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NH Learns Lessons From HMO Failures

Cmsr. Rogers Sees Rates, Provider Contracts as Keys

CONCORD, N.H. - New Hampshire insurance officials may yet go after Massachusetts-based Tufts Health Plan to pay for some of the debts its affiliate Tufts New England (TNE) left behind.
Tufts Health Plan, already facing a $40 million lawsuit by Maine's Bath Iron Works for alleged breach of the last two years of its contract, could be asked to cover obligations of TNE in New Hampshire, although no decision on whether to pursue the Massachusetts parent has been made, according to New Hampshire Insurance Commissioner Paula Rogers. Rogers is the court-appointed liquidator for TNE.
TNE, with customers in New Hampshire, Maine, and Rhode Island, was placed into receivership Nov. 22 after its parent company, Tufts Health Plan of Waltham, Mass., said it would no longer cover the subsidiary's debts.
Merrimack County Superior Court put Rogers in charge of the plan. Rogers announced Dec. 20 that she could not find a buyer and the plan would have to be liquidated, with coverage terminating Feb. 2.
Rogers told InsuranceTimes that as liquidator she has an obligation to consider secondary sources of funding to meet claims, including funds from Massachusetts-based Tufts Health Plan. If she decides to pursue the parent company, she said, "BIW has agreed to stand with the liquidator and let the liquidator pursue that resource. But that is quite unresolved."
Rogers told the House Commerce Committee that Tufts New England would be able to pay doctors, hospitals and other medical providers in full for services performed on or after Dec. 20. But she warned it would only be able to make partial payment for services provided before that date.
Rogers said she would pursue any reasonable methods of getting payment for Tufts' creditors, including possibly suing the parent company.
"There will be a deficiency," Rogers said. "That is why secondary sources are important."

Unknown Amount
The amount of the deficiency is currently unknown. "We can't estimate it at this point," said Rogers. "That information is still five or six weeks out, but there will be a deficiency."
That deficiency is being blamed in part on underpricing at a time when costs were rising.
Asked if TNE's practice of underpricing its product could have

been caught sooner and the insolvency perhaps averted, Rogers noted that "hindsight is always 20-20." She added that the department had, on several occasions, asked TNE to adjust its rates upward.

TNE had a business plan which "appeared reasonable" and the "marketplace was stable" at the time the plan was initiated, she added, acknowledging that in the end the department's oversight was not sufficient to prevent the collapse caused by several factors.

Rogers, who took over as commissioner in mid-1999 from Charles Blossom, says the department has learned a lesson which will cause it to look more closely at health plan's filed rates.

"Hindsight puts me in a position as a regulator to institute more rigorous protocols for rate review in the health insurance arena," she said. "The Tufts-Harvard thing has been a sobering event in the marketplace and I think departments can always do better."

The department has also learned another lesson – namely the importance of an HMO's provider contracts on its performance – although it is unclear anything can be done about this one.

When she first took on the job of commissioner, Rogers became aware that TNE had difficulties with provider contracts.

"Tufts needed better and more favorable contracts on the seacoast," she said.

The department has direct oversight of HMO rates that must be filed and approved, she said, but information concerning provider networks is quite another matter.

"The department," Rogers added, "has less oversight over provider contracting. So, if an HMO is in the marketplace and its provider contracts are generous to the provider, perhaps beyond the other contracts that might be out there with other HMOs, we at the department don't know that. And, I'm not yet sure that we should know of all of that."

Tufts New England has lost $140 million since starting up in New Hampshire in 1995.

Accurate Picture

Rogers said that despite its losses, Tufts had an accurate picture of its finances, unlike Harvard Pilgrim Health Care, which is in receivership in Massachusetts. Harvard Pilgrim has about 54,000 New Hampshire subscribers.

``Tufts clearly had a handle on their business operations,'' Rogers said. ``We have been able to get our hands around things.''

The liquidation of TNE is bound to create some chaos for subscribers and carriers in the immediate future, according to Rogers.

``We have other New Hampshire carriers that can absorb the migration and that's a good feeling. The sad part is it's a loss for the market. Some people will find they have to pay higher premiums. Some will find it daunting, and some will not pick up insurance,'' she said.

Of the 145,000 Tufts subscribers — 70,000 each in New Hampshire and Maine and 5,000 in Rhode Island — most have found alternative carriers or made arrangements to switch on Feb. 2, Rogers said.

New Hampshire subscriber covered under Tufts' ``Point of Service'' plan should know that this plan is insured through Allianz Life Insurance Company of North America. The liquidation of Tufts has no effect on the obligations of Allianz to its policyholders, Rogers said. But there could be changes to the provider network and how the program is administered, she said.

Allianz is looking for another insurer and could be making an announcement this week, Rogers said. About 14,000 subscribers in New Hampshire and 1,500 in Rhode Island are affected.

Subscribers who have problems despite the numerous laws should call Tufts or the state's insurance help lines., she said.

Financial Struggles

While Tufts prepares to shut down its Bedford-based operations, New Hampshire's other HMOs are enduring similar financial struggles.

According to a study by Foundation for Healthy Communities, a partnership of health plans, hospitals, clinicians and home care agencies, northern New England HMOs reported $95 million in 1998 losses.

Harvard Pilgrim Health Care of New England Inc., which serves about 34,000 New Hampshire residents, announced earlier this month it was going into receivership. After losing $11.8 million in 1998, Healthsource New Hampshire Inc. launched an initiative to hold down costs for 195,000 members.

Blue Cross, the state's largest insurer, lost about $20 million in 1998, although its recent $120 million sale to Anthem Inc. will enable it to stabilize rates, according to President and CEO David Jensen.

The other exceptions are Cigna Insurance Co., and Aetna Life Insurance Co., which Rogers said are financially solid.

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In NY, Industry Moves Forward Despite Differences Of Opinions

by C.A. Soule
Insurance Times

NEW YORK – The itinerary facing New York insurers and agents reads like a microcosm for the industry in much of the rest of the country. Legislative and regulatory standardization. Financial services modernization. Competition from alternative sources. Privacy issues. And of course, commercial lines deregulation.

There will be another push to get a commercial lines law passed in New York, although agents and companies appear have slightly differing views on how to best go about deregulation.

The state Senate has put its imprimatur on a bill that would allow small businesses to purchase deregulated policies from insurers, setting a premium threshold of $5,000, low by most other state's standards. The Senate would require businesses to meet one other requirement, based on the size of the organization, its revenues, or other factors.

The Assembly has balked at the Senate bill, preferring one that would mandate that businesses fulfill two requirements in addition to the premium threshold, instead of one. Whichever bill emerges, the prevailing sentiment is that agents will awaken to a different world in the Empire State.

"This is very good for insurance agents, but it is also a concern," said Steven J. Spiro, president-elect of the Independent Insurance Agents Association of New York, and principal of Spiro Risk Management in Valley Stream, N.Y.

"For those agents that have good access to the markets, it is great. It shows that insurance is not a commodity, that agents add value to the marketplace. But it can be a detriment as well. If there is a loss, and the agent has not adequately explained the difference between the regulated policy and the unregulated one, there is going to be the potential for an errors and omissions exposure."

"Commercial deregulation is a big, big issue," agrees Robert Franzese, president of the Professional Insurance Agents of New York, and principal of Capital Region Insurance Agency in Albany, but he disagrees with some of the particulars.

"The $5,000 threshold is way too low. We want a $50,000 threshold that would be satisfied by the individual policy, not the combined policies," Franzese said.

Franzese said that agents are not alone in having to come to terms with a deregulated market; companies also need to gauge the changes wrought by commercial lines deregulation. "We have been in a wonderful era where carriers have been making a lot of money in the market," said Franzese. "But if the market comes back hard, there are going to be problems with deregulation."

Franzese likened the current commercial lines pricing in New York to a game of leapfrog among companies. "That has filtered down to smaller accounts," he said. "The market has exhausted larger accounts, so now everyone is after smaller accounts."

It is these smaller accounts that have him and other agents worried.

"Not all agents are qualified or specialized enough to effectively sell deregulated policies," Spiro said. "Agents who have become complacent will need to change."

"We feel a small-town, local business person does not have the time to sit down and try to understand a deregulated form," Franzese said. "However, a low price does speak to them. The worry is that coverage could be taken out by an unscrupulous solicitor."

Franzese added agents would push for commercial auto insurance to be excluded from deregulation, reasoning that workers compensation is excluded from the bill's requirements, because it is a "statutory coverage" which businesses must carry, as is commercial auto insurance.

Spiro said that the New York State Insurance Department would have the power to step in at its discretion to protect the little guy. But in a mammoth market like New York's, the department can only do so much.

Persona Lines

Personal lines insurance, while considered stable, seems to be a stone's skip away from becoming an issue in New York.

Assemblyman Alexander B. Grannis, co-chair of the legislative insurance committee, said that the state's rank as the second most expensive place to purchase auto insurance is something legislators are keeping a close eye on, and if the state's premiums become the highest in the country, there would be action.

While the coastal homeowners market is not an issue right now, the legislator said that a big storm could change that in a hurry.

Spiro, who writes coastal property risks, agrees. He said that the various triggers insurance companies use to implement windstorm deductibles lead to confusion on the part of homeowners.

"If we have one major storm, the department of insurance is really going to hear about it," he said.

Insurance Department

The operations of the New York Insurance Department are a common topic among industry professionals.

Observers say that the market has come to a grudging acceptance of Insurance Commissioner Neil D. Levin. Levin's background in banking initially sparked fears within the industry that the state's banking and insurance regulatory departments would be merged under one roof, similar to New Jersey, but that has not come to pass.

Spiro said that the department's record is crucial for the industry, because companies and agents value the flexibility the department can bring as a referee, flexibility that is harder to obtain in Albany. "We believe we should not settle a short-term problem with a long term solution," Spiro said. "The fact that so many insurance companies want to do business here is a tribute to the department."

"On the whole, New York isn't such a bad place to do business from a regulatory standpoint," said Lynne R. Frank, president-elect of PIANY, and owner of L.R. Frank & Associates, a Williamsville, N.Y. agency. "But the New York insurance department can be tough."

The department can also be sloppy, in the view of one critic.

"The insurance department has had a difficult time meeting its obligations as far as regulatory functions," maintains Insurance

Committee Co-Chair Grannis. “It is not a well-run agency at this point. There are long delays and huge back loads. It is both a funding and a managerial problem. The Assembly put more money in the budget for the department, but the governor rejected it.” Superintendent Levin was not available for an interview.

While property/casualty players is pushing for deregulation, the life industry is hoping the department and the legislature will do some spring cleaning this year in order to bring the rules for New York insurers in line with rules in other states and with the newly-enacted federal financial modernization act.

“The fact is, we continue to have a state insurance regulatory system, and challenges here are not necessarily unique to New York,” said Thomas E. Workman, president and CEO of the Life Insurance Council of New York, which represents companies in the state. “My view is that regulators in New York frankly are well aware of those problems, and are sympathetic to solving them."

Workman said that life insurers are working to bring New York rules into line with other states on a host of issues, including National Association of Insurance Commissioner guidelines for statutory accounting principles, a priority; qualifying group life products for deregulation similar to that being sought by property and casualty insurers in the commercial lines markets; and dividend rules that would allow for the “upstream” movement of dividends to parent companies.

Financial Services

Agents and companies in New York are well aware that the financial services landscape is changing. Several banks are actively trying to get insurance operations off the ground. Like agents in other parts of the Northeast, New York agents seem wary, but not worried.

“We are seeing a little activity in my area,” said Spiro, the Long Island agent. “Chase is doing some things, but I do not find them taking my business. Agents still bring a lot of value. Will I lose a client now and then? Sure. But I lose clients every year. I offset that by gaining new clients.”

Company Partners

While New York agents are fending off competition from other financial services firms, many are irked that they are also having to fend off competition from their own business partners – insurance companies.

Spiro said it was difficult to blame carriers for wishing to penetrate new markets, but that they should also realize that agents deserve a fair shake.

“I would say that the relationships that agents are enjoying with companies are different than those from a decade ago,” Spiro said. “You really cannot blame the carriers. If I could sell through agents, brokers, dealers, banks, and over the Internet, don’t you think I would do it? All we ask is that these companies make the same products with the same pricing available to agents as well. Let our clients be able to continue to stay with us.”

Franzese was tougher. “Banks were the worse fear 10 years ago, but insurance companies now constitute the biggest fear for agents. The Hartford has deals with Ford and AARP, Chubb with BMW, and companies are selling directly over the Internet and putting money into other ventures. Every dime they spend is a dime that an agent made for them. They are promoting alternate lines of insurance on the backs of agent, and we do a better job. We have always given companies better loss ratios and service, but now we are seeing all sorts of agent-unfriendly distribution.”

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NJ Works To Put Finishing Touches On Auto Reforms

by C.A. Soule
Insurance Times

TRENTON, N.J. – New Jersey, fresh off a year which saw the implementation of wholesale reforms in the personal auto insurance industry, is looking to tie up loose ends.

“There are a lot of issues facing the insurance department that need to be dealt with,” said John Tiene, director of the Insurance Council of New Jersey, a company trade group. “They need to finish implementation of the Auto Insurance Cost Reduction Act. They need to deal with territories, [personal injury protection], medical cost containment, and HIP,” the failed health insurer.

And of course, all that will have to be done with a new banking and insurance commissioner, after Gov. Christine Todd Whitman announced the appointment of Commissioner Jaynee LaVecchia to the New Jersey Supreme Court.

Tiene said that LaVecchia’s work streamlining the department was viewed positively by insurers, but they were not happy that the third commissioner in six years was leaving. “I guess our view is that she will make a great justice – nine months from now,” Tiene said.

The Whitman administration’s first term, piecemeal approach to insurance was swept aside in favor of implementing the broadest auto reform in a quarter century. The centerpiece of the plan was a mandatory 15 percent rate reduction.

“From an agent’s standpoint, the good news is that the consumer gets a break, and we are always happy about that,” said Gary S. Newborn, president-elect of the Independent Insurance Agents of New Jersey, and principle of G.S. Newborn & Associates in Flemington. “The environment has improved a bit with regulations, but the fact is that the marketplace has been such that it has kept capital out of the state. Companies think long and hard about providing capital to write auto in New Jersey, and they are worried about being blamed for the problems that happen here. Still, companies are appointing new agents for personal lines, and they are showing cautious optimism in our dialogues with them."

The bad news? "The revenue impact on our agency was significant," said David J. Madara, vice president of the Professional Insurance Agents of New Jersey, and owner of Madara Co. in Mt. Laurel. "We lost five to eight percent of our total revenues in one fell swoop, and at the same time we were burdened with a tremendous amount of transactional pressures."

Madara said that much of the additional workload for agents could have been alleviated had companies done a better job communicating with policyholders about the changes. But agents seem to agree that the worst is behind them, and they can now look forward to the future.

Companies may regard a future in New Jersey with trepidation, though. "Insurers gave up $750 million in premium," Tiene said. "But there was no guarantee that costs will actually be taken out of the system. Legislators basically did this with a lick and a promise."

Insurers that do not currently write in the Garden State are likely to be even more hesitant to do business here, Tiene says. Some 60 companies write in New Jersey, and that roll call does not include some of the household names in the industry, including Progressive, Geico, American Family, Safeco, Nationwide, and Farmers.

"The significant players are just not here," Tiene said. "Most of the companies writing here are standalone subsidiaries, and that dramatically limits the available capital. Companies need to be able to generate capital in order to survive, but here you've got companies which can only get so big. New Jersey is a growing state demographically, with something like $17 billion in new home construction. But every year only a few small companies come in, usually to write either specialized business, or a very low level of standard business. This market needs a couple of large carriers to come in, in order to make it work the way it should."

Tiene said that in New Jersey, agents have lost proportionately less market share to other distribution channels than their counterparts in other states. "It is almost like the system has helped preserve independent agents," he said.

But he added that the state's "take-all-comers" law requiring companies to offer insurance to consumers had worked to the detriment of agents. "Agents are no longer a kind of underwriter for the company, helping it evaluate risk," Tiene said. "Instead, agencies become merely input points for business. So companies are forced to trim their agency forces, discourage agents from opening offices in urban areas, and pushed to diversify their distribution systems. It is a disincentive to the agency system, and it is not an incentive to a competitive market."

Just as companies lack control over their customer base, Tiene said that stiff rules discouraging the termination of agency appointments to companies serve to keep companies from writing in New Jersey.

"All of this makes it very difficult for companies to manage their business here," Tiene said.

Agents take issue with any insinuation that they constitute a burden in New Jersey.

Frustration with Carriers

"The frustration I have with independent agency carriers is the fact that they are looking at alternative distribution sources," said PIANJ's Madara. "They are pouring resources into new technology, trying to learn new ways to touch the customer. It gives them something new and neat and exciting that they can brag about to their board, but they could be doing it by providing the technology through agents."

Madara added that some companies, including Harleysville and Selective, were working to incorporate agents into their alternative distribution systems.

Despite these challenges, the industry is"guardedly optimistic" about the reforms enacted last year, and will wait to see how it all shakes out.

"On one hand, the latest auto reform led to the most substantive, rational discussions on reform we have had ``in the last 25 years," Tiene said.

"On the other hand, legislators still demanded an immediate 15 percent cut. You can only do that once every 20 years or so, you cannot demand a $750 million gift from companies every year. There is only a finite amount of money to pay auto insurance claims."

While the industry ties up loose ends from the auto reform, the coastal area housing market appears to have settled down, observers say. "Companies that were going to abandon that market have pretty much already done so, and others have filled the gaps," said IIANJ's Newborn. "Independent agency companies all seem to be doing their fair share in that market. Don't get me wrong, they do not want me running an ad for coastal business in the paper and going crazy writing in that area. But they do not seem to have problems with the homeowner who is tacking on a vacation home to an existing policy."

Newborn reported that his agency was seeing increased interest from prospective clients for flood insurance, after torrential rains from Hurricane Floyd last fall caused extensive flooding and damage in parts of the state.

PEOs

Both IIANJ and the PIANJ have made the regulation of "professional employer organizations" a top legislative priority of 2000. PEOs are multi-faceted human resource management firms that take on many HR functions for businesses, for a fee. Those services include the procurement of workers compensation and health insurance, coverage that they are often able to obtain at

a discount.
Agents hope to force PEO firms to undergo the same licensing program they must follow. “Here is another industry mixing in some insurance with non-insurance services,” Newborn said. “What PEOs are saying, is, ‘If we call it gray, but it is really light black, that is ok.’ As Groucho Marx once said, ‘That is the most ridiculous thing I ever heard.’”
Newborn said that all agents ask is that PEO firms be made to toe the line as far as statutory licensing laws go. “We don’t think their business is bad, and we do not think that there is anything flawed in their business model,” he said. “All we are saying is, if you are going to sell insurance, you must be licensed.”

