the assumed investment rate Stronger early cash values and long-term performance were achieved by reducing the product's sales load from 7% to 3%.

MEVL III continues to offer a preferred underwriting category, as well as competitive guaranteed issue rates.

Insurance Times: Internet makes financial services easier, friendlier

December 19, 2000, Vol. XIX No. 26

New England Financial's Benson sees opportunities in technology for advisors and customers

The Internet won't replace the value and advice of a trusted financial services advisor to the consumer, but it will make it easier and friendlier for customers and advisors to interact with financial services companies, according to James M. Benson, president of individual business for MetLife and chairman and chief executive officer of New England Financial, a MetLife affiliate.

Benson spoke at the NetFinance 2000 conference in Las Vegas, Nevada yesterday.

He joined other leading financial services executives in sharing winning tactics, cases studies and practical solutions to leverage online capabilities in a converging marketplace.
"The insurance landscape has changed dramatically. Major trends including deregulation, the emergence of non-traditional competitors like banks and mutual fund companies, the rapid pace of consolidation and demutualization have affected all insurance companies and how they do business," Benson explained.

Becoming More Comfortable
Electronic commerce is also playing a key role in changing the entire financial services industry including insurance-based financial companies. Consumers and brokers will become increasingly more comfortable using the Internet for a number of personal financial transactions, he predicted.
For example, assets in online investing accounts in 2000 are about $1.5 trillion and are expected to grow to nearly $5 trillion by 2005, according to Jupiter Research, October 3, 2000. Forrester Research projects that households trading online will grow from about 6 million in 2000 to over 20 million by 2005.
"That's a compound annual growth rate of 32.1percent," said Benson.
Insurance sales online are also expected to grow significantly. However, these sales will most likely be focused mainly on commodity-type insurance products such as auto and home insurance and simple term insurance based on a Forrester Research study. "Sales of life insurance-based products used in more complex planning situations such as estate, retirement and business planning will continue to be facilitated by a knowledgeable advisor," he explained.
At MetLife and New England Financial, the "I-business" strategy will focus on increasing the ease of doing business, improving efficiencies, enhancing effectiveness and positioning the company for new growth opportunities, according to Benson.
"We are concentrating on using web-based technologies very strategically to enhance our position with clients and with advisors who sell our products and services. Our focus is on four major areas: decision support, commerce, service and cross-sales/relationship building,î he continued.
Decision support activities will include educating clients about personal and business financial topics through websites, for example. For advisors, it means providing on-demand, internet-based training and information.
Commerce includes streamlining payment and deposit processes for both consumers and advisors. For example, it takes eight business days and between one and two hours of data processing time for the entire process of applying for a new annuity contract in the traditional way -- manually filling out the application and using regular mail back and forth between the company and the advisor.
Using a web-based process, the time can be cut to two business days with a data processing time of less than one hour, said Benson.
Service can be greatly enhanced in many different ways using the Internet. Loan requests on life insurance policies, for example, will be handled quickly and electronically through a virtual service center. A web-based process for loan requests could cut the time of getting a loan from 11 days to just 3 days.
"And, service can be a 24/7 convenience for the customer and the advisor alike," he explained.
Finally, the Internet can be used as a tool to strengthen the relationship between the advisor and the client. Technology will allow the advisor to better manage the clients' accounts and make it easier to analyze where a combination of financial products and services make sense for the client throughout the planning process. "This leads to additional cross-sales opportunities and a better long-term relationship with the client,î he said.
Given all the changes taking place along with the new role of electronic business, what will the most successful financial services companies of the future look like? Benson predicts that the most successful companies will be

well-branded, large, publicly-traded institutions that will have the financial strength and economies of scale to compete in a dynamic, highly competitive environment. "They will have a global reach but a local approach to the consumer, and they will offer 'virtual' administration but with the personal service that customers demand," he said.
Product innovation will continue to be important as Americans plan for their financial lives, but how those products will be distributed through knowledgeable, technologically aware advisors will be a key to success.
Benson believes that the value the advisor brings to the planning process will continue to grow in demand as the world of personal and business finance becomes increasingly more complex.
"Technology provides an incredibly powerful tool for advisors to work better and smarter with their clients, building relationships that last a life time and beyond into the next generation," he concluded.

Insurance Times: Survey Majority of women plan to work in retirement
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WASHINGTON - A growing majority of nonretired American women say they plan to work for pay in retirement, according to the results from the 2000 Women's Retirement Confidence Survey (WRCS).
The WRCS, co-sponsored by the nonpartisan Employee Benefit Research Institute (EBRI), the American Savings Education Council (ASEC), and Mathew Greenwald & Associates, Inc. (MGA), finds that the number of women who expect to work in retirement is up from about half (57 percent) in 1998 to almost two-thirds (65 percent) in 2000.

Reasons for Work
In addition, over half (52 percent) of women plan to retire at the age of 65 or older. Four percent of women expect never to retire. According to the 1999 WRCS study, women cite the following reasons for continuing to work: 1) they enjoy working and want to stay involved; 2) additional spending money; 3) get to keep health insurance and other benefits; and 4) have money to make ends meet.
The 2000 WRCS, underwritten by American General Financial Group/VALIC for the third consecutive year, also finds that 70 percent of working-age women (ages 25 and older) feel confident that they will have enough money to live comfortably in their retirement years. Seventy-two percent of women say they have saved for retirement, compared with 26 percent of women who have not. In addition, women say that their employer plays a key role in their retirement planning. Fifty-seven percent of women report that money saved through a plan at work or an employer-provided pension will be a major source of income in retirement.
"Compared to men, women face special challenges that may prevent them from reaching their retirement savings goals," said Don Blandin, president of ASEC. "They tend to live longer, earn less over their lifetime, and take more time off from work for family commitments such as pregnancy and caring for children and aging parents. "
Other highlights from the survey include:
* Most working-age women (87 percent) believe that people in the United States do not save enough to fund a comfortable retirement, yet the majority are confident about their own financial future. Two-thirds of women believe that

they can have a comfortable retirement if they just plan and save. In addition, most women are confident that they will have enough for basic expenses in retirement (86 percent), but they are less likely to express confidence in having enough money to cover medical expenses in retirement (64 percent) or long-term care (47 percent).

