Insurance Times: Conn. Mini Auto Policy Targets City Uninsureds Industry Worries About Potential Suburban Subsidies
April 25, 2000, Vol. XIX No. 9

by Mark Hollmer
InsuranceTimes

California apparently did it first.
And now Connecticut state lawmakers are considering a bill -- no. 579 -- that would provide low-cost auto insurance to inner-city residents who can't afford regular policies.
But there's a catch: The proposed urban policy will offer only half the minimum coverage typically required for the average driver.
Supporters of low-cost auto insurance say the plan makes sense because it would reduce the number of uninsured drivers in Connecticut cities.
"If (uninsured drivers) do hit somebody, there's no coverage," State Rep. Art Feltman, the bill's co-sponsor, states simply.

Extra Consumer Costs
But others warn that a low-cost insurance plan must not create extra consumer costs. Such an insurance program, they say, should be self-sustaining and not foist higher premiums on other drivers. The Connecticut plan has a projected base premium of $450.
"If the premium and that program is inadequate, and there are losses, that will have to come from premium that other drivers are paying," said Michael Moran, spokesman for the American Insurance Association.
Warren Ruppar, executive vice president of the Independent Insurance Agents of Connecticut, has similar reservations about the bill.
"Proponents of the bill suggest the amount of premium they will collect under (the measure) will be enough to make the product available in three cities on a stand-alone basis ... we have not seen credible numbers that indicate that's a factual statement."
Legislators including state Sen. John Fonfara and Feltman sponsored the bill, which has already passed through the insurance, real estate and judiciary committees. The matter was recently placed on the full Senate calendar.

Almost First
Lawmakers are considering action on the bill without any functioning national precedent. It's modeled on a California law only in effect since January, and there hasn't been enough time yet to evaluate its success, said Susan Cogswell, chief of staff of the Connecticut insurance department.
Residents in Hartford, New Haven and Bridgeport would be eligible for the pilot program, envisioned for a January launch and an initial annual renewal of four years. According to Feltman, a single person would have to make $16,480 or less to qualify. For a family of two, the number jumps to $22,120. A family of three qualifies at $27,760. Qualifying residents couldn't make more than 200 percent of the federal poverty level.

The state's Assigned Risk Pool would administer the insurance plan, and any licensed producer certified by the ARP could sell the product. The ARP is a state-regulated agency that insures drivers who can't get coverage from the private marketplace.

Current Proposal

Details of the low-cost coverage could change as the bill moves through the legislative process. But right now, the proposed law would establish coverage of 10-20-5 -- $10,000 per person for bodily injury or death, up to $20,000 to cover aggregate bodily injury or death, and up to $5,000 for property damage. Minimum coverage in Connecticut is double those rates.

Among the bill's other provisions:

Eligible residents would pay $450 per year for the policy prior to rate adjustments. A 25 percent surcharge kicks in for single men between 19 and 24.

Qualified customers must not have more than one accident over the last three years that caused injury or death, or have a motor vehicle violation in the same period.

A potential customer can apply for coverage through any licensed certified pursuer and would be required to produce a federal or state income tax return or other documents that show income.

The policy won't cover damage to the owner's vehicle or losses from the owner's personal injury or death. But other insurers could cover the extra cost.

Supports Concept

Ruppar said the IIAC -- a trade association that represents 500 independent agencies in the state -- supports the bill in spirit. But the proposed law, he said, won't work in its current form.

"We support the concept of bringing insurance to as many people as possible, (but the) bill does not take care of the problem," Ruppar said.

"It's an attempt to build an insurance product with low limits (and) a fixed premium ... in just three cities ... it's an arbitrary fixed premium number ... there's no actuarial science that says this number will work."

Ruppar adds that a customer with the proposed low-cost policy would place a regularly-insured driver at a disadvantage if both ended up together in an auto accident.

Assuming the low-cost insured driver is at fault, the policy would only cover $5,000 in property damage on the other car, far less than what may be necessary. So the other driver would have to cover the difference with the "underinsured portion" of his or her policy.

"There's cost shifting right away," he said.

Insurance associations and companies may be concerned about the bill's potential costs, but Feltman said the law is necessary for poor people struck by a recent state law that cracks down on uninsured motorists.

"We feel we should allow them an opportunity to buy insurance by making a cheaper product available," he said.

Feltman added that residents with better and costlier insurance won't be allowed to switch to the cheaper policy. And residents who are eligible for the cheaper plan can't buy collision on top of the base plan.

The state "will keep claims down and costs down by screening who is eligible," he said.
About 8 percent of Connecticut drivers are uninsured, according to Department of Motor Vehicle statistics. And just over 41 percent of those uninsured drivers would buy insurance if it were affordable, according to a 1999 study from the Insurance Research Council.
Meanwhile, Connecticut Insurance Commissioner George Reider, Jr. is taking a neutral position on the proposed law. He said his office is providing legislators with statistics they need to debate the bill's pluses and minuses.

More Competition
At the same time, Reider said, Connecticut is already experiencing more competition between insurance companies who are offering a broader ranger of policies. Some are beginning to lower their rate in cities more than in the suburbs.
"They are beginning to reach in," he said before speaking at a recent industry luncheon in Hartford.
In a subsequent interview, Cogswell added that Reider is hoping the competitive market will bring lower costs to urban drivers.
And the competition has heated up recently. The state now has 163 companies licensed to write auto insurance policies, 63 more than in 1994.
That same competition, Cogswell said, has helped reduce how many people needed coverage from the Assigned Risk Pool.
The pool insured as many as 180,000 vehicles in 1998, but the number dropped to about 55,000 drivers five years ago. That number is now down to 4,500, she said, adding that more companies in the voluntary market are offering products to riskier drivers who couldn't get automobile insurance in the past.

Law Enforcement
Reider also cites greater law enforcement and more car safety devices as reasons for the decline in insurance rates.
Of course, it's still early in the process to determine if there's enough support in the Legislature or with the governor's office to pass the bill into law.
But Feltman is hopeful. He points out that the bill passed the Legislature's Insurance Committee, "which is an important first step."

Insurance Times: Trust: A Sinking Ship?

April 25, 2000, Vol. XIX No. 9

by Mark Hollmer
InsuranceTimes

Nearly 20,000 policy holders jumped ship over the two months since receivership began, draining more than $19 million in premiums. About 40 employees left, too, but those that remain will get extra money each month for staying on board.
Meanwhile, a buyer hasn't surfaced yet for the floundering Trust

Insurance Co.- which is now entering its third month of receivership under Massachusetts Insurance Commissioner Linda L. Ruthardt.

That's in part because the receivership is still trying to determine the true financial shape of the Taunton, Mass. insurer.

"There is significant uncertainty (regarding) both Trust's assets and liabilities," according to the eight-page status report written by J. David Leslie, special assistant to the state Attorney General's office, who is managing the receivership of the company.

These and other details are part the April 10 status report filed with the Supreme Judicial Court, the first since Ruthardt took temporary control of the company on Feb. 10. She'll try to find a solution to Trust's financial crisis including the potential sell-off of the company or its assets.

Since that time, the receivership has made some progress.

Receivership managers fired Trust Insurance Co. President, CEO and founder Craig Bradley. They also let go Bradley's daughter, Andrea Brandeis, the senior vice president of administration and her husband, David Brandeis, senior vice president of marketing and commercial lines underwriting.

Bradley Ousted

In Bradley's place: Paul Cantiani. The Trust Group - the parent company of Trust Insurance before the receivership - recently elected him its new president, CEO and chairman of the board.

Cantiani, a Worcester insurance agent, is a company founder and has served on the board, and won't draw a salary. The company's vice presidents of claims and management information services operations are also still with the company. (Bradley also remains on the Trust Group board.)

Even with the changes so far, the receivership will need more time to unravel Trust's financial problems to the point where it can consider selling the company or its pieces to other auto insurers.

The receivership contacted the 20 largest personal automobile insurers in Massachusetts and invited them to enter into confidentiality agreements needed prior to negotiations to sell the company or its assets. Other organizations have contacted the receivership, too, according to the status report.

But after two months, according to the report, "discussions have not yet been completed with all parties who have signed confidentiality agreements" before submitting proposals.

Several "entities" - companies and individuals - have signed confidentiality agreements, said Division of Insurance spokesman Christopher Goetcheus.

Rumored to be among the interested parties: David Massad (who wanted to purchase Trust for $20 million but pulled out), American International Group, Rutgers Property and Casualty, and at least one other financial group.

Cantiani said he's not "privileged to whether or not they're involved or not," but added he's submitted his own proposal to "rehabilitate" the company that includes four interested investors. (See related story this page.)

Receivership Update

Here's a summary of the receivership update:

Trust had about 190,000 automobile and homeowner policies with $177 million in annual premiums as of Dec. 31. That number dropped to 176,000 policies and $167.5 million in premiums a month later. By the end of March, Trust lost 20,000 more automobile and homeowner policies and saw its annual premiums drop to $148 million. Those handling the receivership blame "the gradual process whereby many of Trust's agents have been moving their ... business to other carriers upon the annual renewal dates of Trust's policies." The loss of business is also blamed on bad publicity for Trust's 1998 operating losses and its efforts to find more money or a buyer. Receivership terms won't let Trust write any new business, but the company can continue with existing clients.

Trust's loss reserves were probably deficient by more than $13.5 million by Dec. 31, 1998, according to the status report, and its premium receivables were overstated by as much as $7 million.

The receivership has held several meetings with attorneys for Fleet Bank regarding the now-defaulted $20 million loan it issued to Trust, and meetings are continuing. The bank issued Trust the loan in 1996 assuming the insurance company maintained its surplus above $26 million. The company's 1998 financial report reported a $27.9 million surplus, but then revised the number to $23.2 million - below the minimum. The loan, industry observers say, was to allow Bradley to expand his company but also maintain a healthy premium-to-surplus ratio.

All permanent employees at Trust who stay on as of March will receive a 3.5 percent "retention pay" per month for the rest of 2000, under a new Job Retention Program beginning in July. Qualified employees must stay at Trust until their jobs are eliminated, and must not be fired. Employees have also been assured of a two-month notice before their jobs are cut. The percentage will be figured based on individual salaries, and be paid at intervals.

Computer System

Trust's new "Trust Enterprise" computer software may still have a future. The company invested substantially in the new system, into which it converted its private passenger automobile insurance policies last fall and winter. The change created "a significant policy processing backlog," according to the status report, but it has "substantially been addressed."

The company has reduced some of its backlog of pending claims. Trust had 25,000 pending claims as of January 31 under its policies of insurance. That number dropped by about 500 a month later.

Insurance Times: Merger Foes Ask Maine Blues To Accept Mass. Blues Assistance But Maine Insurer Insists Anthem A Better Deal

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S. PORTLAND (AP) - Opponents of the proposed merger of Blue Cross and Blue Shield of Maine with an Indiana insurance company

want Blue Cross officials to take a look at another potential partner.
About 35 protesters of the proposed sale to Anthem Insurance Cos., a for-profit company, demonstrated outside Blue Cross' headquarters, where the company's 15-member board was meeting.

Teachers' Group
Leaders from the Maine Education Association, Blue Cross' largest customer group with 60,000 people including teachers and their family members, spoke with the board's vice chairman about Maine Blue Cross staying a nonprofit by teaming up with the Blue Cross plan in Massachusetts.
The union believes premiums will rise and quality of care will go down if Anthem, a for-profit company, is allowed to take over the plan.