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States Turn To Task Forces To Examine Under Auto’s Hood

by C.A. Soule
Insurance Times

HARTFORD — New Jersey, which instituted an ambitious reform of a state auto insurance system, has one. Connecticut, which enjoys a 160 company-strong auto insurance market, has two. Massachusetts wants one.
Legislators in these states are turning to “task forces” to examine the status of their auto insurance industry. In New Jersey, legislators plan to examine the use of “territories” for rating purposes as part of the Auto Cost Reduction Act, passed last year. Connecticut legislators are also reexamining territories after pressure from the Attorney General and urban lawmakers who are responding to complaints by constituents of high rates, as well as the system as a whole. Massachusetts wants a task force to probe the entire system, with a focus on discount programs available for motorists.
But the effectiveness of these task forces is being questioned by insurers, who say that consumers in the three states are enjoying their lowest rates in years.
Massachusetts Rep. Nancy Flavin’s attempt to put together a $300,000 study of the system hit a wall when the state senate president refused to pony up half that amount.
The lack of funding did not stop Connecticut legislators from sallying ahead. The state currently has two committees that are examining auto insurance issues, after House Republicans elected to create a splinter commission in order to concentrate on territories.
Senate and House Democrats and Senate Republicans became bogged down on finding funding for their broader study of auto insurance in Connecticut, and have turned to three people who volunteered to do it on a pro bono basis.

Patricia Born, an assistant professor at the University of Connecticut, will author the report with a staff member of the National Conference of State Legislatures, based in Denver, and a member of the American Academy of Actuaries.

Legislators had expected a preliminary report Feb. 1, but it appears that report will not be ready on time.

Born told InsuranceTimes that her team was only just beginning to identify rating agencies and companies from which to collect information. She does not expect to have a final report completed until late this year or early next year.

Any earlier, and election year politics could tangle things, say some. “The issue then is that you have a potentially controversial report being issued in September, which makes you think it could be used as a sword in the November elections,” said Gerald Zimmerman, a lobbyist with the National Association of Independent Insurers. “We are concerned that Born and Calvo may have bitten off more than they can chew. We are talking about reams and reams of data. We are concerned that they will produce a report that merely states what legislators want it to state.”

“We are skeptical that they will be able to get the information that they need,” agreed Suzanne M. Bump of the American Insurance Association.

The New Jersey Department of Banking and Insurance created an advisory commission to examine territories, which have not been addressed in half a century. That commission will issue its findings well beyond its Jan. 1 deadline, a date most market observers considered unrealistic to begin with. A more likely date for the report is late spring, they say.

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Hartford Gets OK To Operate Federal Thrift

Hartford Financial Services Group Inc., one of the country's largest insurance companies, has won permission from federal regulators to operate a new federally-insured thrift.

The Office of Thrift Supervision gave its approval for the company to establish the thrift. It will be named the Hartford Bank and will offer trust services for individuals and companies nationwide from its base in Hartford, Conn.

The approval makes The Hartford Group the latest in a string of insurance companies, securities firms and other businesses outside the banking industry to get new federal savings and loan charters in recent months.

Trust services include acting as an investment adviser or custodian of trust funds or property held in trust, executing wills and acting as guardian of an estate or trustee of an IRA account.

For the new thrift, the trust services will be marketed — along with annuities and mutual funds — by brokers, independent financial planners and Hartford Group employees.
Last year the thrift agency, part of the Treasury Department, granted similar charters to Aetna Inc., one of the nation's largest life and health insurers, to mutual fund giant Fidelity Investments and to American International Group Inc.

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Amex Discloses Insurance Claims Settlement

NEW YORK — American Express Co. disclosed a $215 million settlement of claims on last week that it misled people into buying insurance products without fully disclosing fees. But the company managed to report a 15 percent profit in the fourth quarter that met Wall Street projections.
American Express, which did not admit any wrongdoing, said the preliminary settlement of three class-action lawsuits covered 2 million people who bought annuity products from the company starting in 1985.
The company said its settlement of three class-action lawsuits, related to sales of insurance and annuity products, will mostly be covered by money previously reserved. But American Express said it had set aside an additional $74 million, before taxes, during the fourth quarter to cover the deal. The agreement settles claims against the company dating back to 1985, American Express said.

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Deputy Suter Named Interim NJ Commissioner

TRENTON, N.J. — Gov. Christine Todd Whitman has named Deputy Commissioner Karen L. Suter acting head of the Banking and Insurance Department.
Suter will serve in the post being vacated by Jaynee LaVecchia, who last month won Senate confirmation as Whitman’s fifth appointee to the state Supreme Court.
Suter, of Medford, has been a career state lawyer since graduating from Rutgers University Law School in Camden in 1981, and is the former section chief for insurance law at the attorney general’s office.

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Trust Reported Close To Deal With Insurer

Taunton, Mass. auto insurer, Trust Insurance Co., is close to finalizing its sale to "a highly qualified international insurance company," according to a Jan. 21 letter sent from Trust president Craig M. Bradley to the company's independent insurance agents.

That company is said to be American International Group, the New York-based firm. AIG does not currently sell personal automobile insurance in Massachusetts. No documents have been filed with the Massachusetts Division of Insurance about a possible sale, and neither company has confirmed that AIG is indeed the suitor.

Bradley also said in the letter that agents were experiencing "exasperation" with the continued troubles of a new computer system the company has been attempting to implement. "It is a very costly process from both a time and financial perspective and far too disruptive to all of our businesses," Bradley wrote. "I have been assured by our technology partner, American International Technology Enterprises, that the problem of 'system response' has been isolated, its solution installed, testing is underway, and delivery to our agents is expected for [Jan. 24]." Bradley added that he was keeping his "fingers crossed that these assurances are real."

The timing of any AIG deal is unknown. A $20 million deal to sell Trust to an independent businessman collapsed last fall, after the insurance division had approved it.

The company again delayed a hearing with the insurance division to set its Safe Driver Insurance Plan discount, marking the third time in the last month it has done so. Bradley wrote that the delays were due to the ongoing negotiations with the unnamed company.

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NY Politicians Differ Over How To Handle Blues Conversion

Differ Over Whether Legislation Needed

ALBANY, N.Y. – A battle with partisan overtones is developing in Albany over the bid by New York's largest health insurer to change from a not-for-profit to a for-profit entity.

The latest entrant into the fray is state Comptroller H. Carl McCall, who issued a study urging that legislative approval be sought for the proposed Empire Blue Cross and Blue Shield conversion to for-profit status.

McCall said the conversion is crucial to state policy on a number of levels, ranging from the size of the company (4.1 million subscribers) to the fact it would be the first of what health industry officials predict will be a series of future decisions by not-for-profit entities to go for-profit.

``This is New York's first time out of the box — we should make sure we do it legally, and we do it right,'' McCall said. ``We'll be setting a precedent for any future conversions.''

Insurance Department

McCall's recommendations came less than two weeks after the state Insurance Department in the Republican Pataki administration quietly approved the Empire request to go to a for-profit status after holding hearings and public forums throughout most of 1999.

In making that determination — by posting a decision on the Internet without any other public notification — the department also said current state laws which prohibit conversions of not-for-profit entities to for-profit don't apply in Empire's case.

``We have done extensive legal analysis and do not believe our proposal is barred by the current statute,'' Empire Blue Cross and Blue Shield spokeswoman Deborah Bohren agreed.

Empire has been talking about a conversion for more than three years, and even those skeptical about the benefits to ratepayers say the company has developed a reasonable proposal and has been careful to describe it fully to health care advocates, government regulators and the Legislature.

Necessary to Compete

Dr. Michael Stocker, Empire's chief executive officer, says a conversion is necessary to let the company compete for customers with for-profit entities. Empire has ``virtually no ability to raise money'' on Wall Street for acquisitions of other health care plans and new technology while its for-profit competitors have almost unlimited access to money, Stocker said.

Empire officials pledge that no subscriber will lose coverage, no health benefits will change and its networks, rates and service will stay the same after the conversion.

To underscore the partisan tone of the debate over whether Empire now must go to the Legislature for its OK is the fact that former state Attorney General Dennis Vacco, a Republican, did not think the company needed legislative approval. But the current attorney general, Democrat Eliot Spitzer, said the conversion as Empire wants to proceed would break state law.

Court Approval

``If Empire wants to convert, the Legislature must lift the existing legal prohibition and Empire must get court approval by showing that the terms of the transaction are fair and reasonable and that the transaction promotes Empire's not-for-profit health purposes,'' Spitzer said.

Spitzer's lawyers are now hashing out the matter with Empire's counsels. A state Supreme Court justice must ultimately approve the conversion, and the attorney general has suggested that he is ready to sue if Empire seeks to take a course he believes is counter to the law.

Democrats

McCall is also a Democrat, and the voices in the Legislature clamoring for the conversion to be endorsed by lawmakers are Democratic, too.

Assemblyman Alexander Grannis, a Manhattan Democrat who chairs the Assembly's insurance committee, said he wants assurances that Empire will set up a foundation with funding adequate to meet its costs of treating indigent patients. That requirement grows out of the decades that Empire received state subsidies to serve the same purpose.

In a more general sense, Grannis said it is important to establish in law ways of dealing with issues like the charitable foundations for the health insurers in the future who will be seeking to go to for-profit status. He said he also expects that some not-for-profit hospitals will try to convert into for-profit entities as the health care industry continues to get more competitive.

``If I could wave a wand it would be not to have companies convert,'' Grannis said. ``It is money taken out of the revenue stream that arguably goes to health care. But we are past that. It's a very competitive world. Conversions to for-profit are here and I don't see us standing in the way.''

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Vermont Updating Old Banking And Insurance Laws

A Lot has Changed, But Laws Haven't

by Ross Sneyd
Associated Press

MONTPELIER, Vt. — In 30 years, banking has changed dramatically, from the introduction of electronic banking to innovative new checking and savings accounts.

Vermont's banking laws, however, have not changed to keep up with the age of the computer. The House Commerce Committee aimed to change that and the full House was be asked to go along last week.

Lawmakers will also be looking to update outdated insurance laws.

The massive rewrite of the state's banking statutes that was due to be debated last week has the support of consumer groups, bankers, regulators and key lawmakers.

``There are just a lot of things in our state statutes that are antiquated,'' said Tim Hayward, president of the Vermont Bankers Association. ``Its not the way business is done anymore.''

Modern Day World

``We felt it was time to bring this into the modern-day world,'' said Commerce Committee Chairwoman Kathleen Keenan, D-St. Albans. Keenan's committee spent part of its summer break immersing itself in both banking and insurance law, which have not been updated since 1969 and 1967, respectively. A bill designed to revamp the state's insurance statutes also are due for debate this week.

While those issues take the attention of the full House, other committees will be busy on a variety of other issues. Primary among those is the Judiciary Committee, which is figuring out how to provide the benefits of marriage to gay and lesbian couples. It plans another full week of hearings.

``I think (this) week will be a good, productive in-committee week,'' said House Speaker Michael Obuchowski.

Match Federal Law

A big part of the banking bill is to make Vermont law more closely match federal law. Banking in the United States works under a dual system. Some banks are federally chartered and others are chartered by the states. Of the 28 banks in Vermont, fewer than half are chartered by the state, which allows Vermont regulators to oversee them.

Lawmakers and regulators believe they have a better chance to maintain state charters, and to persuade other banks to convert, if state law is modernized.

Although both state and federal banks are similarly regulated, Vermont officials say they think local oversight is more effective.

``It's probably easier for them to deal with regulators because they know them, they know what to expect,'' Keenan said.

Also, there might be some new banks. The proposal establishes the legal framework for new merchant banks, which would concentrate more heavily in business loans than existing banks. There's also an option for a new form of bank in which investors who are unconcerned about federal deposit insurance can put their money.

A companion bill also will go before lawmakers. It would make many of the same statutory revisions as the banking bill. The 33-year-old law prevents insurers such as National Life of Vermont from investing in more modern financial instruments that provider greater financial returns.

``Their return will be greater (under the revision) and their premiums will cost less,'' Keenan said.

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Insurers File Aftermarket Auto Parts Endorsement In Mass.

by C.A. Soule
Insurance Times

BOSTON – As expected, Massachusetts auto insurers have drafted an auto policy endorsement that would allow Massachusetts insureds the option guaranteeing the use of original equipment manufacturer (OEM) replacement parts for auto repairs in the event of an accident.

Industry sources say that Insurance Commissioner Linda L. Ruthardt asked the Automobile Insurers Bureau of Massachusetts to draft the rider last fall, and AIB submitted it Jan. 5. InsuranceTimes first reported the intention of insurers to draft an endorsement last December.

The Massachusetts Division of Insurance will hold a hearing Feb. 7 to consider allowing the use of the endorsement.

The use of OEM parts sold by auto manufacturers versus generic aftermarket parts gained notoriety last fall after an Illinois jury ruled against State Farm Mutual Insurance Co. for over $450 million for State Farm’s use of aftermarket parts. The company is appealing the decision.

In Massachusetts, companies are currently required by law to contain costs by purchasing less expensive parts for auto repair, except in the case of vehicles which have less than 15,000 miles of use.

The endorsement reads, “We will pay the amount necessary to replace any damaged crash part which cannot be repaired, with a part manufactured or licensed by the original equipment manufacturer, due to the direct and accidental damage to any auto to which this endorsement applies. We will pay for each loss up to the actual cash value of the damaged crash part at the time of the loss.”

AIB argues that the use of aftermarket parts lowers the price of OEM parts.

“Eliminating the requirement to examine alternative parts and prices permits unrestrained price increases in the future for ‘comparable’ OEM parts,” wrote Cara M. Blank, an AIB actuary.

AIB recommends that the price for the OEM endorsement be 13 percent of the otherwise applicable collision or limited collision coverage. For comprehensive coverage, it recommends that the OEM endorsement be priced at two percent of the otherwise applicable comprehensive premium.

“From a political perspective, it is our hope that this will quell some of the voices of the auto body people who have been pushing for OEM parts,” said Edward J. Donahue, an attorney with Morrison, Mahoney & Miller in Boston.

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RI’s Kennedy Seeks Health Purchasing Plans For Seniors

CUMBERLAND, R.I. — Seniors would have more information and wield more purchasing power with their health insurers under legislation proposed by U.S. Rep. Patrick J. Kennedy, D-RI. Under the legislation, a nonprofit organization would serve as the voice for seniors who have banded together in their community to negotiate health insurance rates. The plan comes at a time when the Rhode Island health care industry is in turmoil and the elderly are feeling crushed by mounting health care costs.

More Control

``We're trying to give seniors more control over their health insurance,'' Kennedy said, just after addressing a small gathering at a Mendon Road home for the elderly.

``This is about using the power of purchasing pools to bargain more effectively on the behalf of senior citizens.''

The proposal asks for funding for six such organizations nationwide to test the plan, Medicare Consumer Coalitions. If they are successful, coalitions would be implemented in 220 communities across the country.

Although the federal government would continue to provide basic Medicare coverage at a set rate, seniors could negotiate with individual insurers on items like premiums and prescription costs under the plan.

The proposal is a more consumer-friendly approach that seeks to mimic service delivery in the private sector, complete with competitive bidding, said Dwight McNeill, a health policy fellow at Brandeis University, who helped craft the proposal.

``It's a very fundamental change from having a federal, centrally-located Medicare program,'' McNeill said. ``If we can have a car insurance in town, why can't we have a health insurance center for people to go to?''

The plan also includes a systematic delivery of information, where the organizations would routinely educate seniors on different plans, much like what Aging 2000 already does. The Rhode Island nonprofit organization, which advocates for the elderly, publishes a periodic Medicare guide.

``They're angry, they're confused, they're frustrated, they don't understand what's going on,'' said Ed Zesk, Aging 2000's executive director. ``So we spend a lot of time trying to help seniors figure out what's going on.''

His organization hopes to be one of Kennedy's six models. The legislation will be introduced in Congress late this month.

``I'll tell you, it's hard to be a senior today,'' said Louise Silva, who has lived in the home for 13 years. She commended Kennedy for his plan.

Although she recently switched to Blue Cross' BlueCHIP, which she says has more reasonable rates than her previous insurer, she is dreading another rate increase.

``The months go by fast and your paycheck is small,'' she said.

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Harry And Louise Back Clinton Plan

WASHINGTON (AP) _ Harry and Louise are back.
The fictional suburban husband and wife whose warnings about President Clinton’s health reform plan helped defeat the proposal in 1994 are featured in new TV ads about helping uninsured Americans.
In the ads that started last week, nationally on CNN and locally in Washington, Harry frets about an ``epidemic’’ of uninsured in America and declares, ``We can’t leave working families and kids without insurance.’’
Officials at the Health Insurance Association of America, which sponsored the old and new Harry and Louise ads, said there’s nothing strange about the poster couple warning about the effects of universal coverage now taking sides with those who would benefit from it.
``It’s not that different from 1993-1994,’’ said Chip Kahn, the group’s president. ``We were concerned with the unintended consequence of the Clinton plan.’’
In the group’s previous $17 million campaign in 1994, the couple worried that Clinton’s proposal would turn health care decisions over to government bureaucrats, limit choice of doctors and lead to the rationing of care. The president and first lady Hillary Rodham Clinton criticized the ads as misleading.
The issue with the new ads is how to provide coverage for 44 million Americans without health insurance. The association, representing large insurance companies, favors a combination of expanded government programs for low-income people and tax credits to help small businesses offer insurance.
It’s promoting that plan as an alternative to proposals that might detract from participation in employer-sponsored plans crucial to large insurers.
The $1 million ad campaign is aimed at getting political candidates, especially Republicans, interested in the group’s proposal, a $50 billion-a-year plan to help the uninsured by expanding existing government programs for low-income people, giving federal vouchers to the working poor to purchase insurance, and providing tax credits for small businesses.
The ad ends with Louise e-mailing candidates about the group’s plan, called InsureUSA.
Clinton and Republican leaders have talked about providing tax credits so people could buy their own insurance and possibly circumvent employer-provided insurance plans — the main business of large insurers. The insurance group is arguing that preserving the current system of employer-based coverage, plus federal help for low-income people, is the best solution.
``I think they are concerned about proposals for individual tax credits,’’ said Karen Davis, president of the Commonwealth Fund, a health policy research group. ``Their bread and butter is

selling group coverage.''
Kahn said that while Vice President Al Gore and former Sen. Bill Bradley – vying for the Democratic presidential nomination – have both outlined plans to provide coverage for uninsured Americans, the field of GOP candidates have said little about the issue.
By hauling Harry and Louise out of retirement, the insurance industry hopes to change that.
``We want to get their attention,'' said Kahn. The initial campaign is small, but the group is looking at expanding it over time.

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Teaching Hospitals To Be Spared Billions In Additional Medicare Cuts

Hospitals treating some of the nation's neediest patients will be spared billions of dollars in Medicare cuts by the Clinton administration, officials say.
Hospitals in Delaware, Hawaii, Massachusetts, Missouri, New York, Oregon, Tennessee and Vermont are affected. Altogether, the cuts could have meant some $2 billion over five years, officials said.
The dispute stemmed from confusion over who counts as a Medicaid patient. Hospitals handling a large share of low-income and often uninsured patients are reimbursed for the care in Medicare payments. The reimbursement is based on a complicated formula that includes Medicaid caseload.
Federal officials said some states had been counting certain people erroneously. Hospital officials said they thought they had been following the law.
Hospitals were initially told they would have to repay the extra $1 billion they had received in Medicare overpayments but that changed in October due, in part, to a vigorous lobbying effort by New York Sens. Daniel Patrick Moynihan and Charles Schumer as well as Rep. Charles Rangel.
The agreement reached with Health and Human Service Secretary Donna Shalala means that the funding system will stay the same so that the hospitals will not see a sudden dip in their Medicare payments.
The hospitals are still fighting the billions of dollars in cuts from the federal Balanced Budget Act of 1997, although the administration agreed in November to soften those cuts somewhat.