* Women who are college graduates and those with an annual household income of $50,000 or more have a greater likelihood of being confident about having enough money for a comfortable retirement. Married women are more apt to say that they are confident that they will have enough money for basic expenses and that they are doing a good job of preparing financially for retirement.
* Nearly half of women expect that their most important source of retirement income will come from personal savings. Forty percent think that money provided by an employer (such as a pension or contribution to a retirement account) will be a major source of income in retirement, and only 25 percent expect that a major source will be Social Security.
* Younger women are more apt to indicate that money put into a retirement plan at work will be a major source of income in retirement, while older women are more likely to expect to rely on Social Security.
* Most women (62 percent) do not know the correct age at which they will be eligible for full Social Security benefits -- they typically underestimate (the normal retirement age for full Social Security benefits is currently in the process of gradually increasing from age 65 to 67). At the same time, 71 percent of women are not confident that they will receive Social Security benefits equal to those received by current retirees, and 67 percent are not confident they will receive equal Medicare benefits.
* Forty-nine percent of women (versus 58 percent of men) report that they have tried to calculate how much money they will need to save by the time they retire in order to have a comfortable retirement. Nearly three-quarters (70 percent) of women report they have an investing or saving program for their retirement, but fewer (40 percent) have thought about insurance for long-term care needs.
* Forty-one percent of working women indicate that they have received employer-provided educational material or attended seminars about retirement planning and saving in the past year, while over half (58 percent) say they have not. Interestingly, women who have saved for retirement are more likely to say they did receive such information (48 percent), than those who have not saved (20 percent).
* Three-fourths (76 percent) of female savers say they have used a 401(k) plan at work to save. Other savings vehicles include a savings account or certificate of deposit (71 percent) and an individual retirement account (IRA) (57 percent). Surprisingly, 16 percent of women (and 18 percent of men) state that they have used cash in a safe place at home or in a safe deposit box to save for retirement.
* Twenty-four percent of women say the realization that time was running out to prepare for retirement was the top motivator to start saving.
* Among women who have not saved for retirement, 30 percent say a major reason they have not saved is that they have too many other current financial responsibilities.

Insurance Times: A man once charged with fatally running over his girlfriend has settled his case against an insurance company over her life insurance benefits

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BIDDEFORD, Maine (AP) - A man once charged with fatally running over his girlfriend has settled his case against an insurance company over her life insurance benefits.

Murder charges against Raymond Wood, formerly of Waterboro, were dropped in May after a judge ruled that his confession to police was coerced and couldn't be used as evidence. State prosecutors said they could not prove Wood killed Bessie Selek, 41, without the confession.

Selek was stuck by a vehicle as she walked along Route 202 in Lyman on April 20, 1999.

Wood's defenders said the accident was a hit-and-run, but police and prosecutors blamed Wood for Selek's death. Witnesses said they saw a truck or a sport-utility vehicle leave the scene.

Wood was the beneficiary of Selek's life insurance policy.

Joseph Wrobleski, Wood's lawyer, said a settlement had been reached with Reliance Standard Life Insurance Co., but he would not disclose its terms.

Wood's suit said that about a year before Selek's death, the insurance company issued a policy saying it would pay Wood twice Selek's annual earnings if she died.

Insurance Times: RI HMO facing questions under state's mental parity law

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PROVIDENCE, R.I. (AP) - A woman's attempted suicide has led to a state investigation of a health insurer and renewed debate over coverage for mental and physical illnesses.

The state is investigating UnitedHealthcare of New England's decision to stop paying for the woman's hospitalization.

At issue is whether the insurer violated a state law requiring equal coverage for mental and physical illnesses.

The insurer has declined to discuss the case except to say it did not violate the law.

The woman was being treated at Rhode Island Hospital for anorexia nervosa when the insurer refused to extend her coverage for psychiatric hospitalization.

Her failed suicide attempt last month came three days after she was discharged.

1994 Parity Law

The state's 1994 parity law requires insurance cover ``medical treatment of serious mental illness'' equal to that for physical illness, the law applies only to hospitalization and medication.

"Serious mental illness'' is defined as "any mental disorder that current medical science affirms is caused by a biological disorder of the brain.'' The definition in the law "includes but is not limited to'' six disorders: schizophrenia, schizoaffective disorder, delusional disorder, bipolar affective disorders, major depression, and obsessive-compulsive disorder.

Anorexia nervosa, the condition the woman who attempted suicide was being treated for, is not among the six. Linda Johnson, chief of the state health department's Office of Managed-Care Regulation, says health insurers have discretion to cover disorders not listed in the law.
The patient's insurance plan, with UnitedHealthcare, provides unlimited hospital coverage for physical illnesses but limits hospitalization for mental illnesses to 45 days a year.

Few More Days

Dr. David Solomon, a psychiatrist, asked UnitedHealthcare to cover the woman's hospital stay a few days longer.
"My position was, 'Why not spend a little up front to perhaps avoid many, many more days down the road?''' he told The Providence Sunday Journal.
But, says Solomon, the insurance company refused.
Solomon did not think the woman's condition was dire enough to insist on keeping her in the hospital without reimbursement.
The case is focusing attention on whether the state's parity law is working.
"The parity law is working for the named mental illnesses,'' said James McNulty, president of the Manic-Depressive and Depressive Association of Rhode Island.
``The biggest weakness with the parity law, it doesn't address some of the more complex needs like anorexia, which is an often fatal illness.''
"This is going to be a test case,'' McNulty said.

Insurance Times: Workers who file one lost time claim twice as likely to file another WC claim

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CAMBRIDGE, Mass. - Workers who return to work after a lost-time injury are more than twice as likely to file another workers compensation claim for a subsequent injury than other workers at the same company, according to a study by the Workers Compensation Research Institute (WCRI).
The study reported that 34,000 of the 107,000 workers in Wisconsin who filed compensable lost-time claims in 1989 or 1990 - 32 percent - filed at least one more claim by the end of 1993.
"Lost-time claims may have far-reaching consequences," said Dr. Richard Victor, executive director of WCRI. "For injured workers, there is the increased risk of future injuries. For employers and insurers cost is also an issue, as they need to recognize that the complete cost of an injury includes the increased potential for subsequent claims. And both worker safety and system costs are critical concerns for public policymakers."
Contrary to conventional wisdom, returning to the same employer often was associated with a greater likelihood of a second claim. Workers who stayed with the first-claim employer were as much as 26 percent more likely to file a second claim than workers who later worked for a new employer.
Regardless of the part of the body affected by the initial injury, second claims were made for back injuries more often than for any other injury.
The study reported other results more in line with conventional wisdom:

- Blue-collar workers, younger workers and those with less job tenure filed subsequent claims more often.
- Workers in companies with high claim rates were more likely

to file a second claim.
• Workers with sprains, strains and bruises had higher second-claim rates.