Blue Cross Maine officials rejected a proposal from the Massachusetts plan last year because it seemed to offer only a short-term solution to the insurer's long-term financial problem, they said.
Massachusetts Blue Cross's president suggested that the Maine branch could remain independent, with some financial and management help from Massachusetts, because of changing market conditions in New England's managed-care industry.

Mass. Blues' Interest
``Our interest remains genuine and significant,'' said William Van Faasen, president and chief executive officer of Massachusetts Blue Cross. ``If they want to look at an alternative, we're ready to come up and talk.''
Van Faasen sees strength in a regional alliance of New England Blue Cross plans.
Massachusetts Blue Cross has 2 million members, made about $61 million in net income last year and has annual revenues of nearly $3 billion. The company has posted financial gains for nine of the past 10 years.
Offers of what amounts to short-term loans to help Maine Blue Cross boost its reserves have come from the Massachusetts plan and from a coalition of Blue Cross plans in Minnesota, Florida and Michigan, Maine officials said.
Maine Blue Cross has lost tens of millions of dollars in the last four years, largely because of its need to hold down premiums to compete with national managed-care companies, according to company officials.
But leaders with Massachusetts and other Blue Cross plans believe Maine's plan could remain independent and become competitive again with a short-term loan as the market fluctuates.
Maine Blue Cross board members disagree and instead see a future market dominated by big players with thick wallets. They also did not like that the Massachusetts offer gave Massachusetts plan officials too much say over Maine decisions. Anthem's offer is more attractive, they said.
``The decision they made was the right one at the time,'' said Karen Foster, a senior vice president at Blue Cross. ``And it continues to be the right one.''

Needs Large Partner

After the meeting with the union, Foster stressed that the board still believes the market will be dominated by national players and that Blue Cross needs to be part of a large, well-financed company to compete.
Meanwhile, in Augusta at the close of public hearings into the health insurers' merger proposal, Insurance Superintendent Alessandro Iuppa agreed that the value of Blue Cross and Blue Shield of Maine has dropped to $81.7 million - far less than the $120 million value originally placed on its sale.
The ruling on puts the price in line with earlier revisions in Blue Cross and Blue Shield's value. The value at the time Anthem Insurance Cos. agreed to buy Maine's Blue Cross last year was $120 million.

Ruling Within 30 Days
Iuppa's ruling came as the insurance bureau's weeklong technical hearings on legal evidence came to a conclusion. The bureau will issue its ruling within 30 days.
Should the deal receive final approval, the reduction in value would have implications for a trust that would be established.
Anthem, a for-profit insurance company based in Indiana, must set up the charitable trust to help the underinsured pay for health insurance to make up for the loss of Blue Cross' nonprofit status.
Early estimates pinned the trust at between $90 million and $100 million, but losses have reduced that amount to about $81.7 million.
The value of Maine's Blue Cross has dropped because of its lagging performance. The insurer lost $17.3 million last year, and the poor performance over the past few years was the reason Blue Cross sought to merge with a well-funded company.
Opponents of the deal have argued that the landscape has changed with the withdrawal of the Tufts Health Plans from Maine and the continuing troubles of Harvard Pilgrim Health Care.
Since January, Blue Cross and Blue Shield of Maine has added 70,000 customers, bringing its base to 440,000 customers.
The top leaders in the Maine House and Senate have declined to interject themselves into the process followed by the insurance bureau. But some lawmakers say the sale demands attention.
``I would like to prevent the sale. There's no doubt that the appraised value of the business is up,'' said Rep. Edward Dugay, D-Cherryfield.

Insurance Times: Purchasing Groups Need Agents To Succeed, Report Concludes
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Designers ignored the importance of agent support
Organizations designed to make it possible for small employers to get a better deal by collectively purchasing health insurance coverage have experienced some successes, but have not captured employers' interest in a big way nor gained the market share that many had hoped they would.

A new report concludes that a lack of support from health plans and insurance agents has been among the most important reasons HIPCs have not been able to become large enough to offer more favorable prices.
Explaining these disappointing results is the purpose of a new study conducted by the Economic and Social Research Institute (ESRI) under a grant from The Robert Wood Johnson Foundation's Changes in Health Care Financing and Organization initiative.

Insufficient Scale

The report, "Barriers to Small-Group Purchasing," says that the problems of health insurance purchasing cooperatives (HIPCs) stem mainly from their inability to achieve sufficient scale. Because HIPCs have remained relatively small, they have not achieved economies of scale or gained the bargaining clout that would allow them to offer lower-priced coverage.
"Small employers are price sensitive, and unfortunately, purchasing cooperatives haven't been able to offer sufficient cost savings to attract employers in large numbers," says Elliot Wicks, senior fellow at ESRI and co-author of the study. In fact, with one exception, even the most successful cooperatives account for no more than 5 percent of the potential market.
The data for the report was gathered through a series of face-to-face interviews with purchasing cooperative officials, health plan executives, state insurance regulators, and insurance agents in six states. The purchasing cooperatives studied included generally successful efforts, such as the California HIPC, as well as less successful initiatives, including the Texas cooperative, which closed its doors last July.

Agent Support Critical

The report labels a lack of support from health plans and insurance agents as among the most important reasons HIPCs have not flourished.
"It isn't possible to have a successful purchasing cooperative without the participation of at least one or two highly visible health plans," says Jack Meyer, president of ESRI and co-author of the report. "Health plans haven't found participation very profitable, and many haven't been enthusiastic about the head-to-head competition that is inherent in selling through HIPCs."
In addition, "The early HIPCs thought they could assign agents a lesser role or even do without them entirely," says Wicks. "But they were mistaken. Few small employers will purchase health insurance without the assistance and advice of insurance agents."
According to co-author Mark Hall of Wake Forest University, cooperatives sometimes hurt themselves by trying to give special attention to high-risk groups or very small groups. Focusing on these higher-risk groups put them at a competitive disadvantage with respect to other insurers. "They failed to recognize that they couldn't succeed if they adopted practices that were dramatically different from those followed by insurers competing in the conventional market," Hall says.

Still Has Appeal

The report notes that the HIPC concept still has much appeal, as evidenced by congressional support for structures like health marts and association plans. The authors believe the idea still

has merit. "There's nothing much wrong with HIPCs that being large wouldn't cure," adds Wicks. "The problem is how to reach that size threshold."
The report outlines policy options that could help cooperatives reach critical-mass size -- including creating strong incentives for employers to use HIPCs and providing incentives for health plans to participate -- but notes that neither purchasing cooperatives nor any other incremental public policy provides a quick fix for the problems of the uninsured. Cooperatives' most important contribution may be to make it possible for small employers to offer their employees a choice of health plans.
Requests for "Barriers to Small-Group Purchasing" can be sent to LeAnne DeFrancesco at defrancesco@ac.org, or by calling the Economic and Social Research Institute at 202-833-8877, ext. 10.

Insurance Times: New CEO, Agent Cantiani, Among Bidders Hoping To Save Sinking Trust
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by Mark Hollmer
InsuranceTimes

Paul Cantiani -- the Trust Group's new president, CEO and chairman of the board -- said he's submitted a plan to Massachusetts Insurance Commissioner Linda Ruthardt that would hopefully rescue the 11-year-old company.
Four investors are interested in backing the proposal, Cantiani said, though he wouldn't name who they are because of "delicate negotiations" still underway.
"They've looked at my proposal. They like it and they know the numbers I need," said Cantiani, 60, the owner of Paul Cantiani Insurance in Worcester and the East Douglas Insurance Agency in East Douglas. Both are property and casualty agencies.
Cantiani , speaking generally about his plan, said it involves "options such as trying to find out revenue and expenses, and how many agents are still (at Trust) and how many have left.
"If I can make the company whole I can get back some of those agents," he said.
The proposal also includes up to 12 people who would act as a management team to advise the company, Cantiani said. Some are professionals in the industry and others are retired company presidents. They'll help "with no compensation expected."
Cantiani was among several businessmen who helped found Trust in 1989 with Craig Bradley, his predecessor in the top Trust spot. Cantiani also served on the board of directors over the years until the state receivership that took the struggling company removed Bradley from the job two months ago.
Several companies and individuals have reportedly expressed interest in buying the company or its pieces (see related story).
Cantiani said he presented his proposal to Ruthardt and her legal staff recently and he believes his plan has a chance for success.
"I believe that (Ruthardt) has given me a period of time to pursue ... investors," he said.

Cantiani wants people to know that he's not being paid to be CEO of Trust Group (the parent company of Trust Insurance Co. until Ruthardt placed it in receivership because of financial woes). Rather, Cantiani said he's focusing on trying to save the company to preserve jobs of the remaining Trust employees.

"It is my understanding that 60 to 65 percent are single parents," he said. "My main thrust is to be able to save those jobs."

Cantiani added he's also "very concerned about the hundreds of thousands of policy holders of Trust" and the market disruption it would cause for them and other agents if Trust fails.

Cantiani said Ruthardt has assured him that "politics will not enter into this" process, and hopes that continues to be the case.

"She was clear to me that there is a need for a quality property and casualty company in Massachusetts," he said.

For now, Cantiani said he continues to work with the Trust receivers and hopes the state will give his proposal a chance.

"The state really should want to save this company," he said.

"I'm banking on that and ... if I bring the proper people to the table and the state is not willing ... then I will go to ... whoever I have to to find out why not."

Insurance Times: Mass. House Approved Diabetes Mandate

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BOSTON - The House has approved a plan to require insurance companies to pay for supplies, education and other preventive care for diabetics.

The requirement would apply to health insurance plans that are already regulated by the state, or about half of the state's 400,000 diabetes sufferers, said Angus G. McQuilken, chief of staff for Sen. Cheryl Jacques, D-Needham, who sponsored the bill.

The effects of diabetes can be lessened through preventive care, such as maintaining a proper diet, monitoring blood sugar levels, said Jacques, a member of the Board of Overseers for the Joslin Diabetes Clinic.

The bill, which passed the House, must be approved by the Senate and Gov. Paul Cellucci in order to become law.

Insurance Times: RI Blues Subsidiary Fined For Backdating

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PROVIDENCE - The Department of Health has fined a Blue Cross & Blue Shield of Rhode Island subsidiary for violating state law by backdating responses to customer complaints and appeals.

The department began investigating BlueCHiP after a temporary employee reported that the health maintenance organization was deliberately putting the wrong dates on documents, The Providence Journal reported. By Rhode Island law, health plans have to respond to customers within a certain number of days.

BlueCHiP has already paid the $10,000 fine.
After the Department of Health investigation, Blue Cross conducted its own internal audit of BlueCHiP and fired an employee, Blue Cross spokesman Scott Fraser said. ``Our own group came in and made some changes in the department to ensure that something like this is not going to happen again,'' Fraser said, calling the backdating an ``isolated incident.''
But BlueCHiP's grievance and appeals department has a history of violations dating back to 1998, and it was because of the HMO's ``continued noncompliance'' that the fine was imposed, according to the Department of Health.
``These problems were taken very seriously,'' said BlueCHiP president Lynne Urbani, ``and we took immediate steps to ensure that each issue was appropriately addressed.''