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Union Corruption Reported To Insurer

NEW YORK (AP) — An internal report outlines widespread corruption within the nation's largest union of government workers, from theft to the use of union credit cards to cover personal expenses, The New York Times reported.

The report details problems in the American Federation of State, County and Municipal Employees, which has 1.4 million members. The report was provided by an unidentified union official.

The document is a list of $4.6 million in claims the union made to its insurance company, seeking reimbursement under a policy covering fraud by union officials. It involved claims pending in November.

The memo describes corrupt activities by 35 union officials, including $2.2 million allegedly misappropriated at the union's New York City affiliate, District Council 37. More than half the claims arise from the council, in which two dozen officials have been indicted.

Other corruption claims involved union locals in Indiana, Massachusetts, Minnesota, Montana, New Jersey, Ohio and Pennsylvania.

While acknowledging the accuracy of information in the report, AFSCME officials said the report demonstrated a commitment to uncovering wrongdoing. In many cases, the Times said, union-sponsored audits uncovered the corruption.

General counsel Lawrence Weinberg also said problems at a dozen or two locals was not extraordinary given the number of unions represented by the parent — between 7,000 and 8,000.

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Egyptair Chief Says Victims' Kin Will Receive About $115 Million

CAIRO, Egypt (AP) — The families of those killed on EgyptAir Flight 990 will receive a total of about $115 million in insurance payouts, the airline's chairman said.

The figure conflicted with EgyptAir Chairman Mohammed Fahim Rayan's statements in November, when he said the payment would be $100,000 for every one of the 217 people on board the plane that plunged into the Atlantic Ocean on Oct. 31. Such payments would total about $22 million.

The investigation of the cause of the crash is still in progress.

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Model Licensing Act Urged

Insurers are urging the National Association of Insurance Commissioners (NAIC) to meet its deadline of Jan. 31 for adoption of the Producer Licensing Model Act. The model was expected to be adopted at the NAIC's December meeting but was postponed in order to review how to incorporate federal requirements mandated by the Financial Services Act (S900).

The federal law requires states to establish guidelines for agent licensing that are "uniform or reciprocal" within three years. Should a majority of states fail to enact such laws, the federal government could get involved in licensing.

"We know too well that the clock is already ticking," said Sam Sorich, of the National Association of Independent Insurers (NAII). "We urge the NAIC to adopt this model by January 31 so that state legislatures have sufficient time to pass legislation."

Sorich said insurers are concerned that further postponement will invite federal regulators to use S900 as an excuse to "undermine" state regulation

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Industry Defends Workers Comp Reforms After Consumer Reports Article

NEW YORK – The workers compensation system has been significantly weakened by a series of state laws, according to a report by Consumer Reports magazine.

But the insurance industry says disputes this assertion, claiming that the system has made great strides in protecting the health and safety of American workers.

Marlys Harris, a Consumer Reports associate editor, said a series of state laws passed in the 1990s to cut insurers' costs and stamp out fraud has left some workers with dramatically inadequate coverage.

``The new laws have generated profits for insurers and savings for employers mainly at the expense of injured workers,'' Harris wrote.

Insurers' Stinginess

The magazine accuses the insurance industry of stinginess in pushing laws through 29 legislatures that allow insurers to require claimants to be treated only by doctors approved by the insurer or employer. Some states lowered the number of weeks that employees could collect benefits and stopped benefits when an employee was determined able to return to work, among other reforms.

The report says workers compensation benefits paid by insurers and employer premiums, as a percentage of payroll, fell by more than 20 percent from 1992 to 1996. It acknowledged that some of the decline came from safety measures by employers and a declining number of dangerous jobs.

Robert Hartwig, chief economist of the New York-based industry group Insurance Information Institute, said the workers compensation system works well for the vast majority of people injured on the job.

``We want to pay all legitimate claims,'' he said. ``Millions of workers are processed through the system expeditiously every year, and treated very fairly.''

The American Insurance Association countered Consumer Reports, arguing that reforms passed by states in the 1980s and early 1990s have streamlined benefit delivery, improved workplace safety, and reduced employer costs without cutting benefits.

According to Bruce Wood, AIA assistant general counsel, recent report issued by the federal Bureau of Labor Statistics showed that workplace injuries and illnesses have steadily declined 20 percent since 1994.

Wood blasted the Consumer Reports magazine for its article, which features several stories of individuals who said they received less than adequate care.

“Instead of an objective account of workers compensation, Consumer Reports chose to provide its readers with a one-sided viewpoint echoing trial bar complaints,” the industry representative charged.

“A balanced article would have revealed that time after time it has been the trial bar that has fought system changes designed to eliminate disputes, and not coincidentally, reduce workers’ need for a lawyer. And a balanced article would have revealed how the trial bar teams up with favored doctors who generate high medical expenses and prolonged treatment plans to build support for longer recovery periods and higher disability awards.”

Wood noted that studies in Pennsylvania, California, Massachusetts, Oregon, Florida and Ohio that show that injured workers receiving care through workers compensation consistently rate the quality of care highly.

“Workers compensation reforms have worked,” Woods continued. “Many states authorized insurers to provide treatment through managed care networks to improve the quality of care and control medical costs. Some states took steps to reduce the amount of attorney involvement by eliminating sources of dispute. Most importantly, these reforms did not cut benefits as the trial bar and organized labor contend and which Consumer Reports uncritically accepts as fact.”

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Editorial Opinion Long-Term Thinking

It’s not often that the insurance industry has kind words for the Clinton Administration but President Clinton’s proposal for a $3,000 annual long-term care tax credit won plaudits from the American Council of Life Insurers (ACLI) — for addressing short-term needs.

“A tax credit for families grappling with long-term care needs today is vital for easing their immediate burden,” said ACLI President and CEO Carroll Campbell. “But over the long run, encouraging the purchase of private insurance will be crucial for meeting the nation’s long-term care needs without crippling taxpayers and already strained government programs.”

The ACLI asked President Clinton to broaden his initiative and work with Congress to provide tax relief to those who take personal responsibility for their own long-term care needs by purchasing private LTC insurance.

The President’s proposal, while commendable, addresses only part of the problem. The U.S. needs to think long-term about long-term care. It is just as important to provide an incentive for those who are still healthy to take steps to protect themselves and their families through private insurance.

Close to 20 states have developed a form of tax credit for long-term care insurance premiums; it’s time that the federal tax code caught up.

The nation’s trial lawyers are at it again, finding room for criticism of states’ workers compensation systems which most others agree deserve praise for improving benefit delivery and helping injured workers get back to work faster.

As in the past on insurance issues, the trial attorneys have found a willing partner in Consumer Reports magazine. The magazine recently published a lopsided “report” on the state of workers compensation which concluded that reforms of the past decade have enriched insurers at the expense of injured workers.

Of course, the true story is that some reforms have curtailed the involvement of trial attorneys in the system, taking money out of lawyers’ pockets.

It’s also true that implementation of safety measures in the workplace by employers, working with insurers, has helped lower the costs of the system for all.

Had reforms not been enacted, there might very well be no viable workers compensation system today.

But those facts are given short shrift by Consumer Reports.

On this issue, Consumer Reports is not a good buy.

Commonwealth Auto Reinsurers (CAR), the Massachusetts auto residual market organization and statistical agent, has been criticized over the years for running a secret operation. Critics have called for the organization to open up its minutes and meetings to more public scrutiny.

Well, a CAR does seems to be opening up a bit.

Effective Jan. 17, CAR's website became a public website, available to the entire industry and other interested parties. The website offers access to reports, bulletins, committee agendas, the plan of operations and various manuals.

Of course, insurance company members will have access to proprietary data not available online to the rest of us.

But it's always healthy when an industry organization engaged in business that so directly affects the public and the industry's public image shows a willingness to shed more light on how it operates and what it knows.

For more on the new CAR, visit www.commauto.com.

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NH's Rogers Offers Auto Parts Solution

CONCORD, N.H. — New Hampshire Insurance Commissioner Paula Rogers has suggested that insurers give consumers a choice in the after market parts controversy and repeated her promise to revisit a controversial auto insurance underwriting regulation (Rule 1400).

At the same time, Rogers, herself a former industry lobbyist, says she is at a loss to understand why certain insurance industry representatives feel her department has not adequately communicated with them over these two issues.

"I don't know where this is coming from," she told InsuranceTimes. "I'm not sure I can change that impression that they may have. I've always felt accessible. The department is very busy, but I've always felt that insurance interests had appropriate opportunities to come in and speak and we certainly would provide them that opportunity. We've always been willing to discuss the issues and we always reconsider things that are brought up."

Rule 1400 has been one of the issues drawing complaints from industry lobbyists. The industry complains that the rule "micromanages" company auto insurance underwriting and will add unnecessary costs to the system. Among other things, Rule 1400 requires insurers to offer applicants coverage and limits up to the maximum cession limits for the state's reinsurance facility — limits that exceed those in the state's financial responsibility statute.

Rule 1400 also prohibits insurers from writing six-month policies and imposes other restrictions on policy changes and cancellations.

Department officials have maintained that the rule simply captures what have been the practices enforced by the department for the past seven years.

But Rogers, as she has said before, thinks there is some merit to taking another look at Rule 1400.

"I think that the most efficient way to address industry's concerns with Rule 1400 is to take and redraft it so that it deals with the residual market separate from the voluntary market," said Rogers. "I find it a potentially confusing regulation."

She indicated that this redrafting could occur this spring.

In the after market auto parts controversy, Rogers has been accused by industry lobbyists of exceeding her authority by telling insurers how and when they can use after market, or non-original equipment manufacturer, replacement parts.

The industry maintains that the standards she has imposed are a matter for the legislature to decide; and they note that a legislative panel charged with oversight of regulation has rejected them.

Rogers says she acted only after consumer complaints indicated there was a problem in the way insurers were settling claims. She said the department found that too few insurers were honoring the statutory requirement to put in writing that parts used were of "like kind and quality" to those of original equipment manufacturers' (OEM) replacement parts.

"My position is, if that were not in the statute, if there were a redefinition of the standard in the statute, perhaps we'd all be better off. Perhaps 'like kind and quality' is a standard that can't, in good faith, be met," Rogers told InsuranceTimes.

"This department fully supports the use of after market parts," Rogers said. "But if we can't meet the standard of 'like kind and quality' and we want to preserve the competitive market for auto parts, then perhaps we ought to take another look at that standard."

She said the department has asked the association (CAPA) that certifies after market parts to make a presentation.

"CAPA needs to be brought along and developed to become an efficient certification agent if that's what they're going to be," she stated.

Rogers sees a possible solution to the after market parts problem.

"Insurers might want to consider a more progressive market response," she said. She suggests insurers offer consumers choice within their policy regarding the use of AMP or OEM parts. For additional premium, consumers could be guaranteed use of OEM parts for their new car and down the road change that policy provision to AMP, she said.

While these and health insurance market issues are expected to continue to hold center stage, Rogers said that other issues jockeying for attention include bringing the state's banking and insurance laws into compliance with the federal financial services de-regulation act; conducting a study into health information privacy; implementing a single producer licensing system; and grappling with e-commerce as it relates to insurance.

"I think that (e-commerce) is a burgeoning area that we have to get a regulatory handle on," she commented.

Finally, she said she is also continuing with a reorganization of the agency she inherited last summer.

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Mass. Officials Await Investment Bank Rescue Options For Harvard-Pilgrim

BOSTON — Salomon Smith Barney, the New York investment banking firm, has been picked to help rescue ailing Harvard Pilgrim Health Care.

``Their mission is very clear: to develop and pursue options,'' said Attorney General Thomas Reilly. ``Everything is on the table.''

The region's largest HMO, with 1.1 million members in Massachusetts, was ordered into state receivership Jan. 4 after it learned losses last year totaled more than $150 million.

Reilly and Insurance Commissioner Linda Ruthardt, who is the court-appointed receiver, said they would appoint an investment banker to find a way to help the troubled health plan, raising the possibility it would be sold to a for-profit company.

Investment banking firms can help companies raise money in a variety of different ways, including everything from issuing stock and bonds to restructuring the company.

Reilly has said that options for getting Harvard Pilgrim back on its feet could include getting the company a loan, selling assets, bringing in investors, or an out-and-out sale, Reilly spokesman Brian Heffron said.

The bankers are expected to develop a menu of options and then present state officials with a list of proposals to choose from.

``We realize, we're very sensitive to the fact that how this is handled, it could very well have a wide-ranging impact across the health care industry,'' Reilly said.

``I want to assure people the decisions that we make will not be made in a vacuum,'' he said, saying he would seek out input on the options from health care consumers and health care providers.

Ruthardt and Reilly are to report back to the state Supreme Judicial Court in early February on their plans for saving the HMO.

Officials in Rhode Island, where Harvard Pilgrim also operates, want to form a task force with Massachusetts so Rhode Island's voice will be heard. U.S. Rep. Patrick Kennedy, D-R.I., is planning to meet with Gov. Paul Cellucci on the issue.

J. David Leslie, the special assistant attorney general who is working on the receivership, indicated that Massachusetts officials see their rescue plan as helping Harvard Pilgrim patients and providers wherever the company operates.

``Our expectation is to deal with all of Harvard Pilgrim's obligations. ... We would like to see them all paid, regardless of state. There are no walls between states,'' he said.

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Lower Rates Are Not The Entire Cost Story In Workers Comp

Lower rates can actually result in higher premiums for employers who do not work to control their losses

by Richard O'Brien

With the Massachusetts workers compensation insurance rate cut by another 20.3 percent, the total reduction comes to an impressive 70 percent over the last five years. Many employers can practically see the bundles of savings from the new rates.
But before they start spending these newly found dollars, there is more to the story.
All workers compensation policies in excess of $5,000 are experience rated, meaning that the employer's loss history has a direct affect on future premiums. A poor loss ratio (defined as the ratio of total claims dollars to the, total premium) can actually increase an employer's workers compensation costs.
Each year of poor claims experience can affect an "experience mod" for up to three years, potentially nullifying any rate decrease. In fact, loss ratios put off balance by lower rates could end up costing companies more in premiums in the long run.
Here's an example of how lower rates can result in higher premiums. Wally's Water Works paid $28,000 in premium in 1998 and suffered losses of $18,000. This calculates to a loss ratio of 64percent, an average result.
In 1999, Wally's premium will be reduced 20.3 percent to $22,300. If Wally suffers the same losses, his company's loss ratio for the year will jump to 81percent. This worse than average loss ratio will earn Wally an increase in his experience modifier, thereby increasing his company's premium for the next three years. When premium dollars are decreased, the impact of losses must be absorbed if the losses remain the same.
This is not to say that the workers compensation rate decrease automatically means higher premiums, however. By controlling losses, companies can enjoy the savings that the rate decrease promises. The way to reduce losses is to work with an insurance company that provides safety and loss control services to reduce the likelihood of injury. If an injury does occur, the company should provide care management aimed at returning people to health and productivity as soon as possible.

Things to Look For
Here are some things to look for when selecting a workers compensation insurance carrier that will help control an experience modifier.
Proactive safety services. Prevention remains the best way to

reduce the cost of workers compensation claims. Before an account is written, a carrier should evaluate the existing safety and loss prevention programs of a potential client. Recommendations for improvement and an action plan will help to focus the employer on safety.

Ongoing loss control support. Throughout the term of a policy a carrier should provide loss control services aimed at the specific loss sources of each employer. Assistance with training, safety devices, and employee involvement should be available to client companies.

24-hour claim reporting. When injuries do occur, they don't always happen between 9 and 5. A carrier should offer the ability to report claims and access competent medical assistance 24 hours a day, seven days a week.

Employer involvement. Once a claim has been reported, the employer must be kept in the communication loop. The best way to effectively resolve claims is for each party involved to work together toward resolution. If the employer is the missing link (as is often the case), there's a likelihood of unnecessary lost time and higher claim costs.

Medical case management. The medical system can be overwhelming to some people, especially after they have been injured. Coupled with the uncertainty of filing a workers compensation claim, injured employees can feel apprehensive and disenfranchised. To assist employees through the medical process, a carrier should provide qualified nurses to manage the claim. The nurse case manager will act as the employee's advocate and be the primary communicator working with the employee, the medical provider(s) and the employer to focus each party on a common goal of a return to health and productivity.

Occupational health providers. To allow for the best treatment of worker injuries, a carrier should offer access to a network of health providers trained in occupational injuries. Such providers will be familiar with work-related injuries and illness and can bring their expertise to bear in getting employees back to work. The relationship should offer rapid access to such providers, minimizing the lost-time impact of a claim and reducing the period of recovery.

Return to work program. The goal of an effective insurance company to return an injured employee to work as soon as they are medically able. The carrier should work with the employer to help plan for getting back to work and develop options for employees to return with light duty or modified duty assignments as appropriate. By focusing on returning to work, lost days are reduced, productivity is increased, and claim costs are minimized.

Focus on Losses

Employers may rejoice at a reduction in rates, but it is only those companies with a focus on controlling losses that will reap significant benefits. Selecting a partner that will work with the employer to reduce claims is the first step in the process. p

O'Brien, CPCU, is director of sales and marketing for FirstReturn Insurance Co., Inc., a workers compensation insurer based in Dedham, Mass., and specializing in managed care and returning employees to health and productivity. He can be reached at 888-229-9600.

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State Farm Seeks To Speed Up Appeal Of Aftermarket Auto Parts Verdict

SPRINGFIELD, Ill. — State Farm Insurance Co. sought to bypass the usual appeals process in its bid to overturn a $1.2 billion verdict over the use of imitation auto-body repair parts in policyholders' cars.
The company last week asked the Illinois Supreme Court to accept the case for immediate appeal, skipping a stop at the 5th District Appellate Court in Mount Vernon.
The company claims the October 1999 verdict has already harmed consumers by forcing State Farm and some other insurers to stop using the parts. State Farm maintains using the parts saves policyholders money by holding down premium increases.
It was unclear when the Supreme Court would announce whether it will accept the appeal. The court is not bound by any time limit, spokesman Joe Tybor said.
Marion attorney Patricia Littleton, part of the team that brought the lawsuit, said the appeal was written with a ``Chicken Little mentality'' that is unfair to plaintiffs in the case.
``Why they don't just pay what they owe, I don't know,'' she said.
The class-action lawsuit that led to the verdict claimed the company broke its contract with policyholders and committed consumer fraud by requiring body shops to use generic replacement parts in auto-body repair jobs and failing to adequately inform customers of what they were doing.
The verdict has spawned numerous similar lawsuits, including one in Madison County accusing insurers of conspiring to create a parts-testing group that would conceal flaws in the parts.

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NY, NJ Medical Insurers Merge

NEW YORK — Medical Liability Mutual Insurance Co. has agreed to a merger with The Princeton Insurance Cos., a New Jersey-based specialty insurer. The deal solidifies MLMIC’s position as the

second largest medical malpractice insurer in the country and creates one of the largest physician/hospital owned insurance companies in the world, according to company officials.
MLMIC insures more than 20,000 physicians and other health professionals in New York, as well as 29 hospitals.
Princeton Insurance Cos. are owned by New Jersey hospitals, and provide medical malpractice, workers compensation and other insurance products to more than 50,000 policyholders.
The two will have combined direct premium revenue of more than $450 million.