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

Insurance Times: 9 ways to make 2001 an amazing year by selling more insurance

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Aside from the unearned bonus of a hardening market, there are other possibilities for increasing business in the year ahead.

by John Graham

Selling insurance is getting more difficult by the day. Competition is coming from every direction, from down the street, across the state, and over the Internet. On the other hand, carriers are more demanding and less rewarding when it comes to commissions. The decade long soft market made matters worse, much worse. If there is reason for celebration, it is because the market is turning. The same business will reap a 10% to 15% premium increase without any extra effort.

Aside from the unearned bonus of a hardening market, there are other possibilities for increasing business in the year ahead. Here are nine ideas for selling more insurance in the year ahead:

1. Refer to those who buy and pay for insurance as customers. It seems that the insurance world often sees things differently from the rest of us. Lawyers have clients and CPAs have clients. Insurance agents have customers. You are not selling a "service." As amazing as it may seem, insurance agents provide products that come with a performance promise. Customers buy products. See us as we are, customers who want to be satisfied with the products we purchase.

By the way, stop referring to those who buy your products as "insureds.". It makes us feel uncomfortable and different, a little less than human. We are very much like you, so call us your customers. Besides, it's warm, friendly, and a bit fuzzy.

2. Get rid of all your form letters and start over. Agencies should be embarrassed by the abysmal quality of their written communications. For example, the body of the letter usually starts half way down the page. Why? Because the top portion is filled with menacing messages: "Refer to policy 989W596382114-434" and "Subject: Expiration Date" and on and on. Then, finally, comes a letter of three lines: "Per our conversation of 8 October 2000, your policy has been..." Oh, yes, the letter probably opened with the personal salutation: "Dear Policyholder."

After such a warm, friendly, supportive beginning, the rest of the letter sounds as if it were written by an illiterate. An agency asked us to rewrite its portfolio of letters. They would have won the "Worst Letters in the World" award. It might help if someone read all an agency's letters to see if they pass the "do they make sense to the customer?" test. Should this drastic step be taken, it's quite possible that customers might have a more positive attitude toward insurance - and even buy more of the product.

3. Stop going to so many meetings. Insurance agents are addicted to them. They can't get through even one day without going to at least one meeting. It's just one meeting after another. It's as if an agent's identity is bound up in being seen at meetings. Some last for an hour, others for a few days, but most go one for a week in some exotic setting such as Hilton Head or Tahiti.
If 75% of the insurance meetings were cancelled, it's quite possible that sales would double. In no other business can salespeople make sales by being away from customers.

4. Stop trying to be "the great community leader." The public (including customers) isn't dumb. Any insurance person spending time serving on this civic committee and that and chairing one event after another makes it clear to everyone that selling insurance doesn't take much time or effort.
If an agent is devoting so much time playing "the civic-minded citizen," how much time is available for taking care of customers?
Of course, any businessperson should be a responsible citizen. But insurance agents seem to go overboard. Are they committed to community service or are they just looking for another opportunity to sell a policy?
Is this one reason so few customers have confidence in insurance agents? They're nice, friendly people but are not viewed as professionals with valuable knowledge that can make a difference when it comes to protecting assets.

5. Let customers know what you sell. What does an insurance policy represent? At times, it probably means more to the customer than it does the agent who sold it. For my mother, her New York Life Insurance policy was much of her estate. Even though it meant going without at times, she fought to pay the premiums.
It's disturbing to hear insurance agents describe their products as "commodities" or to comment that "the only reason people buy insurance is because they have to." How can any agent make such an outrageous comment? Chalk it up to total ignorance. Insurance is not about "policies." It's about protecting assets. While no one is risk-free, insurance can help minimize the downside.
Unfortunately, many agents are cynical about what they sell. Is it any wonder that customers are doubtful about the value of insurance?

6. Make yourself a specialist. When it comes to selling, many agencies are all over the lot. They are little more than policy peddlers. A carrier comes out with a new program and agents jump on it, and then toss it aside after a few weeks because there were so few sales or something more appealing comes along. This is bizarre behavior because it always ends in failure. When you look at an agent's book of business, it has a smattering of this and a little of that.
Customers want to be sure the people they deal with understand their situation. Customers want to work with specialists. One agent has developed a nation-wide book of business with recreation centers. Operators seek him out because of his expertise. Although this is not new, few agents take advantage of the power of niche markets.

7. Stop searching for the "silver bullet." More than any other field, insurance agents never stop expecting a miracle. They never stop looking for the "silver

bullet" or the "magic formula" that will solve their selling problems. The number of "sales experts" and "sales trainers" who titillate agents with how easy it is to be highly successful by following their formulas is nothing less than amazing.
Are agents the problem? Is there something wrong with their sales technique? Probably not. A consultant asked a life insurance wholesaler's sales representatives (case managers) to tell what they knew about the business operations of a group of insurance agents they worked with. They talked to some of these agents regularly and all of them three or four times a year. Yet, they didn't know anything about the agents or how they conducted business. Their calls to agents were focused on products, not on trying to understand and be helpful. In other words, their mission was to sell, not to discover.
Instead of focusing on the agent, good selling begins with the customer and taking time to uncover what the customer wants to accomplish. There are no silver bullets, only golden opportunities.

8. Make customer education your mission. Selling is not about technique; it is an educational process. One of the ironies of the insurance business is that many insurance agents are extremely knowledgeable. They work in agencies that value designations. While a string of initials after one's name does not guarantee competence, it certainly improves the odds.
Most insurance people know more than they tell. They take more pride in their golf handicap than they do in their risk management expertise. No wonder customers question an insurance agent's value.
Agents who make a commitment to educate customers create credibility, the foundation on which any insurance relationship is based. The insurance industry has shrouded insurance in mystery and what appears to be hocus-pocus. The educational process can help overcome that negative stereotype.