Insurance Times: NH To Hear 'Double Dip' Bill
April 25, 2000, Vol. XIX No. 9

CONCORD, N.H. - The New Hampshire Senate Committee on Insurance was scheduled to consider a bill last week that would prevent employees from collecting both workers compensation and their own uninsured motorist (UIM) coverage for the same claim.
H.B. 1241, which has already passed the House, was drafted to correct a state Supreme Court ruling, Gorman v. National Grange, which allowed an employee to collect both workers compensation and UIM after being injured in a truck on the job. The bill was drafted by the National Association of Independent Insurers (NAII).
"Unless it's corrected through legislation, the Gorman ruling could seriously disrupt New Hampshire's auto insurance market by forcing the UM/UIM system into something it wasn't designed to be," said Gerald L. Zimmerman, associate counsel for the NAII.

Insurance Times: W.R. Berkley Envisions Future With Agents, High Tech And Acadia
April 25, 2000, Vol. XIX No. 9

by Penny Williams
InsuranceTimes

S. PORTLAND - Imagine a future where Agency Management Systems (AMS) and other insurance technology vendors do not exist and some insurers pay only 3.5 percent commission.
W.R. Berkley envisions such a future, even as one of his own companies struggles to stay alive in the present.
Berkley, chief executive officer of the corporation that bears his name and that is parent to Maine's Acadia Insurance Co., had a two-pronged message for the Maine Insurance Agents Association (MIAA) meeting here recently. He sought to reassure agents that his company and Acadia are committed to the agency system and to

success in New England and Maine, while also emphasizing how technology is quickly changing the industry.

Berkley's speech came on the heels of across-the-board price increases averaging 10 percent and a reorganization at Acadia which saw the company's founding management team, Richard Sawyer, chairman, and Rick Cote, president, replaced on an interim basis by Robert Cole. The moves are part of Berkley's strategy to return to profitability. For 1999, Berkley reported an operating loss of $23.3 million and a net loss of $37.1 million-- financial woes to which Acadia contributed.

"We're not going away. We don't have plans of closing down anything; we don't have plans to close Acadia down. One of the main reasons for the changes we've made is because we have a commitment here and we think that commitment will be even greater because we see much greater opportunities as the market tightens and others withdraw," Berkley told Maine agents.

"We've invested $100 million and lost half of that in the seven years building Acadia," he said. But Berkley insisted that Acadia is in the region for the long haul and is committed to the independent agency system.

Sharing his take on the industry and its future, Berkley told the group that success will be predicated on agency and company utilization of technology to eliminate redundancies and to reduce cost.

"Technology is where we have to go," the CEO declared.

"Technology provides the data and the facts. It shows us the numbers that reflect what is going on in our business. These things all require change on our part and on your part," he said.

He stressed that agencies and companies must eliminate duplication. It makes no sense for agents and companies to both keep copies of the same files, he noted.

Agents should have access to all the information their companies have when they need and want it and customers should be kept informed on a real-time basis of what is happening with a claim or a policy, he maintained.

Also, agents must be empowered to obtain actual quotes directly from their insurers' systems, a development which could render agency systems like AMS obsolete, he added.

Eliminating redundancies and cutting costs will have other effects.

"It means more uniformity of products. You're not going to have quite so many tailor-made things and when you do get them, they will be more expensive because it requires more work," Berkley maintained.

Berkley also envisions a future with Internet insurance companies doing everything electronically, using nothing but independent adjusters and having no loss control. These companies will offer 3.5 percent commission and have an expense ratio estimated at no more than 15 percent. "They are going to be able to cut price and price at some point means something," Berkley warned.

A 15 percent expense ratio is half that of Acadia's, he noted. "We don't have to have a 15 percent loss ratio, but we can't have a 30-plus percent loss ratio," he said. "This vision isn't tomorrow; this vision is three years down the road. But it is going to happen."

Insurance Times: Severance For Unum CEO: $20 Million In Cash

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PORTLAND - James F. Orr III will receive more than $20 million in cash under a termination agreement linked to his resignation as chairman and chief executive of UnumProvident.

Orr's severance package was detailed in a filing with the Securities and Exchange Commission. A company spokeswoman defended the compensation package as standard, even as the company is planning to cut thousands of jobs.

Orr stepped down Nov. 1 after 13 years with Unum Corp., presiding over its transformation from a mutual insurance company to a Fortune 500 corporation that dominated the disability market.

Last year, he oversaw Unum's merger with Provident Companies, of Chattanooga, Tenn. But in the months following the merger, the combined company's stock plummeted in response to disappointing financial results.

The company estimates that it will have cut more than 1,600 jobs, either through merger-related layoffs or early retirement packages. The company employs about 12,000 people, including about 3,400 in Maine.

In the SEC filing, UnumProvident said Orr would receive an initial payment of $6 million and four subsequent installments of $750,000 each by next April. The company agreement also called for payment of an additional $11.44 million in cash to settle Orr's accrued retirement benefits.

The Nov. 1 agreement amended one that Orr had signed only months earlier for his role in helping merge Provident and Unum.

UnumProvident spokeswoman Catharine Hartnett said the company considers the severance package given to Orr as fairly standard within the industry.

The compensation package is ``not unusual'' for the CEO of a Fortune 500 company, said Joe Sabounghi, senior vice president of Compensation Resource Group, a New York-based consulting firm.

``The numbers are big, but are they out of line? I don't think so,'' Sabounghi said.

Insurance Times: NY Agent Groups Join In Branding Campaign

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New York's two competing agent associations, the Professional Insurance Agents of New York and the Independent Insurance Agents Association of New York, recently announced they are joining forces to develop a statewide branding campaign to promote awareness of agents.

The two organizations have hired The Tobol Group, a Port Washington, N.Y. advertising agency, to direct the program.

In a joint statement, PIANY President Robert Franzese and IIAANY President Paul W. Babbitt called the initiative an unprecedented

alliance between the two organizations.
"The purpose of this branding program is to promote the value of all independent and professional insurance agents in New York," their joint statement stated. "As agents, we cannot afford to sit on the sidelines and let others define us. The members of both PIANY and IIAANY expect no less from the associations that represent them."
They noted a recent survey by the Independent Insurance Agents of America (see story page 3) that found consumers do not understand what independent agents bring to the insurance process.
"Customers want the kind of service our members offer. However, we need to inform the public of the benefits they receive when doing business with one of our agents," according to the New York associations.
The announcement of the joint branding initiative follows months of negotiations between the tow groups. The two will be equal contributors to the campaign, which will also involve insurance companies.

Insurance Times: PIA State Affiliates To Cooperate On Services

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A group of state affiliates of the National Association of Professional Insurance Agents has agreed to a system of greater regional cooperation on programs and services.
PIA affiliates in Connecticut, Delaware, Indiana, Maryland, New Jersey, New York, Ohio and Pennsylvania are part of the agreement.
"The model of regional cooperation set by these affiliates is supported and encouraged by the National Association of Professional Insurance Agents," said Gary Eberhart, executive vice president of PIA National.
"Many of the PIA initiatives that benefit agents in one state will be just as valuable to agents in nearby states. The use of strong regional agreements is one of the approaches that will make PIA a stronger organizations and their efforts will benefit the entire PIA family."
Although a detailed plan will be released in the near future, the groups in the agreement have already collaborated on automation consulting, curriculum development and member publications.

Insurance Times: Consumers Want 24/7 Service, Online Access And Agency Standards, IIAA Survey Discovers   But Agents Don't See Eye-To-Eye With Public

April 25, 2000, Vol. XIX No. 9

Eighty-seven percent of personal lines buyers
want 24-hour customer service from their insurance provider, and

85 percent say having professional standards for agencies is important - yet a mere one-third of independent agents believe these are vital to customers.
Additionally, 59 percent of personal lines consumers want online access to their account information.
These discrepancies were among a number of compelling findings from a recent branding study undertaken by the Independent Insurance Agents of America (IIAA).

Basis for Branding Campaign

The study, conducted by Addison, a San Francisco-based branding and communications firm, examined a variety of issues that could affect independent agents' market share, including purchase and service preferences, understanding of the independent agency channel, and logo recognition. More than 600 personal and small commercial consumers, agents, company executives and industry professionals were surveyed for the research. The study results are being used as the basis for IIAA's branding initiative.
"Creating a powerful independent agent brand that will resonate with consumers is a top priority for the association. This eye-opening research provides us with significant data to build that brand," said Alex Soto, CPCU, ARM, chairman of IIAA's Communications Committee, which is spearheading the initiative.
Among the other findings that highlight opportunities for agents to better reach and respond to consumers:

Independent agents can effectively deliver on the top four factors consumers named as important influences when buying insurance-and often better than other channels. Consumers named "competitive pricing,"
"advocacy in a claims dispute," "customized policies" and "one source for all insurance needs" as the four most important factors when purchasing coverage. In fact, other distribution channels are not as capable of offering all these benefits as are independent agents.

Independent agents' personal lines customers don't realize their agent offers a choice of products. Only 8 percent mentioned "choice" as a reason for using an independent agent. However, when given a list of attributes to choose from, 61 percent of all personal lines consumers using all distribution channels said choice was important. The difference shows agents are failing to communicate to their customers that a major advantage of using an independent agent is that choice of companies. This despite the fact that 40 percent of agents surveyed thought choice was a client priority.

Customers don't want to buy insurance on the Internet, but they do want to service their accounts online. Only 5 percent of personal lines buyers would like to purchase coverage on the Web, but 59 percent would like online access to their account information. A mere 6 percent of independent agents thought online access was a priority for customers.

The Big "I" logo is valued by the industry, but not by consumers. Within the industry, the Big "I" is very well recognized and looked upon favorably. But only one-in-five consumers correctly recognized IIAA's logo, compared to 70 percent for State Farm. More significantly, only 7 percent of personal lines consumers and 8 percent of small commercial customers said they would "definitely be encouraged to use an

agency" because it displayed the Big "I."
"The data indicate a need for education on two fronts," said Phil Seefeld, a principal of Addison. "We must tell agents what is important to the changing customer base, and show consumers what added value they get from independent agents."
Based on the research, IIAA now is creating strategies to address three issues: 1) enabling its agents to provide 24/7 and online service to their customers, 2) the viability of creating professional standards for agencies, and 3) the development of a marketing brand that will covey to consumers the benefits of using an independent agent.
Recommendations for these strategies will be made to IIAA's National Board of State Directors in late April, immediately prior to the National Legislative Conference.

Insurance Times: Maine Patients' Rights Bill Awaits Gov. King Signing

April 25, 2000, Vol. XIX No. 9

by
Francis X. Quinn
Associated Press

AUGUSTA - The Senate followed the lead of the House of Representatives and endorsed a Democrat-backed patients' bill of rights measure that has sparked sharp debate for more than a year.
The Senate tally was 21-12; the House vote was 87-60.
Under the provisions of the bill, patients could sue health maintenance organizations for as much as $400,000 in damages over wrongful denial of care.
External reviews would be available in cases of disputed HMO decisions. The measure would set a three-year statute of limitations.
The House- and Senate-backed measure has raised expressions of concern from Gov. Angus King, although aides stopped short of saying he would veto it.
The governor and other critics, including some from the insurance industry, have warned that a right to sue and the level of liability would raise health care coverage costs.
Senate President Mark Lawrence took the floor to argue for passage, saying that enacting the bill would be ``reversing a difficult trend'' in which consumers and doctors have been ``losing control of health care decisions.''
Lawrence and other backers maintain that the right to sue need not produce more lawsuits against HMOs.
Instead, Lawrence said, it would ``put the pressure on insurance companies to self-manage themselves.''
The Senate, voting 20-13, rejected a Republican-backed alternative more acceptable to King that would lower the damages cap to $150,000 and allow but further limit lawsuits.
The defeated competing measure carries a one-year statute of limitations.
Two-third majorities in both the House and Senate would be

required to override a gubernatorial veto.