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P/C Industry Surplus Drop First Since 1990

The surplus, or statutory net worth, of the property/casualty industry fell $9.9 billion during the first nine months of 1999, dropping to $323.4 billion from $333.3 billion at year-end 1998, according to Insurance Services Office and the National Association of Independent Insurers.
The industry’s net income after taxes through nine-months 1999 fell to $17.7 billion, down $5.6 billion, or 24.1 percent, from $23.3 billion through nine-months 1998.
The industry’s income barely offset unrealized capital losses on insurer’s investments. Such losses grew to $15.7 billion during the first nine months of 1999 from $10.6 billion during the same period in 1998.
The drop in surplus was the first such drop since 1990.

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NY Law Firms Enters Insurance Consulting

NEW YORK— The law firm that claims its has brought more policyholder lawsuits to trial than any other and wrote the book on insurance coverage litigation over the past 30 years is branching out into broad-based insurance consulting with the launch of a subsidiary company, Anderson Kill Insurance Services, LLC.
Established to help policyholders achieve maximum asset protection and insurance recovery outside the litigation arena, Anderson Kill's new consulting firm will handle all aspects of insurance planning and recovery. Practice areas will include liability coverage claims pursuit, property and business interruption loss adjusting, risk management services, corporate training and insurance consulting for mergers and acquisitions.
Founded in 1969 by Eugene R. Anderson, whom Business Week once

dubbed the "dean of policyholder's attorneys," Anderson Kill has built its reputation winning a series of multi-million dollar claims battles, initially in asbestos and environmental coverage cases, for companies including Textron, Keene Corp., Hoechst Celanese, Weyerhauser and Boise, Cascade. In recent years, coverage specialties have broadened substantially to fidelity claims and directors & officers liability to business interruption to advertising injury. In 1998, Best's Review called the firm "a national giant in insurance coverage law."

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AIM Mutual Returns Surplus To Employer Insureds

Associated Industries of massachusetts (AIM) Mutual Insurance Co. (AIM Mutual) has approved the fourth and final step in a program to return previously contributed surplus to its employer policyholders for whom it provides workers compensation coverage. The cumulative returns, initiated in September, 1996 after its conversion to a mutual insurance company, will total $20 million when the final step of the program is completed in June, according to John A. Myers, president and chief executive officer.

In addition to the return of the surplus contributions, the company has also returned more than $26 million to employers as policyholder dividends, he noted.

After the surplus contribution is returned to employers, AIM Mutual will have approximately $39 million in surplus, Myers said.

“The voluntary contributions of policyholders to our initial surplus was an essential; ingredient in the founding of our company,” he added, “the availability of increasing surplus will provide the opportunities for its growth in scope and services.”

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P/C Guaranty Fund Assessments At $264 Million

Property/casualty insurance guaranty fund net assessments amounted to $264 million in 1998, according to a study by the Alliance of American Insurers.

Although this is a 14 percent increase from the $231 million 1997 net assessment, it is still among the lowest since 1985.

The $264 million net 1998 figure is the result of 19 guaranty funds levying assessments amounting to $325 million, offset by $61 million in recoveries from 11 guaranty funds.

Of the guaranty funds making assessments, six accounted for more

than 75 percent of the total assessments. Pennsylvania made the largest assessment, $91 million, followed by Ohio at $47 million. The other four funds, New Jersey, Missouri, Hawaii and Florida each assessed between $20 million and $30 million.
The Midland insolvency is the costliest property/casualty insurance insolvency on record. Through year-end 1998, expenditures related to this insolvency amount to $410 million. Ideal Mutual and Transit Casualty are the second and third largest insolvencies, with expenditures through year-end 1998 of $332 million and $296 million, respectively. The American Mutual Liability insolvency ranks fourth at $283 million.
"While a drain on earnings, the guaranty fund system permits insurers, unlike other industries, to stand behind their basic business promise--to pay and make the policyholder whole, even if it is a competitor that is unable to fulfill that promise alone," said Roger Kenney, Alliance associate vice president of research.

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The Hartford Financial Services Group, Inc.

Has signed an agreement to provide personal auto and homeowners insurance quotes on www.ebix.com, an insurance portal. Through ebix.com, consumers will now be able to receive quotes for auto and homeowners insurance from The Hartford by entering ebix.mall and completing a 'request for new quote' form.

A new report from the American Association of Insurance services (AAIS) explores the issues confronting property/casualty insurers as they try to write appropriate coverage for residences and tangible property held by personal trusts.
The report, entitled Insuring the Personal Trust, notes that a growing number of American households are using personal trusts to reduce the time and cost of passing property down to heirs, and for other purposes.
Author Joseph harrington of AAIS notes that the huge and growing volume of estate planning literature “rarely even mentions property/casualty insurance for the ownership, maintenance, and use of the property held in trust.” Yet insurers and insureds could find themselves surprised to learn at the time of a loss how a trust arrangement affects coverage under a policy. While Harrington’s research turned up no evidence of widespread policy gaps for insureds or unintended exposures for insurers, “one court ruling could wreak havoc” in personal lines, he wrote.
At the very least, he adds, property/casualty practitioners have to accept that estate planning is merging as a form of personal risk management that over time will both complement insurance and compete with it.
“Like aristocrats of old, households are explicitly planning to

increase the value of their holdings over generations,” the report states. “There are strong analogies to businesses, as these family enterprises consciously choose what risks to transfer, which to retain, and whether to create captive entities to manage them.” Call 800 564-AAIA for more information.

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Sluggish Job Rate Could Slow Down Commercial Lines

Insurable Exposures Expected to Decline

HARTFORD — The projected slowing of growth in employment, and thus the slowing of economic expansion, is likely to have a significant impact on the commercial insurance industry, according to a new forecast.

At the peak of the current economic expansion in 1998, employment grew at a 2.8 percent annual rate and insurable exposures grew at a 2.7 percent rate. However, in 2000 employment is expected to grow at only 1.6 percent and insurable exposures at a modest 1.0 percent.

That finding is from the report by MarketStance, a market analysis developed by Conning & Co. in Hartford.

"The key factor in this deceleration of insurable exposure growth is a drop in the growth of construction-related risks," said Nancy Carini, senior consultant with MarketStance. "And it's particularly interesting to note that the decline in growth of these insurables is expected to be of a much greater magnitude than the decline in employment growth."

MarketStance projects a 2000 growth rate in construction industry exposures of only about 1 percent, markedly less than the 1998 growth rate of 5 percent.

"Even though pricing was weak throughout this decade, year after year the commercial insurance market relied on sustained economic growth to bolster conditions in most lines," continued Carini. "But construction risks in particular could be disproportionately hard hit by the slowing economy, which would be a big factor in the reshaping of the commercial lines market."

MarketStance shows that construction risks are expected to account for only 19 percent of all core commercial lines exposure growth in 2000, a sharp decline from their 30 percent-plus share over the past two years. The finance, insurance and real estate sector may slump to less than 2 percent of the total commercial lines growth, down from a 6 percent share in 1998. Retail and wholesale trade, in contrast, should each account for about 16 percent of this year's additional exposures - a bit above last year's contribution.

Exposure growth by line of coverage also is likely to be depressed. While commercial auto may experience an appreciable decline in its share of new insurable exposure this year, workers comp and general liability should decline only modestly.

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Windstorms Behind Rise In Residual Market Losses

Property residual market underwriting losses amounted to $267 million in 1998, the largest in the last 10 years, according to a report by the Alliance of American Insurers.

The total residual market loss consisted of $248 million in windstorm plan losses and $19 million in Fair Access to Insurance Requirements (FAIR) Plan underwriting losses.

"While the windstorm plan losses are significant, these results are to be expected given 1998's storm activity," said Roger Kenney, Alliance associate vice president of research. "An inordinate amount of severe storms with high winds hit the East and Gulf coasts, headlined by hurricanes Bonnie, Earl and Georges."

Underwriting Losses

Six of the seven windstorm plans included in the study reported a net underwriting loss for 1998, the latest year for which final figures are available. The Florida plan's loss was the largest, $151 million, followed by North Carolina's $64 million loss. Alabama, Mississippi, South Carolina and Texas reported losses ranging from $4 million to $11 million.

Louisiana's windstorm plan was the only one reporting a profit -- $2 million.

Seventeen FAIR plans reported operating losses totaling $55 million in 1998. Four plans accounted for 80 percent of the total loss: Michigan $27.5 million, North Carolina $10 million, New Jersey $4 million and Louisiana $3 million.

Eleven FAIR plans produced operating gains (underwriting loss plus investment income), totaling $57 million.

Among the states reporting operating gains were: california ($32 million); New York ($12 million) and Massachusetts ($8 million).

Plan market shares vary widely by state. The Florida plan has the largest market share at 6.1 percent. The Massachusetts and North Carolina plans are tied for second largest market share at 2.7 percent.

The industry measures the burden these plans place on the private insurance industry by relating the residual market loss to voluntary market premium. The largest burden came from the North Carolina plans, where it amounted to $4.41 per $100 of voluntary market premium. This means that for every $100 in voluntary property premium collected in North Carolina, the industry paid out $4.41 for the residual market losses in addition to paying for all expenses and claims on property voluntarily insured.

The Florida Plan imposed the second largest burden on the private sector, amounting to $3.38 per $100 of voluntary premium. The Mississippi windstorm and Michigan FAIR plan were the only other plans to impose a burden of more than $1 ($1.34 and $1.18, respectively).
Private insurance companies are responsible for the residual market losses in all states except New Jersey, where losses above $35 million are covered by a special assessment fund.
"Despite this added burden on the private market, these plans continue to fulfill their purpose of providing coverage for hard-to-place risks," Kenney said. "They ensure that coverage is available to all who need it."
Thirty-one jurisdictions have FAIR plans, while seven have windstorm plans. The Alliance's annual report on this topic includes information on 28 of the 31 FAIR plans (data was not available for the plans in Arkansas, Minnesota and Mississippi) and all seven windstorm plans.

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Virginia Study Claims Link Between Credit Rating And Claim Histories

Study Backs Insurers' Positions on Credit Scoring

RICHMOND, Va. —A Virginia Bureau of Insurance study has concluded that there is a statistical correlation between credit scores and the likelihood of an individual filing an insurance claim. Based on the findings, the bureau is encouraging insurance companies to educate consumers about the use of credit.
"The conclusion of the report agrees with what the industry has been saying for years – credit information helps insurers allocate the cost of coverage based on a consumer's potential to file a claim," said Robyn Rowen, counsel for the National Association of Independent Insurers (NAII). "Most people have good credit and can benefit from the use of credit information. Insurance companies have found that using credit information can help them write more business and allow consumers to pay less."
In the report to the Senate Commerce and Labor Committee, the bureau supports the insurance industry positions that credit scoring is an accurate predictor to assess insurance risks and that the use of credit information does not discriminate based on income, race or other demographics.
Following a review of how insurers use credit reports in underwriting, the bureau report states, "Nothing in this analysis leads the bureau to the conclusion that income or race alone is a reliable predictor of credit scores thus making the use of credit scoring an ineffective tool for redlining." This finding is consistent with other studies by the insurance industry and the

National Association of Insurance Commissioners (NAIC).
"We commend the bureau on doing such a thorough job on the study. They collected information from a wide range of sources to ensure they produced a balanced report," said Rowen.
"Fairness and objectivity are important issues for the insurance industry. Because the information used is based solely on credit-related material, it doesn't discriminate against women, minorities or any income groups. It can help to remove subjective decision-making from the underwriting process," said Rowen.
Less than one percent of the Bureau's Consumer Services Section total complaints are related to the use of credit reports.
The bureau recommends that the insurance industry take steps to educate consumers about the use of credit scores in the underwriting process.

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1999 Cat Losses Topped $8 Billion

NEW YORK — Property and casualty insurers paid $8.2 billion in catastrophe claims in 1999, making the year the fifth most costly in a half century, but still less expensive than 1998, according to estimates released by the Insurance Services Office Inc.
May tornadoes in Oklahoma were the costliest of 27 catastrophic events for the year, and the industry spent an estimated $1.1 billion to settle the resulting claims.
Insurers spent $10 billion on catastrophe claims in 1998.
The industry's most expensive year since record keeping began in 1949 was 1992, when insurers paid $22.9 billion in claims from 36 catastrophes, including Hurricane Andrew.

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NJ Taxpayers Could Pay Half Of Cost To Bail Out Hmos

TRENTON — New Jersey taxpayers would pay half of a $100 million HMO bailout in a proposal being assembled by the Whitman administration and legislative leaders.
The proposal, if approved, would require the managed care industry to pay the other half, ending a yearlong fight between the state’s health care providers and HMOs.
The money would pay bills left behind by two HMOs that failed last year. The state took control HIP Health Plan of New Jersey and American Preferred Provider Plan after they ran into money troubles.

Reimburse Providers

Doctors and hospitals continued to treat patients covered under the plans and argued that they did so with the understanding that they eventually would be reimbursed. The money from the plan would go toward paying those bills.

The governor's deputy chief of staff, the president of the New Jersey Hospital Association, the Medical Society of New Jersey, and officials from the Assembly and Senate met recently to put together the plan.

``We believe that we are close to an agreement with the hospital association and the medical society,'' Whitman spokesman Jayne O'Connor told The Star-Ledger of Newark in Sunday's editions.

Physicians and lobbyists for the state's hospitals said although the amount of money won't cover all the costs, it at least reduces the debt. Irv Ratner, president of the New Jersey Medical Society, said the amount owed to hospitals totals $150 million.

``Considering the financial distress that hospitals are currently facing and the charity care shortfall, this money is not only much needed, but it's long overdue,'' said Peter J. Lillo, the lobbyist for the hospital association who attended the meeting.

The proposal was expected to be introduced in the Senate Health Committee and to the Assembly Banking and Insurance Committee last week.

If Whitman signs the bill into law, about $67 million of the $100 million would be paid out shortly after that, followed by $17 million next year and the rest in 2002.

Taxpayers would pay through the state's general fund, and the HMOs would be taxed $50 million.

The state's 19 HMOs oppose the plan's tax, saying the surviving managed care plans shouldn't have to bail out those that have failed. The HMOs also object to the plan's stipulations that the tax cannot be passed along to consumers in the form of higher premiums.

``Where does any health insurer get their money if they don't get it from the premiums they collect?'' said Paul R. Langevin Jr., the HMO industry's top lobbyist.

The insurance industry has succeeded in stalling an HMO tax in the Legislature for months.

One version of the tax would have established a permanent fund to pay health care providers if any other HMOs failed.

That bill, which was changed into a $120 million one-time bailout for the doctors and hospitals left with unpaid bills after the two HMOs failed, died after the legislative session ended last month.

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S.H. Smith Opens In NY

S.H. Smith & Co. recently opened a new office on Long Island, New

York, its fourth location.
The privately owned firm also has locations in Boston, West Hartford and Cleveland.
The company specializes in excess and surplus insurance coverages.
Gerard T. Burns has been named to head the New York office, which will specialize in insurance for financial institutions, errors & omissions and directors and officers.

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Industry Improving At Allocating Capital, Panelists Contend

NEW YORK — The U.S. insurance industry is continuing to improve methods for allocating capital and the problem of excess capital may soon be a concern of the past, a panel of CEOs told executives attending the Property/Casualty Insurance Joint Industry Forum, here recently.
Discussing methods for assessing capital adequacy, Donald Kramer, vice chairman of ACE Limited, said that the historic measure of risk, such as premiums or reserves-to-surplus, were no longer adequate.
"The National Association of Insurance Commissioners' risk-based capital formula is just the beginning of more accurate measurements of capital adequacy," he said. "We think a lot of work has to be done in that regard."
Kramer noted that ACE is very quantitative in its approach to assessing capital adequacy. In addition to using the NAIC's risk-based capital formula, it employs dynamic financial analysis both in product pricing and on the corporate side to assess what kinds of return the company is earning.
"We've now refined some of our risk-based modeling to the point where we are able to do a risk-adjusted return analysis on every account," he said.
Robert C. Gowdy, president and chief executive officer, CGU, was asked if being a global enterprise forced CGU to look at capital adequacy differently.
"We use basically the same tools as ACE," Gowdy said. "We have to consider potential demands on capital from weather catastrophes in different parts of the world and the impact of multiple events in different parts of the same country," he continued.
"But outside the United States, because of the absence of rating agencies, the financial community is not as sensitive to capital position so there is less pressure."
Jerome Karter, president and chief executive officer, Scor U.S. Corp., said his company employed the same measures in terms of pricing that ACE uses. He observed that rating agencies in the United States seem to be less interested in whether a company was

managing its capital properly than in how it was employing it relative to its peers.

"Suddenly, the analysis can change quite a bit, " he said. "It's one kind of problem if every company is undercapitalized. It's quite another if most companies are overcapitalized and there are a few that are correctly capitalized." He added that some companies are penalized for adequate capitalization.

Moderator Alan M. Levin, managing director Standard & Poor's Insurance Rating Services, asked, "If companies are allocating capital to segments, which they seem to be doing, and presumably expecting to get a reasonable return on that allocated capital, why is the insurance industry's rate of return in the aggregate so mediocre?"

Responding, Edward M. Liddy, chairman, president and chief executive officer of the Allstate Corp., said that he found the subject of rates of return fascinating. "You set your ship on a certain course and you get certain results," he said. "I don't know that you can change them either for the better or for the worse easily and that's why quick snapshots of an industry or a particular company are dangerous."

Liddy said that on balance, as a result of an incredibly strong stock market, and some secular trends on the personal lines side that have helped reduce costs on the claims side, there's a fair amount of excess capital in the industry.

"Each CEO has to make a decision as to what rate of return should be earned on the capital that has been entrusted to them. Rate of return is now quite low, but that will change over time," Liddy noted.

On the subject of overcapitalization, panelists were reminded that at least one analyst believes the industry has as much as $125 billion in excess capital. Kramer noted that over-capitalization was no longer such a great concern since underwriting losses resulting from underpricing in earlier periods are starting to eat up capital.

Kramer said that ACE preferred to reinvest capital in the business to get a compound rate of return on equity. "I've never known a period when there weren't interesting investment opportunities, but if there aren't, we'll buy back stock or return capital to shareholders."

Liddy pointed out that Allstate has repurchased about $4 billion of its stock over the last few years. "But it's folly is to assume that this situation will continue indefinitely," he said. "The industry must be careful about the strategies it collectively employs to absorb excess capital because we may wake up one day to find we do in fact need it. Allstate would love to reinvest in this business and grow at 20 percent a year, but in the personal lines business that's not a realistic goal."

Several panelists deplored the industry's generally low stock valuations. Gowdy observed that financial services legislation had opened up new investment opportunities but stock, the normal currency vehicle used to pay for acquisitions, is currently not a very good option for most property/casualty insurers.

“So we’re probably going to be spending capital in the form of cash to make acquisitions,” Gowdy said. “The problem in the industry today is not too much capital but too much capital in too many hands.”