9. Play an essential role for your customer. Like other retailers, insurance agents sell a manufacturer's product. No customer wants to hear a salesperson at an electronics store say, "You will have to take that up with the manufacturer." In the same way, no insurance customer wants to hear an agent say, "We'll have to talk to the insurance company about that." Perhaps that's necessary, but it sounds as if the agent is impotent in the face of the big, bad insurance carrier. This is not a pretty picture for the customer because it raises doubts about the value of the agent.
Ask any insurance buyer of personal or business insurance what they want and one way or the other, you will hear them say that they expect their agent to represent their interests. Whether it's applying for the coverage or representing them at the time of a claim, customers expect their agent to be their advocate. They want someone to represent their interests. This is the value of buying from an independent agent.
If agents don't dramatize their role as customer advocates, customers will go direct to the carrier - where there is no independent advocacy.

What does it take to be a professional insurance salesperson? It takes more than attending 87 classes, seminars, and programs on how to sell insurance. By far, it takes the ability to see through the customer's eyes.
Selling insurance has nothing to do with what you want to sell, but only with what makes sense to the customer. The sale doesn't depend on the bag of tawdry tricks learned at the latest selling seminar. The professional insurance agent recognizes that the careful coaching and mentoring of the customer creates a level of confidence that results in selling insurance.
If you think this is some idealized sales philosophy, then why aren't you selling more insurance, retaining more customers, and getting more calls from people who want to do business with you because they recognize your competence?

Graham is president of Graham Communications, a marketing services and sales consulting firm. Graham is the author of The New Magnet Marketing (Chandler House Press), the revised and updated version of his original book, Magnet Marketing, and 203 Ways To Be Supremely Successful In The New World Of Selling (Macmillan Spectrum). Graham writes for a variety of publications and speaks on business, marketing and sales topics for company and association meetings. He is the recipient of an APEX Grand Award in writing. He can be contacted at 40 Oval Road, Quincy, MA 02170 (617-328-0069; fax 617-471-1504; j_graham@grahamcomm.com). The company's web site is www.grahamcomm.com.

Insurance Times: What's ahead for 2001? Readers share predictions

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Health insurance seen trumping casualty as major public issue; rising insurance prices; more mergers; fewer traditional life agents

Privacy and health insurance -- two issues that can intersect-- will be the main concerns of the region's regulators and lawmakers in 2001.
That's the consensus of readers responding to a recent InsuranceTimes survey.
Most observers expect the new year to bring lots of legislative and regulatory activity as states scramble to enact privacy and licensing provisions to conform with the Gramm Leach Bliley financial modernization act. Some of this has already begun but a lot more is in store, according to trade association leaders, regulators and agents.
The industry is also expected to face continued challenges over the availability and affordability of health insurance.
"Adequacy of health insurance and medical care issues dominate most people's concerns in the insurance arena. It doesn't matter if well-funded dot-coms and a robust economy provide workers top-tier medical benefits if our nation's hospitals and medical staffs are understaffed and/or over-managed with respect to providing medical care," maintains Nancy P. James, of the N.P. James Insurance Agency in Concord, Mass. "Casualty issues pale in comparison."

First Issue
Vermont's Hod Palmer agrees. "Health insurance is the first issue. Property/casualty issues are nowhere near as prominent as health insurance costs," says the president of Taylor-Palmer Agency in Bradford, Vt.
In New Hampshire, agents will be watching for proposals to improve the individual health plan market, which suffers from large deductibles and few choices, according to Hal Sullivan, legislative chair for the New Hampshire affiliate of the National Association of Insurance and Financial Advisors.
Sullivan is also worried about group health market, with its rates increases of 15% and more, coupled with fewer companies and limited competition.
While health insurance tops many lists, those in the business of advocating for property/casualty issues will have their own agenda.
In Massachusetts, this agenda will include commercial lines deregulation and workers compensation rating reform in addition to privacy matters, according to trade groups.

Massachusetts agents also foresee some debate over the timetable for setting private passenger auto insurance rates.
Rhode Island's David Bates expects to see work in his state on a model licensing bill as well as efforts to make sure the state's insurance department has the funds and personnel it needs to carry out its responsibilities.
In New York, the industry anticipates changes in the state's labor laws and in laws governing the pricing and flexibility of auto and homeowners insurance. Speed-to-market proposals are also on the agenda.
Connecticut officials say they will be focusing on producer licensing and privacy rules to bring the state in line with GLB.

Pricing and Markets
As closely watched as regulatory matters are, the real stories in 2001 may be in the areas of insurance pricing and markets.
"Increased pricing and tighter markets for 2001 are as sure as death and taxes," says Dave Bates, of the A.N. Nunes Agency in Bristol, Rhode Island.
"Commercial lines pricing will continue to inch upwards while marketing will tighten up," says Daniel J. Foley, Jr., director of government affairs and general counsel for the Massachusetts Association of Insurance Agents. "Private passenger auto rates will be going down with safe driver deviations and group discounts being reduced."

Market Hardening
At the Independent Insurance Agents of New Hampshire, agents also expect "a continuation of price increases and a hardening of markets."
Agent Palmer thinks prices may be increasing more slowly in Vermont than elsewhere.
New York agents will be watching some specific markets.
"We are especially concerned with the continued tightening of the contractors' market due in large part to excessive claims and settlements resulting form Section 240 of the New York State labor law," J.B. McCampbell, communications manager for the Independent Insurance Agents Association of New York, says.
"We also anticipate heightened awareness of New York's auto market as a number of sections of the insurance law sunset in 2001."

Remember Y2K
Massachusetts agent Nancy P. James recalls it was not long ago that Y2K issues were the top concern.
"In late 1999, underwriters used Y2K concerns as an excuse to raise prices in anticipation of possible crippling Y2K defense and judgment costs. That never materialized but price increases remained. Is this a bad thing? No--costs have fallen dangerously below losses with no tort reform or litigation relief in sight. Soft and insane pricing has had its run. The expected consequences have occurred. It's time for some pricing sanity," James says.
James also predicts that Internet related claims will be begin to be made against general liability polices and "related claims expenses will rise as carriers and courts wrestle with e-commerce global issues."
Connecticut officials tend to concur with the pricing predictions.
"Commercial insurance premiums will most likely move upward. Companies are no longer able to rely on investment income to offset underwriting losses because of the change in the financial markets," reports Connecticut Commissioner Susan Cogswell.