Insurance Times: NY Coastal HO Markets Improved Over Last Year, But Restrictions Remain Hurricane Deductibles A Problem, Agents Say
April 25, 2000, Vol. XIX No. 9

New York's coastal homeowners market appears to be improving, judging from the results of a recent survey by the Professional Insurance Agents of New York State Inc. (PIANY).
New York insurance agents report that markets for homeowners insurance in coastal areas are "more open" rather than "less open" compared to last year.
PIANY conducted its survey of agency members in seven counties with coastal exposure. Of the 114 agencies responding, 38 percent said they write "a lot" of coastal homeowners business, defined as within two miles of the shore.

Writing With Restrictions
About half (58 percent) said there has been no change in insurance companies' willingness to write coastal homeowners coverage, but 32 percent found their markets more open, while 19 percent said the markets are less open.
Fewer than one in four (23 percent) had any companies writing the coverage with little or no restrictions, however. "Requirements are very restrictive," explained one respondent.
Frequently cited were restrictions on homes closest to the water, with 1,500 or 1,000 feet mentioned as the distance within which carriers are unwilling to write.
Another restriction is the requirement that policyholders accept hurricane deductibles. Despite recent publicity about some carriers filing to use more liberal deductibles, only 12 percent of surveyed agents said that any of their companies had changed their hurricane deductible provisions to favor the policyholder in the past year.
Agents' reactions to the deductibles were mixed. "I think deductibles for hurricanes are reasonable," commented one, while another called them "a necessary evil." Another agent said "the use of wind/hurricane deductibles should have opened the market more than it did."
Some agents were concerned about confusion generated by deductibles. "Most insureds don't truly understand hurricane deductibles and those who do resent it," one agent commented. "Companies are not specifying when the deductible triggers," added another.
In response to a question about which companies are using triggers geared to a Category II hurricane vs. a Category I hurricane, some respondents also appeared confused. "I urge standardization of the trigger, such as at least Category II, making landfall in the county of residence," one agent suggested. "I feel there should be a standard deductible such as $2,5000," said another.
Others maintained that the premium discounts for the hurricane deductible are insufficient, even "worthless," as one put it. "It

seems the discount offered is not consistent with the diminution of coverage," another commented. "Wind deductibles of 3 to 5 percent can be a financial disaster in case of a large dwelling limit," another agent noted.

"Where's the buy-back?" asked one respondent. "Clients should be able to buy back a hurricane deductible," another agreed, pointing out one company which allows this for an additional premium.

The survey also asked how often agents need to use nonadmitted companies or the New York Property Insurance Underwriting Association to get coverage in coastal areas. Most agents do not need to rely on these markets. One-fourth or 29 percent said they "never" use nonadmitted companies, while 37 percent never use the NYPIUA. Sixty-four agents (56 percent) said they "sometimes" use nonadmitted markets, while 49 percent said they "sometimes" use the NYPIUA. Only 15 percent said they "always" use nonadmitted markets and 21 percent "always" or "often" use the NYPIUA.

Comments disclosed plenty of disincentives to using nonadmitted markets or the NYPIUA. One agent observed that nonadmitted companies "fill a great need-- very helpful" but others commented on the usually higher premiums, additional work, possible exclusions, errors and omissions exposure, and procedural obstacles involved when using nonadmitted companies.

Regarding the high risk insurers NYPIUA, agents pointed to a limited coverage, the need to get liability coverage elsewhere ("at a reasonable rate"), the extra work in coordinating the two policies, the lack of binding authority, plus required engineering inspections, as reasons they avoided the NYPIUA if possible.

However, several agents commented on the importance of NYPIUA as a market of last resort. "NYPIUA should be a permanent option and it has become very efficient," one agent wrote. (PIANY supports legislation to make NYPIUA permanent.)

"The comments of our members selling homeowners policies in coastal areas show that the market may be improving slightly and that coverage can generally be found, though maybe not with terms and the price that agents and consumers might prefer," commented PIANY President Robert Franzese.

Franzese said the survey results show a need for improved communication by the industry.

"We believe companies and agents alike need to concentrate more on clear communication about the carrier's deductible options and terms, both with each other and with the policyholder."

Franzese also said PIANY hopes more companies will move to a higher, Category II deductible trigger and offer a buy-back option.

"We believe that the actions of New York state have allowed carriers to fine-tune their exposures to coastal loss and we encourage companies to look continually at the market opportunities that New York's coastal areas have to offer."

Insurance Times: Maine Not In Great Health, Iuppa Tells Agents' Meeting

April 25, 2000, Vol. XIX No. 9

by Penny Williams
InsuranceTimes

S. PORTLAND - Maine's top insurance regulator can't discuss the proposed merger of Maine Blue Cross with Anthem Insurance Co. because he is the hearing officer, but he can talk about the state's health insurance market in general.
What he says isn't very positive.
Group insurance rates have risen in the state by as much as 30 percent and individual insurance rates, 100 percent, he noted in a talk before the Maine Insurance Agents Association (MIAA) at the group's mid-year meeting.
Only one health plan in the state has shown a profit, albeit a very modest profit, over the last two years -- Central Maine Partners. Tufts is gone. Harvard Pilgrim is still in receivership.
Two other plans in Maine, CignaHealthsource and Aetna/NYLCare, are substantial companies but neither has made any money, he stated.
Blue Cross of Maine has seen its surplus drop from around $100 million to about $30 million in the last six years.
"None of these companies are tremendously strong, at least at the local level, and there's a laundry list of reasons that have at least contributed to this," said Iuppa.
"One reason is a lack of competition," he maintained. "We had seven HMOs doing business here. We don't have seven provider networks up here. All or most of the providers contract with more than one of these plans. It is an economic necessity.
"It is an emotional topic," he conceded.
Iuppa admitted that there is no safety net in place to prevent the Maine health care marketplace from ending up in a situation similar to that of the workers compensation marketplace in the 1980s. "I am not sure what kind of safeguards we could put in place. We have a dwindling number of companies who are willing to write here in Maine."
And there's another reason.
"The reality here in Maine," Iuppa told the group, "is that this is not the healthiest population in the United States. The leading causes of death in the state can be attributed in large measure to life style choices."
The HMO market remains a focus of his staff but Iuppa maintains that deregulation of some rates and forms is needed to make regulation more efficient.
If such legislation doesn't come from other sources soon, he commented, "I may sponsor something myself. I'd rather have my staff spending more time in the field doing compliance work than dealing with the constant backlog of filing reviews," he said.
He predicted the state will soon have its own law permitting the formation of mutual holding companies. The bill has passed both the House and Senate and is supported by Governor Angus King.

Insurance Times: Self funding 101

April 25, 2000, Vol. XIX No. 9

Everything you need to know to sell
Self-Funded Group Plans Reserve space for a date in your area. The first 100 registrants will receive a copy of the Duncanson & Holt manual entitled Stop Loss 101; an excellent reference manual for anyone experienced in self-funding or just learning the business.
These seminars are open to insurance brokers, agents or any staff that needs to understand the concepts of self-funding group medical benefits.

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Please reserve your space by contacting us at sales@benefirst.com. Or call 781-837-4402 ext. 201

Insurance Times: IIAA Urges Congress To Pass Homeowners Disaster Protection
April 25, 2000, Vol. XIX No. 9

Agents maintain reinsurance measure would reduce tax burden for all Americans by making insurance more available in disaster-prone areas WASHINGTON.- The Independent Insurance Agents of America (IIAA) believes the homeowners insurance market will continue to have problems dealing with mega-catastrophes unless the reinsurance backstop provided in the Natural Disaster Protection and Insurance Act (S. 1361) is enacted, IIAA witness Charlie Brown told a Senate Commerce Committee hearing.
The panel was hearing testimony on S. 1361 from IIAA and other private-sector organizations. Introduced by Sen. Ted Stevens (R-Alaska), the legislation would boost homeowners' insurance availability in regions susceptible to hurricanes and earthquakes by providing much-needed reinsurance protection, sold by the Treasury Department to state disaster programs and insurance companies and reinsurance companies, against mega-catastrophes that are expected to occur once every 100 years.

Beyond Capacity
"Insurers and reinsurers are well equipped to handle the normal types of losses-fires, theft and others-that occur everyday," said Brown, vice president of Baker Welman Brown Insurance in Kennett, Mo. "But the financial losses that a major earthquake or hurricane can present to many regions of America are beyond the industry's capability to manage without assistance."
Following Hurricane Andrew and the Northridge Earthquake,

insurance companies, reinsurance companies and insurance rating agencies examined the potential for large disaster losses and the impact these losses could have on a company's ability to pay claims. Faced with the probability for staggering losses that could drive many out of business, insurance companies began exiting the homeowners markets in many states or significantly limiting the number of policies they have in effect in disaster-prone communities. As a result, many homeowners are having a difficult time finding affordable protection for their most important asset-their home.

Brown's hometown of Kennett is located near the New Madrid fault, which runs through five states-Arkansas, Illinois, Kentucky, Tennessee and Missouri. Experts predict that a major event along the fault would devastate St. Louis and Memphis.

"Even though Hurricane Andrew and the Northridge Earthquake did not affect my area, attention has been focused on the potential for natural disasters there," explained Brown. "We have seen our markets for earthquake coverage on homeowners policies dwindle at an alarming rate. We have seen companies cancel their policies, invoke moratoriums on new polices with earthquake coverage, change earthquake coverage to exclude all contents of a home, and increase premiums on either the earthquake coverage or the entire homeowners premium, a move that forces many homeowners to reduce or cancel their insurance."

Average Homeowners

Brown said that S. 1361 would help average Americans afford homeowners insurance protection that would pay for losses caused by a natural disaster.

"Some taxpayer groups have tried to paint S. 1361 as a bailout for rich people who have been foolish to build expensive homes on the beach or on an earthquake fault line," testified Brown. "Nothing can be farther from the truth. Most of my clients in southeast Missouri live in modest homes ranging from $50,000 to $150,000. These homes are not mansions, but they are the most valuable asset that they possess."

House Version

The IIAA representative also took on critics of S. 1361 and the House's Homeowners Insurance Availability Act (H.R. 21)). Addressing opponent's contention that there is adequate reinsurance for insurance companies, Brown said: "With all this 'sufficient' reinsurance, there are still many insurance companies that will not write homeowners insurance in southeast Missouri. Other companies still have a moratorium on writing new homeowners business," he said. "And, we have many other companies that have continued to take the approach of avoiding writing homeowners insurance by making sure that their premiums are too high."

Making the case for senators from states not susceptible to natural disasters to support the Stevens bill, Brown said all American taxpayers share in the cost of disaster relief.