Levin asked Douglas C. Ryder, president and chief executive officer, Holyoke Mutual Insurance Co., whether being a mutual company, which has limited options for getting more capital, affects business operations.

“It doesn’t directly,” Ryder said. “If a mutual company is doing decently there are folks lined up ready to give you additional capital to work with, from the holding company to the direct involvement of reinsurers. The larger reinsurers are all interested in gaining further opportunities to deal directly with the primary company.”

The organizations jointly sponsoring the Forum are: the Alliance of American Insurers, American Institute for Chartered Property Casualty Underwriters, American Insurance Association, Insurance Information Institute, Insurance Services Office, National Association of Independent Insurers, National Association of Mutual Insurance Companies, National Council on Compensation Insurance and the Reinsurance Association of America.

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Underserved Communities Are Untapped Profits, Rev. Jackson Tells P/C Ceos

NEW YORK— U.S. insurers can find profitable new business and investment opportunities in the vast, untapped markets of the inner cities, transforming these underserved communities into thriving neighborhoods, the Reverend Jesse L. Jackson, Sr., founder and president, Rainbow/PUSH Coalition, Inc., told the fourth annual Property/Casualty Insurance Joint Industry Forum here.

"In doing what is right, in doing what is good, we not only help reawaken depressed communities, but we ensure our own well being in the process,” said Jackson.

“Communities at stake are underdeveloped, their people underserved, and their potential, as yet unrealized. But they are proud, and they know their value."

Jackson called on insurers to address these gaps with energy, creativity, and a seriousness of purpose. “Let us take advantage of this extraordinary moment in our nation’s history to spread America’s promise to all her citizens,” he said.

Jackson noted that in the booming economy of the past 10 years, overall business growth has averaged 5 percent per year. During that same period, however, between 1987 and 1997, African-American owned small businesses grew at a rate of 100 percent, Asian-American small businesses grew 180 percent and Hispanic-

American businesses grew 200 percent.
“Is there any question where the future of business is headed?” he asked. “Minority-owned businesses have outpaced, and will continue to outpace, the rest of business in America, and if you as an industry plan to succeed, indeed to survive, then you must grow to be more inclusive.”
Jackson said that for an industry that deals in risk, "look to the benefits: elimination of currency risk, expropriation risk, decreased legal risks, and the absence of language barriers. We must look to our own communities – the deals are here.
"You can make the dream of entrepreneurship a reality for a much broader cross section of America by dedicating a larger share of your overall portfolios in investments to regions of this country currently underserved by capital markets," he added. "This can be done in a way that ensures a solid return and is consistent with the fiduciary responsibilities faced by the industry."
To achieve this end, Jackson said that insurers must join with those already in the neighborhoods and communities. “A number of entities, from the National Insurance Task Force, to the Neighborhood Reinvestment Corporation, The Urban Partners Foundation, and the Inner-City Underwriting Agency, have all actualized their potential to facilitate real growth through strategic partnerships and the use of venture capital."
Jackson cited several programs that the insurance industry is already involved with including the Invest Program, a national initiative designed to educate high school and community students in insurance-related business skills.
“This is the direction of the future, the business agenda of tomorrow, and this is why we are here today," he said. "Because we believe in the possibility of equality, in the reality of the American dream, and in the righteousness of community inclusion."
Jackson asked insurers to create an institution as a repository for deal flow from America’s emerging markets that could provide grants and technical assistance to start up financial intermediaries, venture capital funds or loan funds, that serve these underserved communities. “It could play a clearinghouse role, providing information to potential investors about the existence and qualifications of these efforts.”
Jackson noted states should consider giving extra credit toward meeting reserve requirements to those investments that benefit underserved areas of the country, and to adopt tax credits that are generated when investments are made in products that serve a double bottom line of economic returns to shareholders and to communities.
“Take these steps to reach our goal, to reach profitability, to reach equability," said Jackson. "Turn this great challenge into even greater opportunity, and then realize that opportunity. Realize what this means for your industry, what this means for your country, what this means for your bottom line.”

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Whitman Signs HMO Patient Bill; Vetoes Infertility Benefit Mandate

TRENTON, N.J. — Gov. Christine Todd Whitman has signed one bill protecting pregnant and surgery patients when their doctor leaves their HMO and another granting state workers parity of mental health benefits.

She also vetoed a measure that would have granted infertile couples medical coverage

The first bill means that HMOs and other insurers can no longer force cancer and surgery patients or pregnant women to switch doctors because of changes in insurance contracts.

The new law allows these patients to stick with the same doctor even if the doctor severs his relationship with an insurance company during the course of treatment.

``Patients with major illnesses have had their managed-care providers tell them they had to change doctors or change health plans. That's not fair,'' said Sen. Joseph Vitale, D-Middlesex, a prime sponsor. ``People undergoing medical procedures face enough trauma without having insurers force them to start seeing a new doctor at a critical time.''

Paul Langevin, director of the New Jersey Association of Health Plans, said these sorts of sudden changes to patient treatment do not occur now, and the law will impose needless new regulations.

Langevin said state regulations already provide for a four-month grace period to allow a seamless transition to a new doctor when required. He said the law signed by Whitman changes this grace period to a year.

Gov. Whitman also signed a bill that provides state workers the same medical insurance coverage for mental illness that they receive for physical illnesses.

Last year, Whitman signed a bill that forces insurance companies and private employers to provide parity coverage. The new measure, S-2277, extends the same provision to state workers.

In other health related action, she vetoed a bill that would have required health insurers to cover infertility treatments.

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Pataki Vetoes Home Study Driver Training Bill

ALBANY, N.Y. — The insurance industry is praising the veto of a bill requiring a mandated auto insurance discount by New York Governor George E. Pataki as a victory for both consumers and the business community.

If Governor Pataki had signed S-2432, the law would have required auto insurers to provide an ‘appropriate reduction in premium charges’ for three years to any policyholder who successfully completed an approved defensive driving course. Approved courses would have included self-instructive applications such as videotapes, CD-ROMs or the Internet, in lieu of classroom instruction.

“The Governor knew that a bill with a mandated discount that did not include classroom instruction was flawed,” said Robert L. Zeman, assistant general counsel for NAII. “New York has had a long-standing law that requires premium reductions for individuals who successfully complete a program approved by the Department of Motor Vehicles. The current law explicitly excludes self-instruction courses that do not include actual classroom time, assuring that motorists receive the highest level of instruction.”

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NY HMO Closes, Claiming It’s Too Small To Compete

GLENS FALLS, N.Y. — Saying the 110-employee HMO is too small to compete in the managed care business, Partners Health Plan officials announced it will be closing shop within the next six months.

``You have to be a certain size in order to spread risks and have beneficial contracts with providers,'' said Gerald J. Cassidy, president and chief executive officer of Partners' parent company, HUM Healthcare. ``When you're very small, providers can dictate terms more than insurers can.''

The plan had insured 35,000 upstate New Yorkers, including individual small business owners who have difficulty finding health coverage.

Cassidy said the HMO was paying out more than it was collecting in premiums. The plan lost $20 million during the past three years, including $8 million in 1999.

Partners occupied the largest building in the city of Glens Falls, 45 north of Albany, since 1996, making the announcement a blow for the struggling city.

The news comes barely six months after Kaiser Permanente, another regional HMO, announced its pull out of the northern New York. Kaiser was eventually bought out by Capital District Physicians Health Plan, which picked up a large portion of Kaiser's membership.

However, CDPHP did not pick up members in Clinton County because of faltering negotiations with local physicians.

A CDPHP spokesman said his company might resume negotiations in order to be available to Partners' northern New York subscribers.

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NY Dems Seek To Earmark Tobacco Tax For Counties

ALBANY, N.Y. — County officials want guarantees that their taxpayers will not face costs of hundreds of millions of dollars due to a new health insurance program, Democratic legislators say.

The Democrats are pushing a bill t o earmark a portion of the state's soon-to-double tax on cigarettes to cover the counties' portion of the new Family Health Plus program.

The state Association of Counties estimates that new program, contained in the Health Care Reform Act 2000 legislation, will cost counties $360 million between now and 2003.

``It's a mandate they are not ready for or capable of bearing,'' state Sen. Neil Breslin, an Albany County Democrat, said.

The Family Health Plus program is part of an effort included in the Health Care Reform Act 2000 to make health insurance available to up to one million working New York adults.

Family Health Plus would be paid for through Medicaid, a program county taxpayers pay 25 percent of. The Democrats' proposal would direct the state to earmark about half the money it will raise through the tobacco taxes to reimburse counties for their share of the Family Health Plus program.

``We've always believed that is not a cost that should be passed along to the counties,'' Assemblyman Ronald Canestrari, an Albany County Democrat, said.

Breslin said county leaders and taxpayers are ``outraged'' by the new expense.

State Senate Majority Leader Joseph Bruno has tried to reassure the counties that the legislature will come to their rescue if the cost become too burdensome.

But Albany County Executive Michael Breslin, Neil Breslin's brother, was not convinced. ``We have often heard we will be taken care of and we're not,'' he said.

Proponents of the Health Care Reform Act 2000 say it contains cost benefits to counties of $144 million a year. They also note that counties are beginning to receive hundreds of millions of dollars as part of their share of the settlement with tobacco companies.

But Breslin and other state legislators say some counties' finances are precarious — they cited Nassau, Suffolk and Westchester counties as examples — and that strapped officials have already spent this year's tobacco settlement money to head off deficits, on building projects and for other purposes.

Starting March 1, the state's current 56-cents-a-pack tax on a pack of cigarettes will jump to $1.11 a pack. It is expected to raise another $400 million or so a year annually.

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The Original Health Care Reform Act

Proposal in the Democratic Assembly contained a provision that the state would cover costs to county taxpayers of subsidized insurance programs.
Bruno spokesman John McArdle said he had not seen the Democratic proposal and could not comment on it. But he said counties ``did very well'' in the Health Care Reform Act 2000 law through the continuation of cost containments in the Medicaid program.
``Add that to the tobacco monies, they are getting over $700 million,'' McArdle said. ``And they are not paying a nickel this year for anything under the new plan for the uninsured.''

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Hancock IPO

BOSTON (AP) — John Hancock's plan to convert to a stock company has been met with a class-action action lawsuit filed by a policyholder who claims he and other policyholders are not being properly compensated for their ownership in the company.
The lawsuit, filed in state court, challenges the John Hancock Mutual Life Insurance Co.'s plan to shift from a mutual company — owned by policyholders — to a stock company owned by stockholders.
State regulators and policyholders have already approved the plan. The company plans an initial public offering later this month on the New York Stock Exchange, and it is in the process of changing its name to John Hancock Financial Services.
``The crux of the complaint is that a policyholder of John Hancock, when he buys a policy, has an expectation that they're a part owner of the company, and that they're going to receive what's called a participating policy,'' said James M. Pietz, a lawyer representing Thomas Tierney of Framingham.
Even though Hancock plans to give stock to eligible policyholders who request it, Pietz argued that the plan changes the nature of the policies.
Tierney, an insurance actuary, has been a John Hancock policyholder for 56 years. He is also a former Hancock employee, and has been a vocal critic of the company's plan to go public.
The lawsuit also argued that the initial public offering contains anti-takeover provisions that will lower the company's initial value to shareholders.
The plan, which bars any investor from accumulating more than 10 percent of the stock for three years, would initially depress the price of the stock while protecting executives' stock options,

according to Tierney and Pietz.
``Policyholders are not getting, we believe, fair value,'' Pietz said. ``There should be an open market for these shares. The anti-takeover provisions preclude an open market.''
Also, John Hancock filed papers with the Securities and Exchange Commission in which it said it planned to offer 102 million shares in the IPO, at a price of between $16 and $18 per share. The company had previously estimated the shares would sell for $15 to $25.

Insurance Times

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MAIA audit

by C.A. Soule
InsuranceTimes

BOSTON – The Massachusetts Association of Insurance Agents turning the lens upon itself.
The Framingham-based trade group, which for a year has been conducting its “5 Star” agency management program, is planning to undergo its own organizational assessment by the American Society of Association Executives, a group based in Washington, D.C.
“We decided that as long as we are asking agencies to go through a program like the 5 Star, we should go through something similar ourselves,” said Glenn Niinimaki, president of MAIA.
Niinimaki said that the review would cost between $7,000 and $10,000, and is set to begin in early spring.
“An association is a business just like any other,” Niinimaki said. “The program has several areas they examine, including communication, membership services, financial planning, government affairs, staffing, officers and directors, organizational structure, and mission goals and objectives.”
ASAE consultants will spend several days with MAIA staff, conducting interviews and reviewing procedures. They will present an oral report on MAIA’s organizational fitness to the association, then produce a written report about five weeks after that.
ASAE’s input ends there, and it will be up to MAIA to decide whether it wants to come up with an plan to implement changes recommended by the reports.
MAIA’s decision to hire ASAE as a consultant opens the question of what areas MAIA considers a strength, and what it deems its weaknesses.
MAIA is not able to benefit from a regular input of “outside” opinions, of course, because it maintains an agent-only board. Does the lack of outside directors inadvertently supply blinders to the organization in accomplishing its goals?
O’Neil said that is a subject that ASAE auditors might very well

examine.
Debra Fredericks, of the F.J. Torres Agency in Dighton, Mass., an MAIA board member, likes the board's composition. "The board has to be made up of agents from every geographic region," she said. "After all, we exist as an agent community. We are not in business per se, we are there to provide services to members. So one could say with that mission, there may not be much sense in appointing outside directors."
Niinimaki said that he believes MAIA excels at communication and government affairs. He did not specify areas where he felt MAIA could improve.
Kim R. O'Neil, MAIA's president-elect, also had difficulty naming an area where MAIA could improve. "Maybe this group can, though, and that is why I voted for MAIA to take this step," he said.
Fredericks agreed with Niinimaki that communications was the organization's strong point.
"I was in charge of the communications committee last year, and the message I got from members was, 'don't mess with a good thing,'" Fredericks said. "When you talk about communications, of course, then you have to talk about Donna McKenna." McKenna is editor of an MAIA newsletter.
"We can always improve," Fredericks continued. "[Niinimaki's] pet project for this year is the formation of a branding campaign, and I guess you could say that if you are making a project of something, that means that you could improve at it."

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RI Health Surcharge To Cover Insolvency Fund Proposed

PROVIDENCE, R.I. — A state lawmaker has proposed levying a surcharge on health insurance premiums to create an emergency fund for physicians and hospitals in case another insurer collapses.
House Majority Leader Gerard Martineau is developing the plan to help stabilize Rhode Island's insurance industry after Harvard Pilgrim Health Care quit covering patients last month after failing in the state.
``I think it is in the public's interest and I am absolutely confident that as a matter of public policy the public would be on the side of having a small premium (increase) to ensure continuity of services in the event of a failure,'' he told The Providence Journal.
Martineau, D-Woonsocket, said he was working out the details. The proposal would not help the hospitals and health care providers in Rhode Island who estimate Harvard Pilgrim owes them as much as $60 million.
Alfonso Mastrostefano, the state insurance superintendent, said insolvency funds are used in the property and casualty insurance

industry, where the cost of maintaining the fund is spread among hundreds of companies. Since Rhode Island has only two health insurers — Blue Cross & Blue Shield and UnitedHealthcare — the plan may be expensive, he said.
``If one went down, the other would pay the total cost of the insolvent insurer,'' he said. ``If that's the concept, it is pretty obvious that is going to add cost to each individual's policy.''

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NH Dept. To Outsource Continuing Ed Administration

by Penny Williams
Insurance Times

CONCORD, N.H. — The New Hampshire Insurance Department has decided to outsource management of the state's insurance continuing education program and is actively seeking a contractor to handle the job.
The department assumed administration of the program when the local office of the Professional Insurance Agents of New Hampshire ceased operations at near the end of 1998. The group is now managed by an affiliate in New York.
The department has since concluded that the job is too time-consuming for its staff. The job involves communicating with course providers and instructors; recommending appropriate number of course hours and credits, and maintaining an automated system for tracking compliance.
In its request for proposals (RFP), the department said it will seek a contractor that is capable of evaluating applications for CE providers, instructors and courses in accordance with department guidelines; creating a catalogue of the providers and courses for distribution by mail and on the Internet; collecting fees and remitting them to the department, and providing electronic and telephone access to all insurers and licensed individuals who may seek to check their CE status.
The department will require that the program's costs, including those of the administrator, be covered by fees on providers, instructors and licensees.

CE Requirements
Licensed insurance agents and brokers are required to complete 30 hours of continuing education every two years. Multiline and workers compensation adjusters must complete 20 hours every two years and public adjusters, 15 hours.
"The CE program represents an enormous workload for the department," noted Stan Burbank, executive director for the Independent Insurance Agents of New Hampshire (IIANH). "It really

requires someone specifically designated just to handling the program, whether it is internal or outsourced."
Burbank said his organization hopes that any change will protect the workings of the agents and adjusters CE advisory committees.
Kent Dover of the department said the committees are expected to continue, although their exact functions may be altered depending on the successful bidder's responsibilities and capabilities.

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Gov. Rowland’s Father Dies

WATERBURY, Conn. —Sherwood L. Rowland Jr., father of Gov. John G. Rowland, died Jan. 10 at his home after a long battle with cancer. He was 70.
Rowland was a former Waterbury comptroller and influential member of the city's Republican party. He had worked as a representative for Rowland Insurance Agency Inc., and was vice president of Martin and Rowland Inc. He also a member of various community service organizations.
Rowland was elected Waterbury comptroller in 1965, defeating the incumbent Democrat. He was pivotal in reorganizing the Republican party that year, leading it to victory over the Democrats, but decided against running in 1967, preferring to focus on his family and business. p

Allstate quits Japan
NORTHBROOK, Ill. — Allstate Corp. is closing its Japanese auto insurance operation.
Allstate still believes there is long term opportunity in Japan’s market. However, the company has decided to focus its resources on other growth initiatives.

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Insurance Times 2000 Northeast Education Guide
Insurance Times

Agency Management Training Council
P.O. Box 2379,
Hartford, CT 06146-2379
(800) 442-AMTC; (860) 298-3993
Fax: (860) 298-3934
E-Mail: amtc@limra.com
Web: www.limra.com
Contact: Bruce Hamstra,
Ph.D., LLIF

Insurance programs: Agency Management Training Course (AMTC), a field management skill-development program; meets weekly in many locations`; other options/opportunities available.
Field Management Seminar (FMS), a one-day continuing skills development program covering different management topics each year.
Financial Aid: Many home offices offer full or partial tuition assistance
Class locations: Call for information on class locations in the U.S. and internationally.

The American College
270 S. Bryn Mawr Ave.,
Bryn Mawr, PA 19010
(610) 526-1490
Fax: (610) 526-1465
Web: www.amercoll.edu
Contact: Student Services Office
Insurance programs:
Accredited educational institution offering professional designation, graduate and continuing education programs in life/health insurance, financial planning, employee benefits, etc.
Insurance designations: Chartered Leadership Fellow (CLF); Chartered Life Underwriter (CLU); Chartered Financial Consultant (ChFC)
Other designation programs: Registered Health Underwriter, Registered Employee Benefits Consultant
Other degree programs: Master of Science in Management; Master of Science in Financial Services
Financial aid: Insurance company tuition reimbursement.
Class locations: Self-study; classes also conducted by local chapters of the American Society of CLU and ChFC.