Workers Compensation
Connecticut officials anticipate that pricing of workers compensation will reflect higher costs to employers as a result of changes in various credits and competitive pricing tools.

"The medical portion of health insurance premiums is expected to increase in 2001 at an annual rate somewhere in the high single digits, while the pharmacy portion is expected to increase at an annual rate somewhere between 18% and 25%," the Connecticut department noted.
On the life side, agents see current sales trends continuing.
Hal Sullivan, legislative chair for NAIFA in New Hampshire, gave his forecast: "Expect increasing sales of variable products and term plans. Fewer sales of traditional products. Also, increasing sales of Long Term Care, the fastest growing product for most agents. Some companies are starting to increase prices on existing plans. I foresee more publicity for this planning tool."
Sullivan also sees continued problems in his state's health insurance market.

Business Trends

Most observers predict that agency mergers and acquisitions will continue at a brisk pace in 2001.
New York agents summed up this view:
"Continued activity in mergers and acquisitions of agencies and additional merger and acquisition activity at the company level. We also foresee an increasing emergence of financial services providers," wrote J.B. McCampbell of IIAANY.
"Companies seem to be trimming agencies. Costs of carrying smaller or unprofitable agencies are precipitating great reductions in company-agency relationships. If the company is not in the top 3 for your agency, you may be cut. Very large volume demands are also being made of agencies. This will limit access to important markets and inevitably result in continued mergers and domination of the large agencies. This may not serve the consumer's best interests," maintains agent James.

Company Mergers

Mergers will not be confined to agencies.
Connecticut's Cogswell foresees a "continuation of acquisitions and mergers of companies by larger companies and maintaining the balance of capital to allow companies to compete effectively with other financial institutions but at the same time maintaining sufficient capital to cover risks inherent in the business.
At NAIFA, Sullivan sees more more life agents leaving traditional insurers.
"More agents will be moving to banks. There will be more agents as individual businessowners rather than captive employees of large companies," he predicts.
At MAIA, the feeling is that the spate of agency mergers will be coupled with "a realization by more agents that the traditional business model for insurance agencies will not allow them to grow in the future," says MAIA's Foley. "Those agencies that resist the changes necessary in the evolving financial services marketplace will find themselves struggling to compete within a few years."
Competition from banks and the Internet drive the need for new business models, in the opinion of some.
"I fear that banks will make noticeable inroads into our traditional agency market," notes Massachusetts agent James.
While worried about bank incursion, James is more confident in the face of Internet insurance sales.
"It is my opinion that the web is not going to be a major source of home or auto coverage purchase, let alone commercial coverage, during the next five years," she added.

Insurance Times: Strong premium growth, better underwriting ahead for P/C

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NEW YORK - Analysts see faster growth and improved performance for the property/casualty insurance industry in 2001. In the annual Early Bird Forecast, conducted by the Insurance Information Institute (III), analysts are estimating growth in net written premium of 7 percent. If realized, the industry will grow faster than at any time since 1987.

"Accelerating growth can be attributed to a rebound in pricing in key lines and a strong economy," said Robert P. Hartwig, vice president and chief economist for the III.

Premium Growth

Hartwig noted that analysts have also revised upwards their estimates for premium growth in 2000. Written premium this year is now expected to rise by 5.2 percent, up sharply from the previous consensus estimate of 2.9 percent.

The industry's underwriting performance is also expected to improve next year. The combined ratio - which relates losses and expenses paid to premium income - is projected to fall to 108.7 in 2001, down from an estimated 109.7 this year. A ratio of 108.7 means the industry allocated $108.70 to claims and expenses for every $100 of premium earned. If realized, the industry will see its first decline in the combined ratio since 1997.

"The improved underwriting performance means that insurers are pricing insurance to better reflect the risk assumed. Insurers are also keeping a close eye on expenses," said Hartwig. "While catastrophe losses continue to exact their toll, catastrophe losses in 2000 are likely to be less than half the $8.3 billion we saw last year."

Insurance Stocks

According to Hartwig, insurance stocks have turned in some of the best returns on Wall Street this year, with a total return of nearly 19 percent, compared to declines in the S&P 500 and Nasdaq of 4.1 percent and 14.4 percent, respectively.

"The surge in interest in insurance stocks is being driven primarily by the prospect of investing at a point that could mark a turn in the insurance cycle and improved profitability. Other factors include low valuations for insurance stocks, draining of excess capacity from the industry and the bursting of the dot-com bubble," he said. "The rise in insurer stock prices is all the more remarkable because it occurred during a period of rising interest rates, which historically have depressed valuations."

Insurance Times: Alabama health firm seeks to open in Vermont

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BURLINGTON, Vt. (AP) - One of the nation's largest health care companies plans to open an outpatient surgery center that would compete with Fletcher Allen Health Care.

HealthSouth Corp. of Birmingham, Ala., has filed a letter of intent with the state saying Chittenden County needs another center to provide services including eye surgery and plastic surgery. It said it will follow with a formal application.

While it is the state commissioner of Banking, Insurance, Securities and Health Care Administration who has the final say on such a project, Gov. Howard Dean opposes the proposal, his spokeswoman said.

"At this point, (Dean) feels like there's plenty of health care in Chittenden County,'' said Susan Allen. "There's too much, rather than too little.''

Fletcher Allen is still in the process of obtaining state and local approval for its own expansion, including a large outpatient care center.

"We believe both can exist in the same area,'' said Timothy Meehan, a Montpelier lobbyist working for HealthSouth.

Outpatient care -- when a patient receives care and is sent home the same day -- is a rapidly growing moneymaker for many hospitals. HealthSouth's letter estimates that 60 percent of all surgeries should be outpatient.

HealthSouth, which has 2,010 surgical and rehabilitation centers in all 50 states, said it can offer services at a lower cost than competitors in Vermont.

The company envisions a 13,000-square-foot medical center with four operating rooms. It plans to invest $6.4 million in the center.