"Any money that we can eventually save in future disaster relief will reduce the tax burden of all taxpayers," said Brown. "The best way for Congress to shift the burden of paying for disaster relief to those who receive it is by making sure that Americans in disaster-prone states have the ability to purchase homeowners

insurance and thereby prepay for the assistance they will receive from their insurance companies."

Insurance Times: Gorman Branches Out On His Own In NH
April 25, 2000, Vol. XIX No. 9

by Penny Williams
InsuranceTimes

SOMERSWORTH, N.H. - After nearly 20 years in sales and management with the well-known Dunlap Corp., and after contemplating agency ownership for the last several years, Christopher Gorman has purchased the Somersworth branch of large Dunlap Corp.

He is now owner of the renamed Gorman Insurance & Risk Management Services.

The change in ownership of an agency from being a part of a large corporation to being under local ownership isn't always easy to bring off. The new owner must know what to keep and what to drop from the previous operation.

The agency has a total of seven employees. According to Gorman, "All the agency employees were offered employment with the new agency along with two additional hires to handle the increased service needs."

In addition to retaining employees, the new/old agency is sticking with some other long-time partners, too. "We have maintained relationships with virtually all of the same companies that we had through the Dunlap agency," he said.

One Key Change

He's already made one key change. Where much of the personal lines service was performed out of state at the Dunlap Service Center, Gorman has brought this servicing operation home.

"Reactions from our insureds have been very positive," he said. "They are pleased to have the servicing of their personal lines accounts retained locally."

The agency's business is roughly 45 percent commercial lines and 55 percent personal lines. Life, health and disability lines of business are new to the operation but Gorman sees "great growth opportunity there."

Gorman is a licensed consultant for risk management although "right now pure risk management is not a significant part of our operation."

Gorman is looking forward to putting his own particular stamp on the agency.

"I am looking forward to implementing my own ideas and philosophies into the day-to-day operations," Gorman said. "Our commitment is to educate our insureds, as well as meet their insurance needs."

Insurance Times: After 20 Years Meeting Region's P/C Agents On The Road, Tobe Gerard Takes A New Turn With Her Own LTC Agency
April 25, 2000, Vol. XIX No. 9

by Mark Hollmer
InsuranceTimes

Even a lunch-time food tragedy couldn't keep Tobe Gerard from selling.

Years ago, as a representative of the old Professional Insurance Agents of New England, she drove to Castleton, Vt. to visit member agents and stopped between appointments to eat lunch in her car.

In the rush, she accidentally dropped the meal in her lap, soiling her only business suit. But Gerard found a quick solution -- a dry cleaner who was willing to clean the suit as she waited in the back room.

An hour later, Gerard got dressed, paid the cleaners and continued with her day.

"I just walked out of there looking brand new and went off to my next appointment," said Gerard. "And then I stayed overnight and completed (my) whole next day" of business.

A former insurance librarian, Gerard has spent more than 20 years representing the Professional Insurance Agents of New England and then the Massachusetts Association of Insurance Agents. She spent eight hours a day in her car driving to make crucial face-to-face visits with member agencies across the region, promoting the associations' products and services.

And now Gerard, 46, is heading out on her own.

She's selling Long Term Care coverage from her new office attached to her home. She promotes the self-titled business with the tag line, "Insuring your golden years."

Of course, Gerard, a married mother of a teenage daughter, still plans to drive regularly and visit potential clients. She's already signed about a dozen so far, and the list is growing.

So why leave a 20-year career with "a good income, retirement, disability, health insurance and dental" to venture into a new business from scratch?

Gerard said her reasons are both personal and professional.

The time is right to start a business now, she said, because her daughter (14-year-old Danielle) is older. Gerard also said she's dealt with family members and friends who have been financially devastated because they paid for nursing care for a loved one without Long Term Care coverage.

In addition, Gerard said, Long Term Care coverage was one of 10 different products she sold to members, "and it was the one I really, really liked.

"I felt like I was helping people solve a problem when I sold this product. It's a very important piece of the puzzle."

Gerard said her target base for clients are both baby boomers like herself, with children who are getting ready for college, and also her peers' parents.

Adults in their 40s and 50s are potential customers, she said, because "it's the first time since your children are born that you can see the light at the end of the tunnel and you're starting to think about retirement."

Their parents are also valid clients, she said, because of what estate planners are telling them. The elderly have "assets to protect ... and if you buy Long Term Care insurance ... that at least offers some protection to the estate or inheritance," she said.
And both of those reasons make it a great time to get into the market, Gerard said.
"We've got all the baby boomers starting to turn 50 ... and many of (them) are well-educated, intelligent, affluent and they are willing to spend money to take care of themselves."
Gerard said those same affluent baby boomers are also buying coverage for their parents "because it is really protecting their inheritance."
Gerard has already gotten the word out about her new business by sending out "hundreds" of post cards to MAIA members she's worked with.
"There are some agencies that just specialize in Long Term Care their revenues are ... like, $5-$10 million a year I'm just me."
She said she's gotten "tons of enthusiastic phone calls and letters" in response, even though association members generally sell property/casualty products.
The members, Gerard said, have told her they don't want to take on Long Term Care coverage personally but ask "Will you do it for me? My clients are asking for this."
Gerard hopes to work with MAIA members and develop a third of her business from those collaborations. She's also negotiating with a local bank to be its Long Term Care specialist - which covers another third. Leads from general agents, she said, should cover the rest.
Gerard said she'll miss her old colleagues at the MAIA but she's looking forward to running her own business.
She's even getting good vibes from her hairstylist.
"The guy who cuts my hair said 'whatever you think you're going to do, you'll do 20 percent more,'" she said.
"And that's a good goal."

Insurance Times: Opinion Exchange: The Lack Of Public Awareness Of The Value Of Independent Agents Is Startling
April 25, 2000, Vol. XIX No. 9

Even more disconcerting is how out of sync with customers' expectations independent agents appear to be.

The bad news is laid bare in a recent report from the Independent Insurance Agents of America. (See story on page 3.)

What is perhaps most astounding is the public's ignorance of the role of independent agents. Independent agents' personal lines customers, while citing choice as an important ingredient, don't realize their independent agent offers a choice of products. Only eight percent mentioned "choice" as a reason for using an independent agent.

Agents are failing to communicate to their customers that a major advantage of using an independent agent is a choice of companies.

The report shows that eighty-seven percent of personal lines buyers want 24-hour, 7 days-a-week customer service from their insurance providers, yet a mere one-third of independent agents believe this is vital to customers.

Agents tend to downplay the convenience of Internet access to account information for customers. A mere six percent of agents think this is a priority for their customers. However, the survey says that 59 percent would like online access to their account information.

The study also shows that the Big "I" logo -- the one championed by Raymond "Perry Mason" Burr years ago -- is valued by the industry but not by consumers. Only one-in-five consumers correctly recognized IIAA's logo, compared to 70 percent for State Farm's symbol.

More than 600 personal and small commercial consumers, agents, company executives and industry professionals were surveyed for the research.

There is room for hope, of course. The fact that IIAA is sounding the alarm is typical of the agency system that is constantly striving to better itself and its service to insureds. IIAA intends to use the study as the basis for a nationwide branding campaign.

Most encouraging is the realization that agents can effectively deliver on the top four factors consumers named as important influences when buying insurance - and often better than other channels.

Consumers named "competitive pricing," "advocacy in a claims dispute," "customized policies" and "one source for all insurance needs" as the four most important factors when purchasing coverage.

In fact, other distribution channels are not as capable of offering all these benefits as are independent agents.

Based on its research, IIAA now is creating strategies to address three issues:

enabling its agents to provide 24/7 and online service to their customers,
the viability of creating professional standards for agencies, and
the development of a marketing brand that will convey to consumers the benefits of using an independent agent.

Recommendations for these strategies will be made to IIAA's National Board of State Directors in late April.

Agents and agency companies should take this study and the IIAA

branding recommendations to heart.

There may be no more important work that agents and their company partners can do for themselves in the coming months than get behind IIAA's branding efforts.

There's a lot more than a logo at stake.

Insurance Times: Consumer Group Hits Low Funding Of Mass. Department
April 25, 2000, Vol. XIX No. 9

by
Mark Hollmer
InsuranceTimes

BOSTON - The Massachusetts Division of Insurance budget relative to other states ranks last in the nation, and its policing of insurers for insolvency and fraud is also insufficient, according to a consumer advocacy group study released April 19.
"The Massachusetts insurance industry is enormous and complex, yet oversight is treated as an afterthought," said Nathaniel Orenstein, policy analyst for the Center for Insurance Research in Cambridge.
"Unless Massachusetts is brought into line with states with similar-sized insurance industries, consumers will be vulnerable to bankruptcies and unscrupulous marketing and claims settlement practices."
Division of Insurance Spokesman Christopher Goetcheus strongly disagreed with the group's assessment.
"Any state agency would want greater resources," he said. "But we like to think here we do a darn good job regulating the industry and providing oversight with the resources we have. We think we give the taxpayers a good return on their dollar."
Goetcheus added that the group drew its information from the National Association of Insurance Commissioners, through which each state characterizes its market conduct actions differently. States submit their data to the NAIC voluntarily.
The group cites Harvard Pilgrim Health Care's receivership as an example of the division's shortfalls. The Center for Insurance Research study concludes that Harvard Pilgrim's problems "may have been averted if the Division of Insurance had adequate funding and staffing to police the industry."
But all that's needed to prevent another Harvard Pilgrim problem are "regulatory tools to police the HMO industry" like the state has with property/casualty and life insurance, Goetcheus said. Legislation that would have addressed the problem over the years has repeatedly been voted down, he added.
Among the Center For Insurance Research report conclusions (based on 1988 numbers):
The Division of Insurance budget would have needed to be tripled from $8.6 million to $27 million to put it on a level with average insurance department budgets around the country. The Center criticizes the state for only increasing the 2001 Division

of Insurance budget by $500,000.

Massachusetts filed 15 financial and combination examinations in 1998. Other states filed far more. Delaware filed 44, Alabama filed 29 and Vermont filed 63. Forty-five states produced more exams, according to the Center for Insurance Research's information.

The Massachusetts Division of Insurance initiated 64 market conduct reports but only filed one with the National Association of Insurance Commissioners in the last eight years. But initiated exams aren't made public until they're filed. This ranks the Division 47th in the nation for industry size.

The study recommends placing company financial and market compliance examinations, plus consumer complaint information on the Internet to make both regulators and the industry more accountable to the public.

Goetcheus also points out that the consumer group's use of 1998 figures is somewhat misleading. Through 2000, the division completed more than 90 examinations of the state's domestic insurance companies to determine Y2K compliance, he said. Each could have been classified as a separate market exam.

The division opened 286 enforcement cases in 1999 and closed 287, he said.

Insurance Times: Trust Pushes For Independent Officer In CAR Formula Dispute

April 25, 2000, Vol. XIX No. 9

by Mark Hollmer
InsuranceTimes

BOSTON - An attorney with Trust Insurance Co. wants the state to appoint an independent hearing officer to consider the struggling company's continued challenge to a CAR residual market reimbursement formula.

Andrea Peraner-Sweet argued during an April 18 hearing that the Division of Insurance should remove itself completely from hearing Trust's eight-year old case, because of potential conflict of interest.