American Educational Institute
P.O. Box 356, 170 Mt. Airy Road
Basking Ridge, NJ 07920
(800) 631-8183
Fax: (908) 766-9710
E-Mail: aei@aeiclaimslaw.com
Web: www.qeiclaimslaw.com
Contact: Fred A. Koernig
Insurance programs: AEI provides college level self-study courses which focus on the courts' interpretation of claims law and coverage issues.
Insurance designations: Senior Claim Law Associate (SCLA) and others.
Class locations: Correspondence

American Institute for CPCU
and Insurance Institute
of America (IIA)

720 Providence Road,
P.O. Box 3016
Malvern, PA 19355-0716
(800) 644-2101
Fax (610) 640-9576.
Contact: Customer Service Rep.
Insurance programs: The American Institute offers the 10-course Chartered Property Casualty Underwriter (CPCU) professional insurance designation program. IIA has numerous offerings, including both general education programs in insurance principles and specialist programs
in particular fields.
Insurance designations: Associate in Claims, Management, Risk Management, Underwriting, Premium Auditing, Insurance Accounting and Finance, Insurance Regulation, Insurance Techonology, Marine Insurance Management, Reinsurance, Fidelity and Surety Bonding, Surplus Lines, Personal Insurance, Insurance Services and Accredited Adviser in Insurance.
Class locations: For a list of classes held throughout the country, call (800) 644-2101.

Brokers License Services, Inc.
144 East 37th St.
New York, NY 10016
(212) 679-4600; (800) 808-3788
Fax: (212) 679-4630
Contact: Barbara Harvey
Insurance programs: Life and health insurance pre-licensing and continuing education courses in Maine, Mass.,Conn., *NH,and NJ.
* CE Only
Financial aid: No
Class locations: Boston --- Call for locations in other States.

The Burnham System
19 Everett St.
Southbridge, MA 01550
(888) BUR-NHAM (287-6426)
Fax: (508) 765-1359
E-Mail: info@burnhamsystem.com
Web: www.BurnhamSystem.com
Contact: Ray Burnham, CPCU, CLU, CIC, CPIA, AIS, API, AIC, ARM, AIM, AU, AAI, AAM, ARe, ARC, CIRS, ASF, ChFC
Insurance programs: CPCU, CIC, IIA and CLU/ChFC preparatory material; written and audio tape formats; money-back guarantee of satisfaction. Save time and learn more – guaranteed. All courses written and annually revised by Burnham.
Insurance designations: All CIC, CPCU 1-9; SM 18+19; Intro to Ins 20: INS 21-23; AIS 25; API 28+29; Intro to Claims 30; AIC 33-36; AIM 44+45; Intro to Risk management 50; ARM 54-56; Intro to Underwriting 60; AU 65+66; ALCM 74-76; AAI 81-83; APA 91+92; ARP 101+102; AIAF 111-113; AMIM 121+122; AIT 131-132, 134; ARe 141+142; AFSB 151-153; ASLI 161+162; IR 201; CLU/ChFC

Class locations: At your home at your convenience.

Connecticut, University of;
Center for Professional Development
Box U-56D, One Bishop Circle, Storrs, CT 06269-4056
(860) 486-2965
Fax: (860) 486-5221
E-Mail:
pcoleman@access.ced.uconn.edu
Contact: Patricia Coleman, CPCU, Program Manager
Insurance programs: UConn offers courses in preparation for national designation exams in CPCU, CEBS, INS, ARM, AIC, and ARe. We also offers pre-licensing courses for P/C agents & casualty claims adjusters & 3-hour CE seminars on a variety of Ins. Topics. All programs have been approved by the CT Ins. Dept. for producers’ Cont. Ed. credits
Insurance designations: CPCU, AIC, ARM, ARe, CEBS, INS
Class locations: West Hartford, Stamford, Hartford, Glastonbury, Farmington

The College of Insurance
101 Murray St.
New York, NY 10007-2165
(212) 815-9237
Contact: C. Henry Ross
Insurance programs: AOS in Occupational Studies; BBA in Risk and Insurance; BS in Actuarial Science. Also, an MBA in the same concentration as the BBA or BS.
Business programs: Legal Environment of Business; Capital and Money Markets; Managerial Accounting; Managerial Economics; International Finance; Business Policy; Organizational Behavior; Managing Diversity.
Insurance designations: CPCU, CLU, CEBS, Insurance and Risk Management; Actuarial Science and Finance.
Financial aid: Yes
Class locations: New York, NY

Educational Training Systems, Inc.
116 Middle Road
Southborough, MA 01772-0410
(508) 481-3578
Fax: (508) 481-5809
E-mail: ets@tiac.net
Web: www.ets-inc.com
Contact: Dennis M. Doyle
Insurance programs: Complete internet delivery of 6,000 cont. educ. credit for insurnace license renewal- unlimited access
Insurance designations: State licensing exam preparation via internet.
Business programs: Complete internet delivery of securities licensing unlimited access
Class locations: Internet in home or office.

Heald/Ettlinger Insurance School
12 Worcester Road, Peabody, MA 01960
(978) 535-3862
Fax: (978) 535-3862 -call first
Contact: Kathy Ettlinger, CPCU, ARM, AIC, AIM, AIS, CPIW, AMIM, API
Insurance programs: Various property and casualty coverage and claims classes including personal auto, homeowners, commercial liability, commercial property, new employee training, and more.
Next semester: Continuous
Class locations: King's Grant Inn, Danvers, MA; Holiday Inn, Randolph, MA; In-house to companies, agencies

Independent Insurance
Agents of Connecticut
30 Jordan Lane, Wethersfield, CT 06109
(203) 563-1950
(800) 842-2208; Fax: (860) 257-9981
Contact: David Franson, CPCU
Insurance programs: Connecticut CE classes (P+C and L+H) AAI-81-82-83, AU 65-66, API 28-29, ACSR- PL and CL, P+C and L+H Pre-Licensing
Insurance designations: AAI, AU, API & ACSR
Class locations: Various
Independent Insurance
Agents of New Hampshire
125 Airport Road,
Concord, NH 03301
(603) 224-3965; Fax: (603) 224-0550
Contact: Joan M. Pageau, AAI, CPIW
Insurance programs: Single, multi-day and Internet P&C courses from licensing through advanced. Self-study for P&C, life and adjusters. Classroom courses for P&C
Insurance designations: ACSR, AAI
Class locations: Concord

Independent Insurance
Agents Assoc. of NJ
2211 Whitehorses/ Mercerville Road
Hamilton, NJ 08619
(609) 587-4333
Fax: (609) 587-4515
Contact: Jennifer Coriell-Dircetor of Education
Insurance programs: Insurance License, continuing education classes, CRS school, ACSR Program
Next semester: Continuing Ed. year round. CSR school--Sept. 2000
Class locations: Cont. Ed.- various, CSR School- Jamesburg, NJ.

Independent Insurance Agents
Association of New York
109 Twin Oaks Drive,

Syracuse, NY 13206
(800) 962-7950 Fax: (888) 432-0510
Web site: www.iiaany.org
Contact: Education Department
Insurance programs: All levels of technical classes designed for agents and brokers, CSRs—Homeowners, auto, general liability, rating, workers comp., life, health, etc.
Business programs: Agency management master certificate program. Masters level seminars for agency owners and principals. Topics: Financial management, business planning, producer development, mergers and acquisitions
Insurance designations: ACSR, AAI
Next semester: Ongoing
Class locations: Buffalo, Rochester, Syracuse, Albany, White Plains, Smithtown, New York, and others

Independent Insurance
Agents of Rhode Island
2400 Post Road, Warwick, RI 02886
(401) 732-2400
Fax: (401) 732-1708
Fax-on-demand: (800) 728-4203
E-Mail: iiari@aol.com
Contact: Robin Federici, CPCU, AAI, ARM, CPIW
Insurance programs: Technical courses for basic, intermediate and advanced insurance students. Most courses approved for continuing education credits. A full range of both P&C and life home study/self study systems for training and CE credit. Also, a self-study video rental program on all P&C contracts.
Insurance designations: AIS, AAI, CPCU, INS,
Class locations: 2400 Post Road, Warwick

Insurance Library
Association of Boston
Saval Insurance Education Center
156 State Street, Boston, MA 02109
(617) 227-2087; Fax: (617) 723-8524
Contact: Jean Lucey, Phyllis Smithers
Insurance programs: The center offers classes in many national programs including associates in claims, marine insurance, risk management, automation, reinsurance, fidelity & surety, general insurance and underwriting, as well as the CPCU program and special seminars.
Business programs: How to Read and Use Financial Statements. Accredited degree programs available through partnership with New England College of Finance
Insurance designations: CPCU, APA, AIAF, INS, AIC, ARM, AU, AIM, AFSB, AAI, AMIM, AAM, ARe, RPLU.
Financial aid: Payment arrangements with many employers
Class locations: Beverly, Boston, Dedham, Peabody, Quincy, Salem, Taunton, Weston, Natick

International Foundation of
Employee Benefit Plans
18700 W. Bluemound Rd.
Box 1270, Brookfield, WI
53008-1270
(262) 786-6710, ext. 8563
Fax: (262) 786-8650
e-mail: cebs@ifebp.org
Contact: Linda Bielski, CEBS
Insurance designation: The Certified Employee Benefit Specialist (CEBS) designation.
Class locations: Call for various locations throughout New England and New York

LIMRA International
300 Day Hill Rd., Windsor, CT 06905-4761
(860) 688-3358; Fax: (860) 298-39342
E-Mail: strategies@limra.com
Contact: Registrar of Schools
Business programs: Seminars to educate and develop home office executives, trainers, field managers, sales reps. and agents in the areas of recruiting, training, sales, planning, team building, marketing, finance, leadership and management.
Insurance designations: LLIF
Class locations: US, International

Maine Association of Life Underwriters
P.O. Box 2695, Bangor, ME 04402-2695
(207) 945-4766 ; Fax: (207) 941-0241
E-Mail: malu@mint.net
Contact: Sue McKay
Insurance programs: Mini-Education fair Mar. 22, 2000 8-5pm. Long-term care, estate planning, salary, continuation plans
Class locations: Augusta

Maine Insurance Agents Association
432 Western Ave., Augusta, ME 04330
(207) 623-1875; Fax: (207) 626-0275
E-Mail: joecmiaa@aol.com
Contact: Joseph M. Colpitts, AAI
Insurance programs: Agents’ Licensing Reviews; Basic Knowledge Classes; Continuing Education Seminars; Best Practices Management Seminars
Insurance designations: AAI, ACSR, CIC, CISR
Financial aid: Yes
Next semester: Continuous
Class locations: Portland; Augusta; Bangor; Presque Isle/Caribou.

Massachusetts Association
of Insurance Agents
137 Pennsylvania Ave.
Framingham, MA 01701

(508) 628-5452 or (800) 222-2699;
Fax: (508) 628-5443
E-Mail: massagent@massagent.com
Web: www.massagent.com
Contact: Heather Kramer
Insurance programs: Over 500 P&C and L&H classroom programs offered throughout the state. Licensing classes, both P&C and LAH, offered monthly.
Insurance designations: CIC, CISR, AAI, CPCU
Financial aid: Scholarships available to CISR, CIC designations
Class locations: Andover, Danvers, Framingham, Hyannis, Plymouth, Randolph, Sturbridge, Westport, W. Springfield, others

National Association of
Insurance Women - Mass.
(508) 303 1000 ext. 2465
Contact: Lisa A. Rancourt, Education Chair
Insurance programs: Various courses
Insurance designations: Various
Class locations: Various

National Association of
Insurance Women - Rhode Island
c/o Mastors & Servant
5700 Post Road
East Greenwich, RI 02818
(401) 885-5700
Fax: (401) 885-4335
Contact: Carol Glowacki
Insurance programs: Classroom programs open to all insurance professionals, approved for continuing education credits, leading to IIA's General Certificate in Insurance, Associate in Insurance Services, and Associate in Personal Insurance.
Insurance designations: INS, AIS, API
Class locations: Throughout state

New England College of Finance
89 South St., One Lincoln Plaza
Boston, MA 02111
(617) 951-2350
Fax: (617) 951-2533
E-Mail: j.marley@finance.edu
Contact: Judith Marley
Insurance programs: College degrees, certificates, designations, and graduate certificates in financial services including banking, insurance and investments
Insurance designations: AS, BS, Graduate certificates, also prep. for PLMI and LOMA.
Financial aid: Yes, through member institutions
Next semester: Sept.
Class locations: Greater Boston, Metrowest, Central Mass., Southeastern Mass., Cape Cod; Rhode Island; Greater Hartford; New

Hampshire

National Association of
Insurance & Financial Advisors- NH
76 So. State Street,
Concord, NH 03301
(603) 223-9973
Fax: (603) 228-2118
E-Mail: assnrhc@aol.com
Contact: Maxine Clough
Insurance programs: Pre-licensing exam preparation program for persons seeking to be licensed to sell life and health; continuing education credit programs; Life Underwriter Training Council designation courses.
Insurance designations: LUTCF
Class locations: Various

New Hampshire, University of; Whittemore School of Business and Economics
McConnell Hall, 15 College Rd. Durham, NH 03824-3593
(603) 862-1367
Fax: (603) 862-4468
E-mail: WSBE.Grad.Program@unh.edu
Contact: George Abraham, Director Graduate and Executive Programs
Business programs: General management, 19-month Executive MBA Program for experienced managers.
Friday/Saturday schedule.
Part-time evening MBA program now offered in Durham and Manchester, NH; 3 1/3 years to complete.
Business degree: MBA
Financial aid: Yes
Class locations: Durham, NH: Executive and Part-time MBA
Manchester, NH: Part-time MBA

New York Center
for Financial Studies
500 Fifth Ave.,
New York, NY 10110
(212) 221-3500;
Fax: (212) 764-8693
Email: NYCSFSP@SFSP.NET
Contact: Beulah Hilman
Insurance programs: Quality Continuing Education seminars (in the convience of your own office), teleconferences, lectures, courses and workshops. We also offer pre-licensing classes necessary to take NY state licensing examination. Long-term Care, Disability, Ethics, Businesses Uses of Life Insurnace, Insurance & Estate & Financial Planning.
Insurance designations: CFP, CLU, ChFC, RHU, REBC, CFP
Other degree programs: Fully accredited Master of Science in Financial Services
Class locations: Manhattan, Brooklyn, Bronx, Staten Island,

Westchester, Queens

ProEd Corp.
1055 Parsippany Blvd.
Parsippany, NJ 07054
(973) 334-6200
Fax: (973) 334-6662
Email: e-mail@e-mailmentor.com
Website: ProEdcorp.com
Contact: Russell H. Granger
Insurance Programs: Workshops for underwriters, claims adjusters, agents/producers, marketing reps, and loss control personnel.
Class Locations: On-site

Professional Insurance
Agents of Connecticut, Inc.
25 Chamberlain St.
Glenmont, NY 12077-0997
(800) 424-4244
Fax: (888) 225-6935
E-Mail: education@piaonline.org
Web: www.piact.org
Contact: Educ. & Conference Dept.
Insurance programs: Education programs for all agency personnel; courses range from basic seminars to advanced technical issues and coverages. P/C licensing school also offered.
Insurance designations: CISR, CIC
Financial aid: Yes, scholarships
Class locations: Connecticut, New Jersey and New York

Professional Insurance
Agents of New Hampshire, Inc.
25 Chamberlain St.
Glenmont, NY 12077-0990
(800) 424-4244
Fax: (888) 225-6935
Email: education@piaonline.org
Website: www.pianh.org
Contact: Educ. & Conference Dept.
Insurance programs: Education programs for all agency personnel; courses range from basic seminars to advanced technical issues and coverages.
Insurance designations: CIC, CISR
Financial aid: Scholarships available to CISR, CIC designations
Class locations: Throughout state

Professional Insurance
Agents of New Jersey, Inc.
25 Chamberlain St.
Glenmont, NY 12077-0990
(800) 424-4244

Fax: (888) 225-6935
Email: education@piaonline.org
Website: www.pianh.org
Contact: Educ. & Conference Dept.
Insurance programs: Education programs for all agency personnel; courses range from basic seminars to advanced technical issues and coverages.
Insurance designations: CIC, CISR
Financial aid: Scholarships
Class locations: NJ, NY, CT.
Professional Insurance
Agents of New York State, Inc.
25 Chamberlain St.,
Glenmont, NY 12077-0997
(800) 424-4244
Fax: (888) 225-6935
E-Mail: education@piaonline.org
Website: wwww.piany.org
Contact: Educ. & Conference Dept.
Insurance programs: Professional education programs for all levels of agency expertise; from basic rating seminars to advanced technical issues and coverages.
Insurance designations: CISR, CIC
Financial aid: Yes, scholarships
Class locations: NY, NY, CT

Rhode Island Life Underwriters and Society of Financial Service Professionals
PMB 119 2484 Warwick Ave.
Warwick, RI 02889
(401) 739-8490
Insurance programs: Various seminars and study courses for continuing education credits. LUTC and CLU/ChFC classes.
Insurance designations: CLU/ChFC study courses; MSFS study courses
Class locations: Headquarters office, 400 Reservoir Ave., Providence.

Risk & Insurance Education, Inc.
4314 Joshua Court
Street, MD 21154
(410) 692-0645
Fax: (410) 692-2333
Contact: Dave Sanborn
Insurance programs: Variety of programs with emphasis on commercial casualty for experienced people. Most are specific and short
Class locations: Throughout the country

Risk & Insurance
Management Society (RIMS)
655 Third Ave.

New York, N.Y. 10017-5637
(212) 286-9292
Fax: (212) 986-9716
E-Mail: fjordan@rims.org
Contact: Fran Jordan
Insurance programs: Ten courses of professional development offered several times during the year.
Class locations: Various, including Boston, New York, Stamford

The Saenger Organization, Inc.
77 Main Street
Medway, MA 02053
(800) 451-7619
www.saengerorganization.com
Contact: Susan M. Melo
Insurance programs: Insurance licensing exam preparation courses (classroom and/or correspondence) approved in all New England states. One-day Life, Accident & Health classes approved in MA, CT, MD, PA, VA. Two-day Property/Casualty classes in MA., CT., VA., PA. Also, continuing ed programs approved for MA., MD., DE., PA, CT.
Class locations: Dedham, Woburn, and Springfield, MA; Wallingford, CT and various locations in MD, VA, PA & OH

Securities Training Corporation
390 Main Street
Worcester, MA 01608
(508) 752-5088
Fax (508) 752-5145
E-Mail: emorgan@stcusa.com
Web: www.stcusa.com
Contact: Eileen Morgan, ext. 202
Business programs: NASD securities courses, Firm element training, Life and Health CE courses
Class locations: Boston; Windsor, CT and Smithfield, RI.

Society of Insurance Licensing Administrators
P O Box 68203
Indianapolis, IN 46268-0203
(800) 428-8329
Fax: (800) 849-SILA
Contact: Beth McGuire
Insurance designations: SILA Associate and SILA Fellow
Financial Aid: Annual scholarship
Class locations: Independent self-study courses with monitored exams.