In its letter, the company noted Chittenden County now has no free-standing outpatient center.

Increasing demand for outpatient surgery is fueling a more than $170 million expansion at Fletcher Allen -- which is adding 360,000 square feet of space for outpatient care, including eight surgery rooms, said hospital spokesman Mike Noble.

To get regulatory approval, HealthSouth must prove to the state there is strong enough need in Chittenden County to support Fletcher Allen and the new center. The company declined to provide specific numbers.

State officials could decide that HealthSouth would take patients away from Fletcher Allen. If that were to happen, state regulators would have to consider the HealthSouth proposal alongside Fletcher Allen's plan and pick one, said Susan Gretkowski, deputy commissioner of the Vermont Banking, Insurance, Securities and Health Care Administration.

Insurance Times: NY Blues boost premiums up to 18.4%

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ROCHESTER, N.Y. (AP) - Insurer Blue Cross Blue Shield is boosting health premiums in the Rochester region by as much as 18.4 percent next year, the largest increase in over a decade.

The hike follows a 14 percent increase in 2000. It was blamed on rising prescription drug costs, rising demand from patients for new medical technologies and duplication of hospital services.

Rates will go up 2.5 percent just to cover this year's unforeseen jump in operating costs, said the regional group's president, Kevin Hill. The rates go into effect Jan. 1 for more than 500,000 subscribers in the Rochester area.

In the last year, prescription drug costs have soared 23.7 percent, outpatient service and surgery costs jumped 16.6 percent and inpatient costs rose 6.4 percent, Hill said.

Insurance Times: Cigna and Workscape strengthen Web services

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PHILADELPHIA - Cigna and Workscape, Inc. announced a strategic relationship to develop a suite of high- volume, multiple media human resources tools to streamline the eligibility and enrollment process for employee benefits customers.

"This will enable employers and their employees to manage their benefits needs and choices more easily and conveniently over the Internet," said Will Bashan, head of Cigna's e-commerce office.

Together, Workscape and Cigna will custom develop employer and employee self-service tools that will facilitate benefit plan communication and employee eligibility determination and enrollment for Cigna's health care, group insurance and retirement benefits plans. Internet and interactive voice response technologies will be integrated with more traditional paper processes to give employers a choice of media that best suits their organization. In addition, the new tools will enable employers to set up their benefit programs quickly, with the enrollment process up and running within days.

"One of the features that's expected in this e-commerce enabled world is the ability for people to change their benefits portfolio to reflect changes in their lives, such as when a baby is born, a child graduates or a couple is married," said David Gordon, vice president of Cigna's eligibility and enrollment initiatives. "Our new system will meet that expectation over the Internet."

Insurance Times: Mass. lawmakers not giving up on universal health

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by Michael P. Norton
State House News Service

BOSTON - Can a pair of veteran Boston legislators known by their colleagues as Trav and Fitz convince the House and Senate to pass a universal health care law? That's what liberal-leaning activists are counting on in 2001.

While voters statewide just narrowly rejected a ballot question that called for a universal health care plan, among other things, the chief proponents of such a plan are feeling upbeat about the prospects of providing insurance coverage soon to the 346,000 or 5.9 percent of residents who lack it. Here's why.

Broaden Coverage

Senate President Thomas Birmingham (D-Chelsea) and his Ways and Means chief, Mark Montigny (D-New Bedford) frequently speak of the need to broaden insurance coverage. And the Senate's chief sponsor of universal health care legislation, Robert Travaglini (D-East Boston), counts 16 of the 40 Senate members as supporters. He says even opponents privately tell him their opposition isn't

strong.
"I honestly think we're getting closer," Travaglini said as bill sponsors roamed the State House in search of cosponsors. "I'm grateful for the ever-increasing number of colleagues who either publicly or privately acknowledge that this is where we're going to be . . . We're not excited about finding ourselves in a position of bailing out HMOs whenever they fall below the profit line."

Middle is Left
In conversations with his colleagues over the past 10 days, Travaglini said, there's a consensus that the state is doing well in its incremental efforts to provide coverage to children, teens, senior citizens, the poor and the disabled.
"The only thing that's left quite frankly is the middle," said Travaglini.
In the House, the universal health care bill has a new chief sponsor, also a Boston Democrat, who happens to be a close friend of House Speaker Thomas Finneran (D-Mattapan). Finneran has serious reservations about universal health care. The bill's supporters are excited about Rep. Kevin Fitzgerald's popularity among his colleagues and his experience - he's been a state rep for 26 years.
Fitzgerald says his job will be to broaden support for universal health care but addressing the concerns of its critics. He wants the discussion to be about consumers. "You have my industry, my hard work and my commitment," Fitzgerald told the bill's supporters.
Dick Mason, director of the advocacy group Mass Care, is pleased about Fitzgerald's advocacy. "He's very well respected and very influential.," said Mason. "It's time to broaden our support."
Rep. John Stefanini (D-Framingham), the bill's lead sponsor in the House for the past four years, may well be in line for the vacant position of House chairman of the Health Care Committee. Sen. Harriette Chandler (D-Worcester) held that job before she was elected to the Upper Chamber in November.
Stefanini, entering his ninth year in the House, now serves as committee vice chairman. It will be up to Finneran to pick a new House health care expert at a time when health care issues are at the forefront.
Is Stefanini interested in the health care post? "I'm interested in the pleasure of the speaker," said Stefanini. "If he asked me to do that, I would do it with open arms and to the best of my ability."
As for Fitzgerald, Stefanini said former House Health Care Committee chairman Rep. John McDonough of Jamaica Plain recommended that Fitzgerald, one of Finneran's floor leaders, take the lead on the bill. "When someone higher up in the food chain wants to take a leadership role, it is something that is done with delight and pleasure," said Stefanini.
Stefanini says he's the "number two" House supporter of universal health care and will remain involved, although he is focusing on the finance end of the issue. "I'm not going anywhere and I'll continue to be active," said Stefanini, who sees consolidating health care finances and convincing business leaders to buy into the universal health care idea as keys to the bill's success.
Business officials who oppose universal health care mandates warm up to the idea when asked if they support the individual components of a so-called single payers system, Stefanini says. Those components and goals, he said, include consolidated risk pools, standardized payment forms, stabilizing or reducing costs while improving health care quality, expanding health care access and making insurance policies portable when workers change jobs.