Insurance Commissioner Linda Ruthardt has already recused herself from deciding the issue, to avoid perceptions of conflict of interest after placing Trust under temporary receivership a few months ago, because of the company's financial problems. Julie Bowler, the first deputy Commissioner of Insurance, is now handling Trust's eight-year legal battle against CAR - the state's high-risk auto insurer.

Peraner-Sweet explained during the hearing that Trust's latest motion calls for the "disqualification ... of any and all agents concerned with Trust because of the receivership issue.

"Not only does the conflict exist to the Commissioner herself but her officers in these proceedings," she said. "We need to guard against the slightest hint of impropriety."

Trust is fighting the formula that CAR uses to redistribute money auto insurers pay when they leave the state. Trust argued in 1992

that the formula is unfair and arbitrary, but CAR voted to not change the distribution, and then Trust went to court. A Massachusetts Court of Appeals ruled recently in Trust's favor, asking that the commissioner take steps to address Trust's case. But the judge stopped short of deciding how to create a fairer disbursement method.

The 1992 departure of Aetna Insurance from the state sparked the ongoing case.

According to the CAR formula, the company paid $88 million to cover its future CAR obligations. Trust expected to receive nearly $25 million, but actually got $3 million or 3.4 percent even though the company assumed about 20 percent of Aetna's business. By contrast, Liberty Mutual received 10 percent of the $88 million but didn't assume any of Aetna's old Massachusetts business.

The next date in the ongoing case is April 28. That's the new deadline for both sides to file respective responses, and CAR attorneys will also submit what information they can give Trust.

Trust also filed motions to allow for discovery, or the gathering of information about CAR reimbursements. Trust is also seeking to switch the proceedings from a regulatory nature to a judicial one, so it can gather "evidence" on reimbursement details to determine a more fair way to conduct them in the future.

CAR attorney Mark Matuschak said the Division of Insurance has already addressed conflict-of-interest issues by placing Bowler in charge of the proceedings. He also said Trust missed its opportunity a long time ago to change the proceedings from regulatory to judicial.

"It's a little late now," he said. p

CAR delays relief
for 2 insurers

BOSTON - Two companies seeking relief from oversubscribed CAR business will have to wait.

Commonwealth Automobile Reinsurers - the state's high-risk auto insurer -- referred petitions from Amica Mutual Insurance Co. and the Middlesex Insurance Co. to its actuarial committee on April 12.

Companies are allowed to petition for relief of CAR business if they are continuously oversubscribed by more than 125 percent of their "ought-to-have" assigned business for a year.

Amica has been oversubscribed by more than 125 percent (and over 1,000 exposures) for about four years, according to a letter to the CAR board from Ronald Rainer, the company's senior assistant vice president.

Middlesex was oversubscribed by 6,044 exposures as of February 23, according to a memo from that company submitted to CAR.

Attorney Peter Robertson, who represents Amica, said the CAR governing committee has granted relief to companies more quickly in the past.

"We're not happy it's been slowed down and it's not the way in which the most recent ones of these petitions has been handled," he said.

Attorneys for Middlesex could not be reached. p

CAR moves to lower
company quota

BOSTON - Insurance companies will qualify for CAR obligations in Massachusetts with only half as many exposures if a proposed change in rules gains state approval.
The Commonwealth Automobile Reinsurers (CAR) governing committee voted on April 12 to recommend changing the number of minimum exposures from 10,000 to 5,000. CAR initially proposed reducing the number to 3,000 but nudged the number up in a compromise measure.
Insurance companies in the state must take on CAR obligations after their exposures reach that number. CAR is the state's high-risk auto insurer.
The change will theoretically spread out CAR obligations more evenly to companies, particularly those who come in from out of state that traditionally haven't had to meet the CAR burden because they're under 10,000 exposures.
Farm Family Casualty Insurance Co. challenged the 3,000 measure because it would have been adversely affected by the proposal, said attorney Peter Robertson, who represented the company at the CAR hearing.
Farm Family has about 3,000 exposures in Massachusetts, Robertson said, but the company could have theoretically had to deal with a CAR service obligation as high as 25,000 exposures.
"The loss on that business would drive Farm Family out of the state. It would overwhelm them financially," Robertson said.
Insurance Commissioner Linda L. Ruthardt has 30 days to either approve or reject the recommended change.

Insurance Times: China, India Among Big Emerging Markets For Insurers, Says Conn.'S Reider
April 25, 2000, Vol. XIX No. 9

by Mark Hollmer
InsuranceTimes

HARTFORD - Wondering where the next big market for insurance providers is? Try India and China, according to Connecticut Insurance Commissioner George Reider Jr..
"A tremendous market is going to be there," he said.
Reider spoke about emerging markets and the future of the insurance industry on April 12, during the Honorable Order of the Blue Goose Annual Insurance Commissioner's Luncheon -- held at the U.S.S. Chowder Pot IV restaurant in Hartford.
Both countries , he noted, have over a billion untapped customers each. Reider said American insurance companies should take special note of the opportunities for growth in both places.
Reider mentioned India and China as two examples of the growing global marketplace that's benefiting American businesses at large as well as the insurance industry.
He told an audience of about 110 industry insiders that American companies are dealing in Germany, Malaysia, and China and international companies are increasing their presence here, too.
Even locally, the Internet and other technological advances have changed how insurance companies conduct their business, he said.

Companies should work hard, he added, to keep up.
"We have to be sure we stay in touch with technology ...," he said.
Reider also pointed to new federal legislation that eliminates the barriers between the banking, insurance and securities businesses as another factor that will revolutionize insurance.
The law may make the business more dynamic, he said, but he urged caution as companies begin to enter each other's businesses.
"It should be done in a way that does not take away from state regulation," he said.
"The state regulation of insurance has worked pretty well."

Insurance Times: State Farm Goes National With Bank
April 25, 2000, Vol. XIX No. 9

After testing the services on its employees and on customers in two states for almost a year, State Farm Insurance Companies has decided to go national with its new, mostly electronic bank.
Bloomington, Illinois-based State Farm, the biggest automobile, property and casualty insurance company in the United States, plans to combine Internet, automated teller and telephone transactions with help from its 16,000-plus insurance agents to run the State Farm Bank.
``Customers can access the account on the Internet, so there is interest from clients that are comfortable with the convenience of that technology, but on the flip side, we have our agents for the customers who are more comfortable dealing with someone they know one-on-one,'' said John Sullivan, one of the company's agents in Champaign whose staff has been trained to deliver the new services.
In its trial run, State Farm opened about 6,000 deposit accounts and got another 4,000 loan customers, Stan Ommen, the bank president and chief executive officer, said. The bank had $53 million in deposits and $151 million in total assets as of Dec. 31.
The company is training agents a few states at a time to offer the banking services, but electronic services will be now available nationwide. Anyone can open accounts, view statements, transfer money and pay bills from the web site at www.statefarm.com. Other services will handled through agents, a call center (1-877-734-2265) and traditional mail.
Asked how many banking customers State Farm projects it will get, Ommen said he would be guessing.
``No one has ever tried to do a bank like we've done this one,'' Ommen said. ``We are really just going into this venture with our eyes wide open. Our limited experience in Illinois and Missouri isn't enough to tell me what we are going to do down the road someday.''
State Farm got federal approval to open a savings and loan from the Office of Thrift Supervision in November 1998, and began offering services in Illinois and Missouri the next spring.
The Office of Thrift Supervision reports it has approved about 30 bank charters for insurance firms since fall 1997.
Ommen sees State Farm's name and national presence giving it an

edge against other Internet banks, regardless of ownership.
``We already do a lot of business with the folks in those communities,'' he said. ``The customers already know our agents. The fact that we've got 16,000 insurance agents scattered across the United States, that is something the Internet-only players don't have. AAIS develops new personal umbrella
A new personal umbrella policy developed by the American Association of Insurance Services (AAIS) will give insurers a standard form for adding excess liability coverage beyond the limits in an account's auto, homeowners, and other underlying policies. The AAIS personal umbrella will also provide "drop down" coverage above a "retained limit" (deductible) for liability for personal injury, such as libel, slander, or invasion of privacy.
"Personal umbrellas are becoming a standard component of a personal lines account," says Ed Budd, AAIS manager of research and development for personal lines. "The growth in umbrella coverage reflects a growing concern among families that they may become the target of a lawsuit It also reflects the growing value of assets they have to protect." Budd is the principal developer of the new umbrella program, which consists of a base form and endorsements, plus advisory manual rules and loss costs.
The umbrella pays damages in excess of the specified limits of the underlying policies, plus defense costs. If an insured fails to maintain any policy at the proper limit, he or she will have a coverage gap for the difference between the required limit and the actual limit.
The umbrella excludes coverage arising from the business activities of an insured, except for incidental rental exposures covered under a standard unendorsed homeowners policy, and for business use of a vehicle covered under a standard personal auto policy. Personal umbrella coverage can, however, be extended to business activities using the "business activities" endorsement filed with the program.

Insurance Times: Reliance Launches Online BOP

April 25, 2000, Vol. XIX No. 9

Reliance Group Holdings, Inc. is expanding its portfolio of e-commerce insurance coverages with the introduction of eBOP (http://www.reliance-ebop.com) - a new product that enables insurance agents to obtain price quotes and bind commercial property and liability coverage online in a matter of minutes. Reliance's eBOP is a Business Owner's Policy tailored for small businesses.
eBOP, along with Reliance's other online products, Umbrella Online and CyberComp will be marketed through Point, Click & Bind, Inc., a new Reliance company focused on e-commerce insurance business.
Like CyberComp and Umbrella Online, the eBOP system consists of an online application containing a brief set of questions that agents complete for their clients. Once an agent inputs the data into the password-protected web site, a computer program

determines whether the electronic submission meets Reliance's underwriting criteria. If the customer qualifies for coverage, a price quote is generated, and the agent can bind coverage and select a payment plan with a few simple keystrokes. The entire transaction typically takes less than seven minutes online.

The eBOP product is designed for retailers and service businesses with up to $5 million in gross revenues; wholesalers with up to $7 million in gross revenues; fast food establishments with up to $3 million in gross revenues; artisan contractors with up to $2 million in gross revenues; and building owners with property valued up to $5 million.

For additional information, agents should call 914-949-9611.

Insurance Times: Atlantic Mutual Offers Joint Education Policy

April 25, 2000, Vol. XIX No. 9

Atlantic Mutual and United Educators Insurance Risk Retention Group have partnered to offer a new package for universities, colleges and independent schools called @vantage for Education. The portfolio combines United's liability products with Atlantic's property, automobile and workers compensation into one program.

The new program is being initially offered through Atlantic Mutual agents in New England, New York, New Jersey and Pennsylvania.

United Educators is owned by more than 1,000 educational institutions.

Insurance Times: SIAA Plans Identity Program To Promote Network

April 25, 2000, Vol. XIX No. 9

The nation's largest networks of independent insurance agents, the New Hampshire-based Strategic Independent Agents Alliance (SIAA), is rolling out a new identity program aimed at developing consumer loyalty to its member agencies.

Among the program's features is a new website, www.insurancedeals4u.com, which permits consumers and small businesses to easily locate their nearest SIAA member agency and use an online form to request quotes on auto, homeowners, flood, life, health and other lines of insurance.