Vermont Insurance Agents Association
P.O. Box 1387
Montpelier, VT 05601
802 229-5884

Fax: 802 223-0868
Contact: Jennifer Velander
Insurance programs: Vermont Interactive TV and Computer Mediated Distance Learning offers students technical courses for basic, intermediate and advanced levels. Licensing training schools for P&C, L&H and HMO.
Insurance designations: ACSR, AAI, CPCU, INS, CIC, CISR
Financial aid: Membership discounts
Class locations: 3 primary VIT sites: Colchester, Waterbury, Rutland. Licensing schools in Quechee/White River Jct. area. Computer designation on your own time in your own home/office.

Vermont Institute for
Financial Services
163 S. Willard St., Champlain College, Burlington, VT 05401
(802) 860-2726
Fax: (802) 860-2773
E-Mail: Floyd@champlain.edu
Contact: Bridget Floyd
Insurance programs: Seminars, workshops, and conferences for many facets of the financial servcies industry.
Other programs: Undergraduate business administration and management degrees.
Financial aid: Yes
Class locations: Various sites in northern Vermont; call for information

Worcester County
Insurance Institute
P.O. Box 7037
Worcester, MA 01605-0037
(508) 856-0217
Fax: (508) 856-0217
Contact: Joyce L. Kachmar CPCU, AIC, AIM
Insurance programs: Introductory, foundation, technical and professional designation courses for property/casualty insurance, including IIA and CPCU.
Insurance designations: CPCU, API, ARM, AIC, AIT, AIS, AU
Financial aid: Yes. D. Francis Murphy Scholarship
Class locations: Fitchburg, Auburn, Marlboro, South Bridge, Webster, Westboro, Worcester
Registration Deadline: For all INS API courses all other IIA
courses- Jan. 31, 2000
For all CPCU courses - Feb. 21, 2000.

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NJ Gov. Whitman Urges LTC Benefits

TRENTON, N.J. — Gov. Christie Whitman wants the private sector to follow her lead and offer employees long-term care insurance to pay for nursing homes or home care in their old age.

In her State of the State speech, Whitman unveiled plans to offer state workers the option of purchasing, at their own expense, long-term care insurance at discounted state group rates. Buying such insurance now will enable state workers to chose from a wide range of long-term options later, she said.

``I hope private employers will follow our example by offering it to their employees as well,'' she said in her speech.

Whitman's ideas have merit in an employee-friendly market where hungry companies are enticing recruits with competitive benefit packages, according to Joseph Gonzalez, president of the New Jersey Business and Industry Association.

Better yet, they're not mandates, he said.

``Any business association on the planet doesn't have trouble with suggestions. We have problem with mandates,'' he said.

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Conn. Blues Extends Plans To Kaiser Insureds

NORTH HAVEN, Conn. — Anthem Blue Cross and Blue Shield of Connecticut is offering direct pay coverage under its two BlueCare HMO plans to the 2,000 state residents affected by the exit of Kaiser Permanente.

All currently covered Kaiser Permanente direct pay members have been promised coverage under one of the two Bluecare options. Direct pay members are those who do not have access to group coverage.

“Many of these people are self-employed or work for small companies that don’t offer group coverage,” explains Joan Lane, marketing director for Anthem’s individual and small group accounts. “They may also be part time workers, between jobs or ineligible for benefits because they are just entering the workforce. Other have exhausted the health care benefits continuation plan (COBRA) from their last jobs.”

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Sun Life Guarantees Short Term Disability Claims

The program. designed to complement the carrier's focus on early intervention and return-to-work, is a standard feature on all new group STD policies and includes guarantees on claims turnaround

time and customer satisfaction.
Sun Life’s STD claim service guarantee promises that all claims decisions or requests for additional information on new claims will be made within five business days. If not, Sun Life will refund two percent of the employer’s annual STD premium. If an employer expresses, in writing, any dissatisfaction with Sun Life’s STD claims service, the carrier will refund one percent of the annual premium.
On average, 65 out of every 1,000 employees incur a short term disability claims each year, according to Sun Life officials. “When employees are unexpectedly disabled, even a short unpaid absence can threaten their ability to meet their financial obligations.” notes Bob Dignazio, assistant vice president.

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Reliance Standard Offers NJ Disability Benefit

Reliance Standard Life Insurance Co. has introduced a New Jersey temporary disability benefit as a companion product to its group long term disability product. The plan gives New Jersey employers the opportunity to integrate their temporary and long tern disability insurance programs to coordinate coverages, eliminate gaps, and provide seamless benefits to their employees.
The flexible plan design gives employers the option of providing the state’s statutory plan, or an enhanced plan with an extra level of benefits, including higher wage replacement levels, longer duration periods for coverage, and shorter waiting periods. An excess benefit option can provide an extra level of benefits in top of the statutory plan.

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Dialysis Firm To Pay Largest Fine For Fraud

BOSTON — A national chain of kidney dialysis centers has settled a fraud case with the Justice Department for $486 million — the largest health care settlement in the agency's history.
Federal officials said that National Medical Care Inc. used Medicare and other government health insurance programs to pay for hundreds of needless tests for patients suffering from kidney disease, a condition that frequently requires patients to receive dialysis..
Company executives also obtained referrals of lab business by paying kickbacks. Lavish dinners, a yacht excursion and a bear-hunting trip in Canada were used as inducements, federal prosecutor Mark W. Pearlstein said.

National Medical Care is now owned by Fresenius Medicare Care AG, a German company that is the world's largest provider of dialysis products and services. National Medical Care's fraudulent practices stopped soon after Fresenius acquired the company in 1996.

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Employers Fear Being Sued Under HMO Bill

One-Third Said They Would Drop Benefits

More than one-third of employers in a new survey say they would probably cut off workers' health benefits if Congress passes a law allowing patients to sue managed care plans for malpractice. The employers apparently fear the legislation could open the door to the same kinds of lawsuits against them.
Companies are already struggling to contain rising health costs and deal with disgruntled workers who complain that managed care blocks their access to care.

Liability Awards
``Employers are asking themselves if this is all worth it, if they are subject to liability awards of frightening magnitude,'' said Jack Bruner, a consultant with Hewitt Associates, the management consulting firm that conducted the survey of 600 large U.S. employers in September.
In the report, about 36 percent of respondents said they would probably drop health benefits for their workers if they were subject to malpractice suits.
Such a move would be a drastic change for many large employers, which have made health insurance a benefit for more than 50 years. And in today's tight labor market, companies are reticent to cut any benefits for fear of losing workers.
Last year, the House of Representatives passed HMO patient protection legislation that included giving patients the power to sue their HMO. A Senate-House committee is trying to work out a compromise bill.
A survey by the Kaiser Family Foundation and Harvard School of Public Health found most voters favored the right to sue HMOs. But only half of those surveyed say they'd still want that right if premiums jumped as a result.

Reduce Their Role
Even without the liability fears, some large companies have begun to look at how they can reduce their role in providing health benefits. Some large companies are considering a voucher system in which workers are given a fixed amount of money each year and allowed to buy coverage on their own.

Administering and paying for health insurance have become a distraction for many businesses, said Steve Wetzell, executive director of Buyers Health Care Action Group, a coalition of Minnesota companies that jointly purchases health benefits.
The liability factor would give companies one more reason to stop providing coverage, he said. ``Its a huge issue.''
Making their case, employers point to large jury awards handed down against HMOs in states that already allow lawsuits. For instance, a California jury last year ordered Aetna to pay a record $120.5 million in damages to a woman whose husband fought until his death for coverage of experimental cancer treatment.

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HMO May Bypass RI’s Largest Health Provider

PROVIDENCE, R.I. (AP) _ United HealthCare of New England says if it can't reach a new contract with the Lifespan hospital system next month, it may take its business elsewhere.
United, the second-largest health insurance company, may seek deals with hospitals aligning with Massachusetts health care organizations, The Providence Journal reported.
That could include hospitals near the Massachusetts border, like Landmark Medical Center in Woonsocket and Memorial Hospital of Rhode Island in Pawtucket.
Lifespan, the state's largest health care provider, includes Rhode Island Hospital and Miriam Hospital.
United covers about 337,000 people in Rhode Island and nearby Massachusetts.
United and Lifespan have lost millions of dollars in the past three years. Without a contract, both may be in financial trouble.
If United takes its business from Lifespan, it could undermine the hospital network's ability to survive. Last year, it lost more than $46 million.
But by doing less business with Lifespan, United could anger its own patients. United lost about $22 million in 1998 and between $1 million and $2 million last year.
While United wants to cut the least-expensive deals possible with hospitals, Lifespan says it's losing money because insurance companies haven't been paying their share of the costs.
Budd Fisher, chief executive officer for United, said United's option is not necessarily to send patients to Boston hospitals instead of those in Providence.
Instead, the insurer might try to work out arrangements with border-area hospitals like Landmark, which last year agreed to work with Massachusetts' Lahey Clinic in providing cancer care.
Also, Memorial Hospital has an alliance with the Partners HealthCare System, which includes Massachusetts General and

Brigham and Women's hospitals.
``If things didn't work out with Lifespan for some services, we would certainly look for an opportunity to be part of this newly evolving regional system,'' he said.
Patients and doctors would not like that kind of shift, said John F. Gillespie, senior vice president at Lifespan.
He added that he thinks both sides will reach agreement.
But if that doesn't happen, United patients will still be treated at Lifespan hospitals, he said.

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Harvard-Pilgrim Firing Of Accounting Firm Seen Contributing To HMO’s Troubles

Other Layoffs and Job Changes Hurt Attempts to Track Finances

BOSTON (AP) — Attempts to restructure the ailing Harvard Pilgrim Health Care may have contributed to the accounting error that led to its placement in state control, according to a published report.
The Boston Globe, citing sources it did not identify, reported that Harvard Pilgrim chief executive Charles D. Baker Jr. took steps meant to turn the financially troubled HMO around after he took over in May. The steps included firing the accounting firm

Finance and Computer Departments
PricewaterhouseCoopers, which had been hired to keep track of day-to-day expenses, in order to adopt internal accounting procedures. The steps also included layoffs and job changes for workers in the finance and computer network management departments.
The restructuring made it more difficult for the HMO to keep track of expenses among its eight separate accounting systems.
Harvard Pilgrim was incurring losses before Baker took over. The company lost $54 million in 1998, and was expected to lose $100 million in 1999.
But then the company earlier this month announced losses of more than $150 million for the year. Accounting errors were blamed for the more than $50 million underestimate.

AG Reilly
Attorney General Thomas Reilly took control of Harvard Pilgrim on Jan. 4 because he worried that the HMO's losses and the extent of its miscalculations would scare creditors into demanding repayment, endangering Harvard's assets and ultimately, the care provided to its members.
Harvard Pilgrim is New England's largest health maintenance organization, with 1.1 million members in Massachusetts.

Baker declined to comment on whether the restructuring had led the company to miscalculate its losses.
On Jan. 21, a bond rating firm in New York predicted that the state would eventually pay to prevent Harvard Pilgrim's collapse. State officials have said repeatedly that a taxpayer-funded bailout of Harvard Pilgrim was unlikely.
Analysts at Moody's Investors Service said the state would be unlikely to allow Harvard Pilgrim to be liquidated or sold to a for-profit insurer with its liabilities excluded from the sale price, two possibilities that Moody's called worst-case scenarios.

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Vermont Lawmakers Look For Answers To High Cost Of Drugs And Less Competition

MONTPELIER, Vt. — Rising prescription drug costs and decreased competition in Vermont's health insurance market are bringing new urgency, and few answers, to providing affordable health care.
Lawmakers on the Senate Finance Committee heard testimony from state regulators, insurance representatives and lobbyists at a hearing last week on an issue that legislative leaders have said will be at the top of their agenda this year.
The hearing came just 11 days after the state's largest health maintenance organization, Kaiser Permanente, officially pulled out of the Vermont health care market.
Kaiser cited high health care costs and strict state regulations in leaving the state. Its departure has left nearly 120,000 subscribers to look for new health coverage.
Representatives from the non-profit Blue Cross and Blue Shield of Vermont, as well as Schenectady, N.Y.-based MVP Health Plan, testified at the hearing.
In Vermont, a combination of specialty doctor charges, hospital and diagnostic costs contributed to make Vermont health costs 21 percent higher than upstate New York, John Hollar of MVP said.
More Vermonters are using the health care system than ever before, said Elizabeth Costle, commissioner of the state Department of Banking, Insurance, Securities and Heath Care Administration. This greater ``utilization'' of the health care system also increases costs.
Committee chairwoman Sen. Cheryl Rivers, D-Windsor, chastised Blue Cross and Blue Shield for not more doing more to enroll new subscribers while passing off more expensive patients. In October, Blue Cross's health maintenance partnership, The Vermont Health Plan, moved nearly 30 percent of its 27,000 customers to other insurers in a cost-saving measure.
Rivers lamented declining competition in the state, saying quality of health insurance will suffer as fewer companies offer

services.
``If we could get them competing on efficiency and quality,'' said Rivers. ``Despite our best efforts, they seem to have this pattern.''
``We really have wholly abandoned the notion of health insurance,'' Lloyd Kelley Jr. of the American Association of Retired Persons told the committee. ``We've got a major problem on our hands. A lot of Vermonters are really hurting. Let's get to work.''

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Managed Care Protections, Health Pools Among NH Gov.'S Priorities

CONCORD, N.H. — Stronger consumer protections for patients in managed care are among Gov. Jeanne Shaheen's top goals this legislative session.
``Working together, I believe we can continue to make a difference on issues that matter most to New Hampshire families,'' Shaheen said in a recent statement.
She urged legislators to:
Make health maintenance organizations more accountable to consumers.
Let small businesses band together to save money on health insurance for employees.
Hold schools accountable for their performance and help them improve.
Approve a settlement with Public Service Company of New Hampshire to bring electric competition to most of the state.
Close a $30 million budget shortfall created by the new school financing law.
``I believe the best way to fill this gap is to increase the cigarette tax by 10 cents rather than, as some have suggested, either cutting essential services or increasing our reliance on the statewide property tax,'' Shaheen said.

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LTC Major Growth Product For Insurers: S&P

Long-term care insurance represents one of the most significant growth products for the insurance industry, a leading industry analystshas concluded.
Despite increasing competition from other types of financial services firms, insurers are better positioned to sell this product than competitors, according to Standard & Poors.
“Long-term care insurance stands out as a product that insurers

can provide better than competing industry sectors because it requires not just asset management experience but also the ability to underwrite, sell and manage a long-term protection-based product. Insurance agents are uniquely qualified to sell such a protection product. While everyone can potentially need long-term care, it is not a certainty and any such need is often perceived to be far in the future," the report said.
S&P sees LTC sales continuing to grow as awareness of the product grows.

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Nominees For Business Ethics Award Sought

BRYN MAWR, Pa. — The Society of Financial Service Professionals is seeking nominees for the seventh annual American Business Ethics Award (ABEA). Entry forms are available from national headquarters and from local chapters throughout the country.
The ABEA honors companies that exemplify high standards of ethical behavior in their everyday business conduct and in response to specific crises or challenges. The award was established in 1994.
The deadline for 2000 ABEA entries is March 15, 2000.
Awards will be presented in three categories: public companies, private companies, and small businesses (companies with 100 employees or fewer). Insurance companies, brokerages and agencies are not eligible to participate. An independent panel of experts drawn from business, academia, public service, media, consulting, and the ethics community will judge entries.
Past ABEA recipients include: Bell Atlantic, Walker Information, Wright Water Engineers, Lockheed Martin Corporation, PricewaterhouseCoopers, Fenimore Asset Management, Weyerhaeuser Co., Western Extralite Co., Delta Sand & Gravel Co., Starbucks Coffee Co., Texas Instruments, Levi Strauss, Merck & Co., H.B. Fuller, Guardsmark, Rich Products, and Hanna Andersson.
For more information,call 88-243-2258 or visit the Society's Web site at www.financialpro.org.

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NAILBA Offers New Certification Program

The National Association of Independent Life Brokerage Agencies and The American College have launched a new certification program for NAILBA members.
The new NAILBA Professional Growth Certificate Program is geared toward general agency staff to help them better understand

industry technology, products, operations, issues, law and other subjects.
The program has three elements, including Chartered Life Underwriter courses in individual life insurance and life insurance law.

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Clus, Chfcs Continue To Grow In Number

BRYN MAWR, Pa. — The American College awarded a total of 2,805 new Chartered Life Underwriter (CLU) and Chartered Financial Consultant (ChFC) designations in 1999,.
Last year saw an increase of 22 percent in CLUs to 1,577, as compared to 1,286 in 1998. The number of ChFC new designees increased by 7 percent, up from 1,153 in 1998, to 1,228.
"The CLU and ChFC designations continue to dominate the financial services environment," commented American College President Samuel H. Weese, Ph.D., CLU, CPCU.
Since 1982, the College has granted more than 38,000 CLU designations and 33,000 ChFC designations.
Indicative of the diversity of today's financial services workforce, nearly 22 percent of CLU designees and 19 percent of ChFC designees are women. Seven percent of CLUs and 8 percent of ChFCs providing demographic information reported their ethnic background as Asian-American, African-American, Hispanic, American Indian or Native Alaskan.
The profile of the 1999 CLU class shows that other than life insurance, the new CLUs primarily work in retirement and estate planning, health and group insurance, mutual funds, employee benefits, comprehensive financial planning, tax planning, securities, and property/liability insurance.
The new ChFC designation holders deal in estate and retirement planning, life insurance, mutual funds, health insurance, comprehensive financial planning, pensions, employee benefits, group insurance, securities and tax planning.

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Consumers Urged To Heed Changes In PMI Requirements

Mass. Secretary of State Says Many Could Drop Coverage Due to Rise in Property Values

BOSTON (AP) — Massachusetts Secretary of State William Galvin is urging homeowners to watch their mail for a chance to reduce their monthly mortgage payments.

A federal law that went into effect last summer requires mortgage lenders to send out annual notices telling homeowners how to contact them and their rights regarding private mortgage insurance.

``A lot of people are paying private mortgage insurance that shouldn't be paying it,'' Galvin said.

Private mortgage insurance is often required by lenders when a homeowner has a down payment of less than 20 percent. The insurance covers the lender in case the borrower defaults.

No Longer Necessary

But Galvin said rising property values over the past few years may enable some homeowners to demonstrate that PMI is no longer necessary.

If a homeowner can show, through an appraisal or other means, that the amount owed on a mortgage has dropped to less than 80 percent of the value at the time of purchase, he should be able to eliminate their PMI.

For example, a person who owes $160,000 on a $200,000 home still owes 80 percent of the home's value. But if that home's value has grown to $400,000, the $160,000 debt now represents only 40 percent of the home's value.

Other homeowners may also be eligible to get rid of their private mortgage insurance simply because they have paid down the amount they owe.

Galvin said the Homeowner Protection Act of 1998, which went into effect in July, requires lenders to automatically terminate PMI for mortgages originating after July 28 when they attain 22 percent equity in the home.

But holders of older mortgages still need to request that it be done.

Brochures to help consumers determine if they are eligible to terminate their PMI are available through the secretary of state's office or at most registry of deeds offices.

Information is available by visiting the Web site at www.state.ma.us/sec/cis or by calling 1-800-392-6090.