Insurance Times: Responses to NJ family plan flood state health agency
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TRENTON, N.J. (AP) - Due to the overwhelming response to the new NJ FamilyCare health insurance program, the state is adding new phone lines and staff at eligibility processing centers.
It also is placing newspaper ads asking the public to be patient with the enrollment process of the program providing health insurance for low- and moderate-income adults and children.
The steps were announced by Department of Human Services Commissioner Michele K. Guhl.

1,000 Apps Per Day
Guhl said the department has been receiving almost 30,000 calls a week and sending out 1,100 applications a day since ads featuring Gov. Christie Whitman promoting the program were aired last month.
"Until we can get extra staff and phone lines in place, we may not be able to respond to these calls as quickly as we would like,'' she said. ``We don't want people to be frustrated if they experience some delays in enrolling in the program. We encourage uninsured families to continue to apply.''
The state's toll-free phone line, 800-701-0710, operates from 8:30 a.m. to 7 p.m. Monday and Thursday and from 8:30 a.m. to 5 p.m. Tuesday, Wednesday and Friday.
Guhl urged applicants to call during off-peak hours - between 3 p.m. and 5 p.m. Tuesdays, Wednesdays and Fridays, and between 3 p.m. and 7 p.m. Mondays and Thursdays. Applications can also be downloaded from the Web site www.njfamilycare.org
Since the program began accepting applications for adults in November, 36,800 adults have been enrolled, the department reported. More than 74,000 children have enrolled since the program began as NJ KidCare in 1998. Applications are being processed for another 31,000 adults, the department said.
It is estimated than 125,000 adults and 157,000 children are eligible for the program.

Insurance Times: Groundbreaking HMO damages suit proceeds
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CHERRY HILL, N.J.(AP) - The couple who helped end ``drive-through'' deliveries after their 2-day-old daughter died are on a new crusade - this time to hold HMOs accountable for their medical decisions.
Steve and Michelle Bauman hope to crack the shield of a federal law that has protected health maintenance organizations from lawsuits by patients who were harmed by the denial, delay or poor quality of care.
They're suing Aetna U.S. Healthcare, claiming its former policy of discharging newborns from hospitals after 24 hours led to the death of their first baby, Michelina, a day after she was sent home in May 1995.
Their testimony to Congress and the New Jersey Legislature, detailing

Michelina's death from an infection that would have been detected in the hospital, led to a federal law and many state laws requiring a minimum 48-hour stay for newborns and their mothers.
Now the Baumans are trying to win financial damages from Aetna. In a precedent-setting ruling last June, the U.S. Supreme Court upheld a federal appeals court ruling that the couple could sue the HMO for malpractice in state court. They're preparing for a trial next summer.
Until now, HMOs routinely got state malpractice lawsuits moved to federal courts, where the most plaintiffs can recover is the cost of care denied them.
"The ultimate thing we're looking for is making it safer for other newborns and their mothers,'' Steve Bauman said in an interview at their attorney's Cherry Hill office. "Somebody's got to be held accountable so they know they can't get away with this anymore.''
Other efforts seeking the same goal include pending federal class-action lawsuits attacking the way HMOs manage care, and attempts to pass federal and state laws giving at least 125 million patients the right to sue HMOs.
The House passed a Patients Bill of Rights this year, but it failed in the Senate by one vote. John Stone, spokesman for the House sponsor, Rep. Charlie Norwood, R-Ga., predicts it will pass early in the next Congress because more Republican senators now back it.
Seven states - including California, Texas and Maine - have passed such laws since 1997 and 27 others debated them this year, according to Molly Stauffer of the National Conference of State Legislatures. Many bills died or were withdrawn, but will be reintroduced in January, she said. A New Jersey bill passed the state Senate 38-0 but is tied up in the Assembly.
The American Medical Association, its state affiliates and many consumer groups have lobbied hard for such laws, while HMOs and the Health Benefits Coalition, representing 3 million employers, oppose them.
"What you're looking at is something that's going to drive up coverage costs, encourage defensive medicine, do nothing to improve the quality of care and benefit trial lawyers more than anyone else,'' said Susan Pisano, spokeswoman for the American Association of Health Plans.
However, in Texas, where the first such law was enacted, only a handful of malpractice suits have been filed.
Jamie Court, executive director of the watchdog group Foundation for Taxpayer and Consumer Rights, said he hopes the laws will "put some fear into HMOs.''

Insurance Times: CPCU Society elects Williams president; Rella to head ACORD member services; DentaQuest names Cross

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CPCU Society
The CPCU Society (Chartered Property Casualty Underwriters) has elected Bruce D. Williams as president along with other national officers.
Williams is executive vice president of Glatfelter Insurance Group in York, Penn. He has been an active CPCU member for 20 years.
John W. Reynolds, who is vice president for education and training at Safeco Insurance Cos. in Seattle, has been elected president-elect.
James R. Nau has been elected vice president. He is general manager of residual markets for the National Council on Compensation Insurance in Boca Raton, Fla.

Gregory G. Deimling, a principal in Globe Insurance Agency, Inc. in Cincinnati, will serve as secretary-treasurer.

New York Alliance

The New York Alliance Against Insurance Fraud reappointed Bernie Bourdeau of the New York Insurance Association to serve as president and elected the following new officers: Kevin O'Connor, Liberty Mutual, chair; Donna Augustiniak, USAA, as vice chair; John Reiersen, The Eagle Group, treasurer; and Jeff Kearney, GMAC Insurance, secretary. The alliance plans a fraud awareness media campaign, beginning with media commercials in January.

Allmerica

Allmerica Select in Worcester, Mass. announced the appointments of Patrick Ferrer and Craig Cheney as sales managers for its Eastern and Western divisions, respectively. They will be responsible for the recruitment for and management of the wholesale distribution of Allmerica Select Annuity and Life products to broker/dealers within those regions.

Ferrer has more than 17 years experience in insurance marketing and sales, most recently with Reliance/United Pacific Life in Philadelphia.

Cheney joins Allmerica from Massachusetts Financial Services, where he was a senior vice president in the Western division, responsible for driving sales of variable annuity products through the Western division, wirehouse and regional distribution channels.