SIAA has also introduced a new Advantage Card, which provide emergency service assistance to insureds 24 hours a day.

At its recent meeting, SIAA distributed more than $300,000 in overrides from insurance companies to member agencies.

SIAA currently represents more than $1.1 billion in network premium volume. It currently encompasses large master agencies in 12 territories in 44 states. Satellite Agency Network Group, Inc. (SAN Group) is the New England and eastern New York member of SIAA.

Insurance Times: IIAA's Yates Urges Maine Agents To Uphold Market Share
Direct Response Firms Will Spend Millions On Advertising
April 25, 2000, Vol. XIX No. 9

by
Penny Williams
InsuranceTimes

S. PORTLAND - Maine independent agents enjoy one of the highest market penetrations in the country but even they can't be complacent in the face of today's competition, warned an executive from the nation's largest independent agents association, the Independent Insurance Agents of America (IIAA). Jeffrey Yates, IIAA executive director, told the Maine Insurance Agent Association (MIAA) that there are challenges to the independent agency system but by and large "most of the issues are in the independent agent's control."

Must Be Flexible
Yates told agents he sees a world of opportunities just waiting for independent agents but only if they are willing to adapt and be flexible.
Maine independent agents in particular have every reason to be optimistic about their future, according to Yates.
"You have the second highest personal lines and commercial lines market share in the country," Yates told Maine agents, citing figures showing that Maine independent agents hold 61 percent market share in personal lines - 27 percent better than the countrywide average. Direct response companies only have a 4.6 percent market share in Maine - 2.7 percent below the countrywide average. Direct response companies nationwide have less than 10 percent market share. In commercial lines, Maine independent agents have an 84 percent market share, some nine percent better than the countrywide average.
But he urged Maine agents not to relax in the face of direct writers' willingness to spend millions of dollars in advertising to consumers. "The direct response companies will try to change that paradigm. They will try to show consumers how a policy can be sold without an agent."

Focus on Personal Lines
"You can beat the competition," Yates told the group. "That is, if you focus on personal lines and grow your business and not treat it as an accommodation."
Yates list of challenges include: the need to continuously grow and improve an agent's business by being flexible and willing to adapt and take advantage of change; the need for a greater diversity of products and services to offer their customers; the need to develop a brand; and the challenge of adopting and utilizing technology to improve and increase one's business.
Yates described various IIAA management and educational services that can help agencies, including assistance with their agency's technology needs.
"The cost of keeping up with technology is high," Yates observed. "But the cost of not doing it is even higher. You should get

every agency employee wired for the Internet and e-mail.
"Technology's promise is to make the Independent Agency System as cost effective as any distribution system out there," said Yates. "But we need to move independent agency web pages from brochure-wear to transactional pages. Making use of the Internet standards will allow agents and companies to freely move information up or down, inputting it just once. "
Recent IIAA research shows that branding is more important to consumers than to agents, a matter of concern to IIAA leaders who are embarking on a campaign to improve the branding of the independent agent in the marketplace, Yates reported. The IIAA branding initiative is the core of the association's national communication program in partnership with a dozen insurance companies: Atlantic Mutual, CGU, Chubb, CNA Commercial, CNA Personal, Fireman's Fund, The Hartford, MetLife Auto & Home, National Grange, Progressive, Safeco and St. Paul.

Insurance Times: Small Business Said To Favor Commercial Deregulation</ headline>

April 25, 2000, Vol. XIX No. 9

MALVERN, Pa. - The majority of firms with sales between $5 million and $100 million that responded to the Insurance Research Council's (IRC) recent business survey believe they could negotiate a lower premium for their commercial insurance under competition than under state regulation. The survey of more than 1,200 companies found that 61 percent of respondents believe they would be able to negotiate a better premium, with 15 percent saying they definitely would and 46 percent saying they probably would.

Have Expertise
In addition, most firms surveyed feel they have the expertise to operate in an environment with less regulatory oversight of insurance policy forms. Nearly 9 in 10 (88 percent) of these firms are confident they can understand the insurance-related risks they face and can judge whether they have sufficient coverage.
The survey respondents believe, overwhelmingly, there should be no restrictions on which businesses are allowed to participate in deregulated insurance markets. Only 10 percent of the firms agree that there should be some restrictions based either on size or on the use of a professional risk manager. Only five percent of responding companies maintain that there should be a minimum size requirement.
The majority of the companies surveyed (53 percent) believe they will receive more customized insurance rates and coverage in a deregulated environment. Only 15 percent think they will get more customized insurance in an environment where insurance rates and forms are regulated.
"These businesses are confident in their ability to understand their insurance needs and negotiate price," according to Elizabeth A. Sprinkel, senior vice president who heads the IRC.

"They do not want restrictions placed on deregulating commercial insurance. Companies believe the NAIC's proposed restrictions are set far too high, and that perhaps minimum participation levels should not be set at all."
The results contained in the IRC's recently released report, Business Attitude Monitor 2000, are based on a survey conducted by Roper Starch Worldwide. The survey consisted of 1,206 telephone interviews with individuals most familiar with their companies' purchase of commercial insurance. In addition to deregulation issues, the survey addressed companies' satisfaction with commercial insurers.
Visit the IRC web site at http://www.ircweb.org for more information.

Insurance Times: Lloyd's Fortunes Rise And Fall But Industry Interest Remains High
April 25, 2000, Vol. XIX No. 9

Study uncovers trend of insurer-backed Lloyd's agencies

Four years after Lloyd's completed its reconstruction and renewal, interest among insurance companies in Lloyd's remains high, in spite of its growing losses.
A new study by Hartford-based Conning & Co., updating a 1996 Conning study, predicts that Lloyd's will continue to face increasing pressures and challenges.

New Trend: Lloyd's Agencies
In spite of Lloyd's earnings volatility and diminishing investor interest, a new trend seems to be emerging: insurer-backed Lloyd's agencies. A number of major insurers continue to be interested in participating in the Lloyd's market, many by establishing their own managing agencies.
Much of this interest is generated by Lloyd's strengths: excellent financial ratings, world-wide licenses, a recognized brand image, access to business and a shared service infrastructure. The Lloyd's image is bolstered by a centuries-old tradition of flexible and innovative underwriting and the many long-term relationships that its underwriters have maintained with insurers and customers throughout the world.

Underwriting Cycle
In spite of these strengths, Lloyd's continues to face serious challenges. The "annual venture" causes Lloyd's results to be almost exclusively reliant on underwriting profit and, thus, the underwriting cycle. With much of its business concentrated in "nonstandard" lines, like marine, aviation, satellite, etc., Lloyd's results are volatile. A high overall expense ratio and particularly high expenditures for reinsurance put additional pressure on Lloyd's underwriting results. Finally, Lloyd's continues to be plagued by restrictive and expensive distribution processes.
Conning's study discusses the ways in which Lloyd's is dealing

with its problems and the possibilities for its return to profitability. Lloyd's of London: An Update is available by calling toll free (888) 707-1177 or (860) 520-1521 or at its web site at www.conning.com.

Insurance Times: Questions For Agents

April 25, 2000, Vol. XIX No. 9

IIAA Executive Director Jeff Yates left Maine agents with a list of questions he said agents should be asking of themselves:

Are we responding to the changing needs and desires of the consumer?

Have we embraced the technology that is available to us?

Do we know what business we're in? Are we selling insurance to buyers or helping them manage their risk?

Are we prepared for the new competitors (not the direct response companies but the new up and coming Internet companies) who ... will embrace technology, will operate efficiently and will respond to the needs of the consumer?

Are we asking and expecting more from ourselves and our business partners?

Are we actively aggressively finding ways to eliminate inefficiencies, duplications and waste? and,

Do we know strategically where we can best position ourselves for the future?

Insurance Times: NY Is 29th State To Join NAIC Agent Database

April 25, 2000, Vol. XIX No. 9

The New York Department of Insurance is the 29th state to join the Insurance Regulatory Information Network's (IRIN) Producer Database (PDB).

The Producer Database is one of the key components of the NAIC's technology-based initiatives collectively known as State Regulation 2000. With the addition of New York to PDB, information on 100,000 additional producers will be available immediately.

"This is a crucial step in making the Producer Database an improved tool for state regulators. The financial services industry is changing rapidly, and state regulators must continue adapting to meet the demands of that market," New York State Insurance Superintendent Neil Levin said. "We must work diligently to achieve a seamless national producer licensing structure."

The PDB is an electronic database consisting of information relating to insurance agents and brokers. The PDB links participating state regulatory licensing systems into one common system establishing a repository of producer information. Information maintained in the database is updated daily by

participating state insurance departments and includes general demographic information relating to all producers such as name, social security number, address(es) and phone number(s), license information such as states licensed, license numbers, authorized lines, license status, and company appointment/termination information.
Other states currently participating in PDB are: Arizona, Arkansas, California, Colorado, Connecticut, Florida, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, North Carolina, North Dakota, Ohio, Pennsylvania, South Dakota, Tennessee, Texas, Virginia, Washington, Wisconsin, and Wyoming.

Insurance Times: ChannelPoint acquires LifeLink

April 25, 2000, Vol. XIX No. 9

ChannelPoint, Inc., a provider of Internet-based insurance products for agents, has acquired LifeLink Corp., the Park City, Utah-based provider of illustration software applications to the life insurance industry.
The integration of LifeLink's capabilities into the ChannelPoint exchange platform technology will empower life insurance professionals with Internet-based sales illustrations, carrier reports, and term comparisons. Financial terms of the acquisition were not disclosed.
"The acquisition of LifeLink is a natural extension of our commitment to life insurance professionals who are looking for tools to streamline sales processes and get closer to their customers," said Fred Eppinger, executive vice president of industry services at Colorado-based ChannelPoint.
LifeLink Corp., formerly United Systems, has been selling life insurance sales software applications for over 20 years. LifeLink's flagship application, Winflex, offers a Single Entry, Multi-Carrier Interface (SEMCI) for more than 30 carriers. LifeLink's term quoting engine, VitalTerm, is used on many of the industry's websites. LifeLink's carrier reporting tool, VitalSigns, is a tool for distributing carrier financial and rating information.

Insurance Times: Metlife To Sell Via Other Financial Institutions

April 25, 2000, Vol. XIX No. 9

Metropolitan Life Insurance Co. has set its sights on being a major manufacturer and distributor of financial services products sold through other financial institutions and independent intermediaries.
To prepare the way, MetLife announced the hiring of two well-known executives in this arena, Jamie Shepherdson and Greg Brakovich, who until recently ran Equitable Distributors, Inc. (EDI). Under their leadership since its inception in 1996, EDI has grown to manage more than $6 billion in assets, with a

current annual sales rate of more than $3 billion.
Shepherdson and Brakovich will serve as co-CEOs of Security First Group, Inc. (SFG), a Los Angeles-based subsidiary that will serve as MetLife's key organization to design, manufacture and distribute financial services products through financial intermediaries, including NASD firms, New York wirehouses, regional investment firms as well as banks and credit unions, according to James M. Benson, president of individual business at MetLife.
According to Benson, MetLife has been very successful in the sale of financial services products through its agency distribution networks, primarily MetLife Financial Services, New England Financial and General American. "We have an opportunity to be just as successful by distributing through other financial institutions," he states.