January Notices

Galvin said he decided to remind homeowners now because many of them will be receiving their Form 1098 due for tax filing purposes by the end of January with the notice of their PMI cancellation rights. He said the notice should also include an address and telephone number to contact their lenders.

Oftentimes, Galvin said, mortgages are sold and consumers are not aware of how to contact the new holder of their mortgage.

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Putnam Offers Term Life Option For Mutual Fund Shareholders

BOSTON — Putnam Investments has begun offering Putnam Insured Investor, a term life insurance option for its mutual fund shareholders, in cooperation with Allstate Life.
Putnam says it is the first independent mutual fund company to offer such a product.

Industry Standard
Managing Director Richard A. Monaghan, chief of Putnam Mutual Funds, said he believes "this type of investor protection option will become an industry standard in the near future."
Putnam Insured Investor can help investors and their investment advisors manage the risk in their portfolios. Putnam believes the insurance protection will appeal to investors who want to: protect the value of their mutual fund investments for their beneficiaries; safeguard their estates from the effects of market volatility and economic changes, and provide beneficiaries with the potential for an insurance benefit free from income tax.
"We believe that Putnam Insured Investor may enable some investors to choose to invest more aggressively than they do now," Monaghan said. "Often, as they approach their retirement years, investors reduce the equity portion of their portfolios. Putnam Insured Investor might enable investors to maintain stronger equity positions because they have a measure of insurance protection."
Putnam Insured Investor will became available to investors in 35 states on January 18. It will be available in other states pending regulatory approval.
At the death of an insured shareholder, Putnam Insured Investor will pay the difference, if any, between the original mutual fund account value and the greater of: the maximum anniversary value or a 5 percent compound annual increase on the investor's total contribution.

Examples
For example, the products would protects in cases where the maximum anniversary value has dropped. A $100,000 mutual fund investment grows to $150,000 by the first anniversary date. The maximum anniversary value is set at $150,000. During the second year, the account value declines to $120,000. If the insured shareholder dies before the third anniversary date, the mutual fund shares (worth $120,000) pass to the heirs; in this case, the beneficiaries receive $30,000 in a life insurance benefit, for a total of $150,000.
It can protect in other cases of declining values. A $100,000 mutual fund investment declines to $90,000 by the first contract anniversary date. The maximum anniversary value is set at $100,000, the amount of the original investment. In the second year, the value declines again, to $85,000. Again, on the second anniversary, the maximum anniversary value is set at $100,000. Assuming that the insured shareholder dies before the third

anniversary date, the mutual fund shares (worth $85,000) pass to the heirs. The beneficiaries receive another $25,250 in life insurance benefits. The payment occurs because the original investment, compounded at an annual rate of 5 percent, would have been worth $110,250, which is greater than both the account value and maximum anniversary value.

Allstate Cooperation

The cooperation between Putnam and Allstate Life on Putnam Insured Investor continues an association begun in March 1999, when the companies announced an alliance to market insurance products. The companies have been offering Putnam Allstate Advisor, a variable annuity with 25 investment options, since May. Putnam Allstate Advisor has more than $875 million in assets.

New investors in Putnam funds will have 30 days to purchase the Putnam Insured Investor option. Current Putnam investors will have until September 30 to choose the option. The minimum account size for Putnam Insured Investor is $10,000.

The annual insurance premium for Putnam Insured Investor is 0.30 percent of account value for shareholders age 21 to 70; for investors age 71 and older, it is 0.50 percent. The maximum issue age for Putnam Insured Investor is 75.

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EBRI Survey Shows Iras Fueled By Rollovers, Not By New Contributions

Relatively few taxpayers contribute new savings to their individual retirement accounts (IRAs) each year, according to new data reported by the nonpartisan Employee Benefit Research Institute (EBRI).

EBRI found that only 25 percent of IRA owners made a new contribution, indicating that most of the money flowing into IRAs was “rolled over” from employment-based retirement plans such as 401(k)s. The data are reported in the December issue of EBRI Notes.

While the trend in IRA funding has been noted before, the EBRI research is based on the most recent data available from the Internal Revenue Service. New contributions to IRAs dropped off sharply after Congress restricted tax-deductible contributions to IRAs in 1986, but as the EBRI report notes, new legislation may change that trend.

The Taxpayer Relief Act of 1997 was designed to increase new (nonrollover) IRA contributions by raising income limits on eligibility for traditional deductible IRAs, creating the new Roth IRA, and expanding the allowable reasons for penalty-free withdrawal of funds before retirement. Since the law has been in

effect for only two years, it is too early to tell definitively what effect it has had on IRA contribution rates.
“This law, combined with aggressive marketing of IRAs by financial institutions, could lead to increased use of IRAs as active savings vehicles,” said EBRI President Dallas Salisbury.
Some of the report's key findings:
Twenty-two percent (26.1 million) of American wage-earners owned an IRA in 1995, but just 6.4 million individuals reporting income made a contribution to their IRA (this represents 5.4 percent of these individuals and 25 percent of IRA owners).
Total assets in IRAs amounted to more than $2 trillion in 1995. The average balance was $46,762, but this figure is skewed by a relatively few large account balances. The median IRA balance was $17,546.
Both median and average IRA contributions in 1995 were $2,000, indicating that most individuals contribute the maximum annual amount permitted by law ($2,000) when they contribute.
IRA assets increase with age up to retirement age. The median balance in 1995 was $5,110 for IRA owners in their early 30s; $37,019 for those ages 6569, and $28,399 for those age 70 and older. The average balance was $10,525 for those in their early 30s; $85,142 for those ages 6569; and $69,216 for those age 70 and older.
Not surprisingly, those with higher incomes contribute to IRAs more often and have larger balances than those with lower incomes.

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Indianapolis Life To Merge With American Mutual Holding, Not American United Life

INDIANAPOLIS (AP) — American United Life Insurance Co. and Indianapolis Life Insurance Co. called off plans to merge, just weeks after the General Assembly approved legislation to help foster the deal.
Indianapolis Life announced it instead will merge with American Mutual Holding Co., a Des Moines, Iowa-based insurance company.
A news release announcing the new deal mentioned the dissolution of the merger with AUL only in passing.
``Indianapolis Life has decided to pursue a different business strategy,’’ AUL spokesman Jim Freeman said.
AUL and Indianapolis Life announced their plans to affiliate and form a controversial, publicly held holding company in November 1997, but were stymied by their inability to win changes in state law necessary for the deal to go through.
AUL and Indianapolis Life, both owned by policyholders, wanted the General Assembly to sweep away laws that prevented them from forming a mutual holding company. The legislation was finally

enacted after a special mini-session of the General Assembly in November.

AUL, which employs 1,300 people in Indianapolis, had threatened to move its headquarters to another state if the legislation wasn’t approved. It said it needed access to more capital to allow it to grow fast enough to stay independent in a quickly consolidating industry.

Freeman said AUL still planned to form a mutual holding company, but with two other partners, Pioneer Mutual and State Life, now that Indianapolis Life has pursued a new strategy.

``Originally, all four of us we’re going to be a part of it,’’ Freeman said.

Freeman said the new law would enable AUL to remain headquartered in Indianapolis.

``The law had made it possible to stay domiciled in Indiana,’’ Freeman said. ``We’re just going to look for continued growth opportunities out there.’’

Indianapolis Life said that as part of its merger with American Mutual Holding, it will demutualize and become part of a publicly traded company.

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Life Insurers Low Mortgage Failures

The delinquency rate of life insurers' commercial mortgage loans fell in the second quarter of 1999 to the lowest level ever recorded in the 34-year history of the American Council on Life Insurance’s (ACLI) survey.

The rate fell to 0.39 percent, shattering the old mark of 0.55 percent set in 1969. The life insurance industry registered its highest delinquency rate in the second quarter of 1992, the height of the national real estate crisis, at 7.27 percent.

"We are witnessing fewer delinquencies because life insurers have been investing in very high quality properties and continue to do so," said the ACLI’s Jack Nowakowski.

Over the past seven years, life insurer investments in commercial properties have been declining. In 1992, they represented about 20 percent of industry assets. They now represent about 9 percent.

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Supt. Levin Cites Financial Modernization As Top Priority

NEW YORK — Calling the new financial services modernization act the "most substantial overhaul of the framework governing

financial services" since the 1930s, New York Superintendent of Insurance Neil D. Levin said that reengineering state insurance regulation to meet the needs of the new deregulated financial services environment will be a top priority for his agency.
"Life will never be the same," Levin said, adding "this is not a bad thing."
Levin made his remarks Jan. 12 at a Current Issues Seminar called to explore how the state and the industry can work together now that the 1930 Glass-Steagall barriers among financial services segments have been torn down.
In his remarks, Levin traced the history of financial services deregulation, beginning in the early 1980s when President Reagan and Treasury Secretary Donald Regan first proposed financial services deregulation and Sears bought Caldwell Banker and Dean Witter.

Congress Not Ready
"Back in the early '80s, people actually thought Glass-Steagall would come down," he said. But the marketplace was not ready and neither was Congress.
Since then, the financial services marketplace has come to be governed by a "patchwork" of administrative actions and court decisions which, Levin maintained, has proven inefficient for all: companies, shareholders, regulators and consumers.
"What has occurred has occurred in the nick of time," he said, noting that companies and regulators were struggling to operate in the ad hoc framework. "There has been a great deal of confusion."
The new law, known as the Gramm-Leach-Bliley Act, "rationalizes the marketplace" at a time when it appears consumers may be more ready for one-stop financial services shopping. It also makes it more efficient for financial services companies that want to offer multiple financial products. Finally, the new law "makes it more transparent" for regulators, the New York regulator noted.
Levin noted that financial modernization legislation has come along at a time when there are dramatic changes taking place in capital markets, and when companies have access to new tools to manage their risk.
Just as financial services companies must change to compete in the new world, regulation must change, too, he warned.
"If regulators stand still, companies will not be able to grow with the times," Levin said.
"We have to move forward in partnership in order to protect policyholders," he told company executives.
At the same seminar, First Deputy Superintendent of Insurance Gregory V. Serio called financial services deregulation a "bit of a pressure cooker" that has had its top taken off.
He stressed that dealing with the new financial services environment is a top priority for the department and requires a long term commitment.
"We have to immerse ourselves in the details. No one is excluded. We all have a role because our response will define insurance

regulation in the century and where the financial services marketplace is going in the U.S. and worldwide," Serio stressed.

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Quality Health Care, Privacy Among U.S. Initiatives, Shalala Tells P/C Executives

NEW YORK -- Private insurers and government can work together to produce a health care delivery system that produces higher quality outcomes at lower costs, according to the Honorable Donna E. Shalala, secretary, U.S. Department of Health and Human Services.

In an address to the Property/Casualty Insurance Joint Industry Forum, held here, Shalala emphasized points of common interest and concern between private and public health care delivery systems. As administrator of Medicare -- the world's largest health care delivery system -- Shalala identified the elimination of fraud and waste, the improvement of claims management systems and increasing the quality of care as some of her most important priorities.

"We've put some people in jail," she said, adding that an aggressive stance against fraud has put a billion dollars back into the Medicare system.

Shalala noted that workers compensation and automobile insurers alone spend over $50 billion dollars on medical services. "How that money is spent and how the effects interact with other segments of the health care system is important to all of us," she said. Keeping close tabs on provider treatment and billing practices are just two ways that various federal health care programs have succeeding in reducing costs.

Shalala emphasized that focusing on cost alone is not enough. "We want to introduce more quality measures into the health care system which in the long run is what we need to do to control health care costs," she said.

Government is now working with the private sector to develop objective standards to rate outcomes, according to Shalala who added that "An evidence-based health care system is where we need to now move. In the end, providers of health care want to be able to use centers of excellence wherever they can get price and quality."

Another challenge to the provision of medical care in the 21st century involves the privacy of medical records. "Our Blockbuster cards have more federal protection than our health care cards," said Shalala. She said that there is presently no federal law regulating who can access medical records or how they can be used, adding that in the absence of a law, the government would publish guidelines designed to protect the privacy of electronic records.

Shalala stated that the guiding principal in developing standards governing the privacy of medical records is simple: “Health care records ought to be used for health care purposes.”
Shalala pointed out that the proposed privacy standards will likely have an impact on property/casualty insurers. Although the proposals do not directly cover workers compensation or automobile insurance programs, they do cover “all disclosures by a treating doctor or health care practitioner including workers’ compensation cases.” She added that the government has “struggled” with the issue of workers compensation and that he recognizes that the “…employer and insurer have a legitimate interest in certain information about a patient’s condition.”

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Safety Promotes 6; PRUPAC Elects Rafter Chairman; National Grange Elects Van Berkel; CGU Promotes Roche

Safety
Safety Insurance Co. of Boston has promoted several employees to assistant vice president positions::
William J. Barthelmes to assistant vice president for homeowners; Robert Duggan, assistant vice president, MIS; Kathy Gilroy, assistant vice president, human resources; Richard Guinan, assistant vice president, casualty claims; Janet Kelleher, assistant vice president, controller, and Kurt Johnson, assistant vice president, MIS.

PRUPAC
Edward M. Rafter III has been elected chairman of Prudential Property and Casualty Insurance Co. (PRUPAC), Holmdel, N.J. He has been president and chief executive officer of PRUPAC since 1998.
Earlier this month, Rafter announced that Prudential signed a definitive agreement to acquire St. Paul Specialty Auto from the St. Paul Companies for $200 million. The unit specializes in marketing and underwriting non-standard automobile insurance.

W.R. Berkley
W. R. Berkley Corp. announced that its president and chief operating officer, John D. Vollaro, has resigned, effective March 1, 2000. William R. Berkley, chairman and chief executive officer of the company, will assume the position of president.
W. R. Berkley Corp. is a holding company which, through its subsidiaries, operates in all segments of the property casualty business.

Partridge Snow & Hahn
John J. Partridge, a partner in the Rhode Island-based law firm

Partridge Snow & Hahn, has been named a member of the Federation of Regulatory Counsel, Inc., an association of attorneys specializing in insurance regulatory law. Partridge manages the firm's insurance and health practice areas.

CGU
Boston-based CGU has promoted William Roche to assistant corporate controller, reporting to William Jensen, controller. Roche will work on the design and implementation of CGU's plan to integrate premium and loss reporting systems of both the former General Accident and Commercial Union Companies.
ProMutual
ProMutual Group, the Boston-based medical malpractice insurer, recently named John Greguoli as sales and marketing specialist to manage marketing functions in Massachusetts.
The company also named Erin Griffith marketing and communications specialist. Griffith will assist in the creation and development of advertising, public relations and marketing materials.

National Grange Mutual
National Grange Mutual's board of directors has elected Thomas M. Van Berkel as president of insurance operations for national Grange Mutual Insurance Co. in Keene, N.H.

Atlantic Mutual
Thomas P. Gorke was named senior vice president of Atlantic Mutual Surety, the new division of Atlantic Mutual Cos. that began operations in January.
Gorke will be responsible for developing a portfolio of contract and commercial surety bond business, as well as planning and managing the division's long-term strategy.

Morse Payson & Noyes
Morse, Payson & Noyes Insurance announced the appointment of Peter L. Sparta as regional vice president for Maine. Sparta will oversee all Maine operations of the multi-state agency which has offices in Maine, New Hampshire and Massachusetts. The agency is a wholly-owned subsidiary of Peoples Heritage Bank.

Farmers Insurance
Steve Feely has been named senior vice president and chief marketing officer at Farmers Insurance Group. Feely, who has been with Farmers since 1974, previously served as vice president of field operations.

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Empire General Life
Assurance Corporation
28 White Bridge Road
Nashville, TN 37205

The above company has made application to the Division of Insurance for an license/Certificate of Authority to transact Accident, Health and Life Insurance. in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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January 18, 2000

American Family Home Insurance Company
7000 Midland Boulevard
Amelia, Ohio 45102

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact property and casualty insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license/ Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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February 1, 2000

American Skandia
Assurance Corporation
One Corporate Drive
Shelton, CT 06484

The above company has made application to the Division of Insurance for an license/Certificate of Authority to transact:.variable life insurance. in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license is asked to notify the

Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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January 18, 2000

United Financial
Casualty Company
11457 Olde Cabin Rd., Suite 235
St. Louis, MO 63141

The above company has made application to the Division of Insurance for an license to transact:1 Fire; 2A Ocean and Inland Marine; 6F Liability other than Auto; 6G- Auto Liability; 7 Glass; 12- Burglary, Robbery, Theft Forgery, Larceny; and 54C Comprehensive Motor Vehicle and Aircraft in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

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Insurers Facing Costly Battle To Overturn Calif. Right-To-Sue Laws

by John Howard
Associated Press

SACRAMENTO — Insurers seeking to overturn two new right-to-sue laws have raised far more money than their traditional rivals, the trial lawyers.
Insurers and their business allies have raised $44 million for their campaign, while the lawyers have collected about $1.3 million, according to financial documents filed with the secretary of state.
At issue are Propositions 30 and 31 on the March 7 ballot. The referendums ask voters whether California should keep the bad-faith-lawsuit laws signed last year by Gov. Gray Davis, a traditional political ally of the trial lawyers.

March 7 Election

The new laws, blocked pending the outcome of the March 7 election, would restore the right of accident victims to sue responsible parties' insurance companies if they dishonestly deny or delay payment of legitimate claims.
The business-insurance coalition opposes the two laws and seeks a ``no'' vote on the referendums. The lawyers want a ``yes'' vote.
Of the money the insurance-business group has collected, at least $20.8 million has been spent, and $23 million is in the bank for the final two months before the primary.
The attorneys, who often spent as much as insurers in other elections in which they clashed, have collected $1.3 million, with about $405,000 of that unspent.

Insurer Contributors
More than $41 million of the insurance-business group's money came from a handful of major insurance companies. That includes at least $16.7 million from State Farm, $15.8 million from Farmers, $3.5 million from USAA, $1.4 million from Liberty Mutual Group and $3.9 million from Allstate.
The bulk of it was spent on television ads that began Oct. 18 statewide and have continued virtually unabated. The advertising included an unusual effort to persuade voters to sign petitions to qualify the referendums for the ballot.
``The coalition has known for a long time that if these propositions are not defeated, it is going to cost millions upon millions of dollars to California insurance consumers,'' said John Sullivan, a spokesman for the coalition, Consumers Against Fraud and Higher Insurance Costs.
At least $4 million went to signature-gatherers, according to the campaign reports, which cover all of 1999.
``Clearly the insurance industry has the overkill and ability to raise $44 million paid from consumers' premiums to wage a very deceptive campaign,'' said Kelly Hayes-Raitt, a spokeswoman for the attorneys' campaign, called Consumers and Their Attorneys — Yes on Proposition 30. She said the attorneys will mount a major effort in the final weeks.
``We are waging a full-blown campaign that will be absolutely competitive,'' she said.

Royal Globe Doctrine
The doctrine allowing bad-faith lawsuits is known as ``Royal Globe,'' named after the insurance company that figured in a state Supreme Court case in the 1970s. The high court established the doctrine in 1979. The same court, with different membership, threw it out in 1988. Trial lawyers have sought to reinstate it since.
Bad-faith judgments and settlements often result in higher awards than those in other civil cases. Trial lawyers say bad-faith lawsuits effectively deter insurers from low-balling claims. Insurers believe the decision did little but drive up costs.