WGA

William Gallagher Associates of Boston has appointed John Crowley as vice president. His responsibilities will include serving the personal insurance needs of high net worth individuals and families seeking to optimize their asset protection. Prior to joining WGA, Crowley was with PLI Brokerage, a Chubb subsidiary.

DentaQuest Access Plans

Burlington, Mass.-based DentaQuest Access Plans, Inc. has named Jack Cross, formerly director of sales at delta dental Plan of Mass., as president and chief executive officer. The company has a network of more than 700 dentists in the state for its individual dental plan.

Rose & Kiernan

John Murray, president of Rose & Kiernan in East Greenbush, N.Y., was recently elected chief executive officer. He will continue to serve as president. Murray said he hopes to expand the company in New York and into the New England and Southeast states.

American Arbitration Association

The American Arbitration Association has named William Considine as vice president for its New York insurance programs. The program utilizes 55 arbitrators to decide disputed claims in no-fault auto and supplemental underinsured motorists insurance.

Atlantic Charter

Boston-based Atlantic Charter Insurance Group recently appointed Mark M. Whitney as employment counsel. He will serve as employment counsel to Atlantic Charter's employment practice liability insurance policyholders, providing consulting services on employment issues, including risk management practices, personnel policies and statutory compliance. He is employed by Sallop and Weisman, a law firm affiliated with Atlantic Charter.

ACORD
The ACORD Board of Directors has named Frederick J. Rella as vice president of member services and an officer of the company, announced Gregory A. Maciag, president and CEO of ACORD.
Fred Rella, formerly director of member services, is responsible for all marketing activities at ACORD including those functions that directly support the membership.

Insurance Times: AIA names new lobbyists
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There's a new industry lobbyist looking out for property-casualty insurance company interests in Connecticut, Vermont, New Hampshire and Massachusetts.
Donald Baldini joined the American Insurance Association in October, as the association's Boston-based assistant vice president for state affairs.
Baldini, of Winchester, brings more than eight years of experience to the job, working both for the Massachusetts Division of Insurance and then Associated Industries of Massachusetts - a statewide trade association with more than 5,400 employer members.
"I'm really interested in lobbying and the legislative and regulatory process," Baldini said. "And this is a great time to be involved. With Gramm-Leach-Bliley and financial modernization, it's a very challenging time and a good time for me to be focusing my career on insurance a little bit more."
Baldini is a graduate of both Suffolk University Law School and George Washington University. He began his career as legal counsel for the DOI, working with then-commissioner Kay Doughty and her successor, DOI Commissioner Linda Ruthardt.
Baldini replaced Suzanne Bump, who left AIA earlier this year to become a lobbyist with Citigroup.
AIA's New York office also faced a similar change earlier this fall, when Michael Murphy joined the association to handle New York State government affairs issues.
Murphy most recently worked as an assistant counsel for the New York State Senate Majority. He's a graduate of Albany Law School and LeMoyne College.
Murphy replaced Mary Griffin, who also left AIA to join Citigroup.

Insurance Times: Mass. gauges insurer market share in neighborhoods
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by Mark Hollmer
InsuranceTimes

BOSTON - A Bay State law that encourages insurers to write more policies in

underserved neighborhoods has had mixed results in its first two years, according to a new study.
Four companies increased their underwriting in those areas in 1998 compared to 1997, but just as many companies reduced their business, the Massachusetts Affordable Housing Alliance concludes.
Details are included in "Insuring Neighborhoods IV," an annual study MAHA puts out to gouge progress since the Insurance Anti-Redlining Act of 1996.
This years report compares statistics from 1998 to 1997, the first two years after the Anti-Redlining Act passed and the most recent years for which numbers are available.

Several 'Great Job'
"It shows that there are several companies that have really done a great job of writing more business in the underserved zip codes," said Thomas Callahan, executive director of the Massachusetts Affordable Housing Alliance.
But "the bad news is that still too many companies 13 of the top 24 companies wrote less policies (in 1998) than in 1997."
Callahan said his group is disappointed that more companies haven't taken advantage of the law in the years since it passed.
Still, Callahan added he's heartened that some companies have pushed to increase their underwriting in underserved areas.
"The fact that there are a handful of companies that have increased their business in these neighborhoods shows that it can be done," he said.
For the study, MAHA looked at company market share in 15 zip codes in Boston, Chelsea, Lawrence, Lynn, New Bedford and Worcester. MAHA also compared each company's 1997 and total polices in the state.
Among the report's findings:
• Arbella, Hingham, Vermont Mutual and Quincy were the top four companies to increase business in areas covered by the 15 zip codes, with a net gain of about 1,019 policies from 1997 to 1998. Vermont, Hingham, Arbella and Liberty Mutual currently "write proportionally more business in the targeted neighborhoods compared to statewide."
• During the same time period, Trust (now in liquidation), Plymouth Rock, Commercial Union and Fireman's Fund were the bottom four companies conducting business in areas covered by the 15 zip codes, with a net decrease of 1,444 policies.
• Andover, Commerce, Travelers, Commercial Union, Quincy and Chubb - six of the state's top seven insurance companies - "write proportionately less business in the underserved zip codes than statewide."
• Eleven of 24 of the top insurance companies wrote more business in underserved zip codes in 1998 than in 1997.
• The FAIR plan actually had more policies in force in the 15 underserved zip codes in 1998 than in 1997. MAHA said this was bad, because the law's goal was to reduce or "depopulate" FAIR plan membership.
The 15 zip codes used to compile the report have FAIR Plan market shares ranging from 23 percent to 62 percent.
Eight other zip codes have a FAIR Plan market share above 20 percent, according to the report: Boston, Brockton, Cambridge, Lawrence, New Bedford, Provincetown, Revere and Wareham.
The report includes a number of recommendations, such as ending redlining of flat roof triple-deckers and adopting a lead paint exclusion. Insurers should also appoint and train more neighborhood agents, invest in underserved neighborhoods and require insurance companies to verify or correct any data they submit, according to the report.
The 1996 Insurance Anti-Redlining Act requires property insurers to disclose where they do business. The law also allows for financial incentives for companies who write more policies in underserved neighborhoods.