Insurance Times: Lincoln Life Annuities Partners With SEI
April 25, 2000, Vol. XIX No. 9

Lincoln Life announced a step to greatly enhance its position in the fastest growing and largest annuity distribution channel -- the financial planner channel.
Lincoln Life has been selected by SEI Investments, a leading mutual fund "wrap program" company, to manufacture a variable annuity offering SEI funds as underlying investment options.
Lincoln Life will provide product design, customer service, and administration and will assist SEI with marketing the product to investment advisors. The variable annuity is slated to roll out in August 2000.

Insurance Times: NY Life Analyzes Policies With Blaze Advisor
April 25, 2000, Vol. XIX No. 9

New York Life Insurance Co. has implemented a policy conformance application using the Blaze Advisor Solutions Suite software which analyzes individual customers' new variable life and variable annuity policies to ensure regulatory compliance and customer suitability.
"Blaze Advisor enables us to analyze and check each policy for suitability to the customer's goals and preferences. At the same time, we can check for regulatory and compliance issues to make sure that we are applying our rules of operation consistently and accurately," said Barbara Halecki, corporate vice president with New York Life.
Agents in all 50 states submit customer information and newly requested policies each day to a local office. New York Life processes the information after the end of the working day as part of a corporate-wide business submission and administration process. Within 15 minutes, up to 400 policy requests are accessed by the application, checked against data from external systems, analyzed for regulatory compliance, matched to the stated financial goals of the customer, and reported for approval

or further action.

Insurance Times: Gore, Bush Offer Competing Health Insurance Plans Tax Breaks Or Expanded Public Programs?
April 25, 2000, Vol. XIX No. 9

by Karen Gullo
Associated Press

WASHINGTON - George Bush wants to give poor families a tax refund to buy private health insurance. Al Gore wants to get more of them into government health programs.
Health experts applaud both candidates for giving health care a prominent place on the political agenda and say the proposals are good first steps toward addressing one of the nation's most vexing problems: Millions of working poor people can't afford to see a doctor.
But both plans would still leave substantial numbers of poor people scrambling to afford health care, the private experts and activists say.

May Not Be Enough
Bush's plan to give people tax breaks for buying insurance may not be enough to cover the cost for many, and Gore's plan may leave many Americans uncovered by government programs.
The Bush plan calls for giving tax credits of up to $2,000 to families earning $30,000 so they can purchase private health insurance.
The aim is to give working poor families on Medicaid or people with no coverage the freedom to choose their own insurance - and to provide tax relief to those families that have already purchased private insurance, said John Goodman, president of the National Center for Policy Analysis, who has helped GOP lawmakers craft similar tax credit proposals.
``So many people assume that the only goal here is get people insured,'' said Goodman. ``The goal is tax fairness.''
He said the tax credit would cover about half of what a family would spend to purchase a basic health insurance policy from a private insurer.
Bush also proposed $500 million in grants for community health projects targeting specific problems, such as diabetes.
``The most difficult places to build a quality health facility are the very areas where the need is greatest and where patients have the least ability to pay,'' Bush said at a neighborhood health center.
His critics say many families would still not be able to afford health coverage because the tax credit would cover only about one-third of a family's health insurance costs, which they say run at least $6,000 a year, not the $4,000 Goodman estimates.
``The overwhelming number of people won't be able to get coverage through this plan,'' said Ron Pollack, president of Families USA, which advocates for universal health care.
Karen Davis, president of the Commonwealth Fund, says studies

show that people won't buy health insurance if their out-of-pocket costs exceed 5 percent of their income. Under Bush's plan, a family earning $30,000 would be spending more than 10 percent of their earnings to get covered.

``This is really not affordable for anyone below $40,000,'' said Davis.

Goodman said those who don't choose to buy insurance will be taken care of by ``safety net'' providers such as public hospitals and free health clinics. Studies have shown many of those are in precarious shape because of budget cuts and the loss of paying patients.

Bush sees tax-free medical savings accounts as a way for families to set aside money for expensive treatments. Now limited by the government to self-employed people and workers at small companies, MSAs would be available to all people under Bush's plan.

Gore and other Democrats contend that MSAs are ``tax shelters for the wealthiest and healthiest Americans,'' and Bush's plan would drain them from the general insurance pool.

``By luring them out of the regular health insurance system he would actually drive up health insurance costs for working families,'' Gore told newspaper editors.

Universal Coverage

Gore says his goal is to eventually get coverage for all 44 million uninsured Americans. The first step toward universal coverage, he says, is to expand a state-federal health plan for children and let families who make too much money to be eligible for Medicaid buy into the program.

Under his $146 billion plan announced last year, Gore would raise income limits on the Children's Health Insurance Program to get more uninsured kids covered and allow their parents into the program.

Gore's plan also includes a 25 percent refundable tax credit for uninsured people for the purchase of individual health policies. The plan is designed to help between 11 million and 15 million children and adults who now lack insurance.

Pollack at Families USA praised Gore for targeting uninsured children and families first. But he said the vice president's proposal would not help millions of uninsured adults who don't have children.

``That's the next logical step,'' said Pollack.

Insurance Times: Clus Back Repeal Of Retirees' Earnings Test

April 25, 2000, Vol. XIX No. 9

The Society of Financial Service Professionals recently endorsed H.R. 5, The Senior Citizens Freedom to Work Act, which repeals the Social Security earnings test for retirees aged 65 to 69.

"The unanimous passage of this bill in both houses of Congress underscores the need and importance of this legislation for the country's senior population," said Society President Clark B. McCleary, CLU, ChFC, a Houston financial adviser.

The House of Representatives passed H.R. 5 last month, and the Senate passed the bill with a technical amendment on March 22. H.R. 5. President Clinton has already committed to signing the measure.

"Senior citizens have much to offer the country at this time of pervasive labor shortages. Their experience and willingness to work are very much needed by businesses of all types. This proposed legislation will remove a major financial penalty for those seniors who want to work, and in many cases who need to work to supplement their retirement incomes," said McCleary.

The Social Security earnings test was originally designed to discourage retirees from working in order to make jobs available to younger workers. "The Social Security earnings test represents one of the last vestiges of the Great Depression era, and its repeal is long overdue," said McCleary.

Specifically, the bill will eliminate the reduction in Social Security benefits that is imposed on retirees between ages 65 and 69 who earn more than $17,000 this year. Earnings limits would remain in place, however, for retirees aged 62 to 64. According to Social Security Commissioner Kenneth Apfel, the legislation's cost is negligible as the Social Security benefit reductions are restored to retirees in later years through a credit which increases later payments.

"Society members serve their clients' needs in retirement, estate planning, and all lines of personal risk insurance," offered McCleary. "Because many seniors today are living longer in retirement, they face the serious reality of outliving their hard-earned savings and investments. Repealing the earnings test for Society Security treats seniors who may especially need supplemental retirement income more fairly and equitably."

"As financial counselors, Society members are encouraged by the enthusiasm that the Congress and the Administration have shown for this legislation," concluded McCleary.

Insurance Times: 30% Found Using Iras Improperly: Skandia Survey

April 25, 2000, Vol. XIX No. 9

Nearly 30 percent of investors are using their Individual Retirement Accounts (IRAs) improperly, according to a survey conducted by American Skandia, a Shelton, Conn-based g distributor of insurance and retirement products.

The poll indicated that these investors are planning to use their IRAs to pass along wealth to their children.

Not Efficient Use

Using IRAs to hold wealth to eventually transfer to heirs is not the most efficient use of these financial vehicles because of the enormous tax consequences, according to financial planning professionals at American Skandia. These investors stand to lose close to 75 percent of their assets in taxes to the government when IRA dollars are transferred to their heirs.

The survey polled 200 people in the age bracket of 50 and above. Results showed:

71% have an IRA.
Of those with an IRA, 23.4% said they plan to use it to pass along to their children and fund retirement.
5.5% said they plan to use it solely to pass along wealth to their children.
"With the proper underlying investments, IRAs are great vehicles to accumulate wealth, but the money should be used during an investor's lifetime," said Patricia J. Abram, senior vice president and national sales manager at American Skandia.

Wrong Reasons
"Our poll indicated that despite the popularity of IRAs, many investors continue to use them for the wrong reasons," Abram said. "With misunderstanding the best use of an IRA, investors risk exposing themselves to a hidden time bomb in the form of enormous taxes.
"The unfortunate reality in many cases can amount to the federal government becoming a primary beneficiary, due to inefficient use of an IRA in an overall financial plan. Investors can lose as much as 73 cents on every dollar they've saved. To avoid this, the key to tax-efficient transfer of wealth is proper planning. Variable life insurance as well as a number of financial products can ensure that an investor's health is not decimated before it reaches surviving heirs and beneficiaries. Variable life insurance products are efficient vehicles for accumulating assets tax-deferred, depending on the performance of the underlying investment, and transferring them federal income tax-free to beneficiaries."
Many life insurance products today are specifically designed to minimize the impact of income and estate taxes. Variable life insurance allows any earnings to grow tax-deferred - free of income and capital gains taxes that can limit a portfolio's appreciation. And, because the products are life insurance, the death benefit is passed to beneficiaries federal income tax-free.

Insurance Times: Mutual Of Omaha Drops HIV Cap

April 25, 2000, Vol. XIX No. 9

OMAHA, Neb. (AP) - Mutual of Omaha is eliminating its medical coverage cap for policyholders infected with HIV or AIDS.
Such clients will receive the same medical coverage as those with other ailments, effective May 1, company spokesman Jim Nolan said.
The insurance giant, which has policyholders in nearly every state, is eliminating the cap after learning more about medical coverage of AIDS-related problems, Nolan said.
AIDS insurance caps were instituted in the late-1980s when little was known about the ailment or the insurance risks, Nolan said.
``Increased medical knowledge regarding HIV/AIDS allows insurers today to better understand and manage the financial risk associated with AIDS-related claims,'' he said. He declined to elaborate.
Two Chicago-area men, who are HIV-positive, sued Mutual of Omaha,

saying the limits violated the federal Americans With Disabilities Act. Earlier this year, the U.S. Supreme Court declined to hear the case, thus upholding a lower court decision allowing the cap.
One man's policy covered $25,000 for AIDS-related conditions, compared with $1 million for other ailments.
Heather Sawyer, an attorney for the two men represented by Lambda Legal Defense and Education Fund in Chicago, called the cap discriminatory and welcomed the end to the court battle. ``This type of unjustified practice should be and will be eradicated,'' Sawyer said.

Insurance Times: Metlife To Become Most Widely Held Stock

April 25, 2000, Vol. XIX No. 9

NEW YORK (AP) - MetLife's decision to go public is making it the most widely held stock in the United States.
Earlier this month, MetLife became the latest insurance company to convert from mutual ownership by its policyholders to public ownership. On April 4, underwriters priced 202 million shares at $14.25 apiece that are now being sold on the New York Stock Exchange.
In the second part of its conversion, MetLife will issue shares to about 9 million policyholders in exchange for their former ownership stake. That will make MetLife the most widely held stock, surpassing Lucent Technologies Inc., which has about 4.7 million shareholders.
For years, AT&T was the most widely held stock in the nation. In 1996, AT&T spun off its telecommunications equipment business as Lucent Technologies and its computer business as NCR Corp. Everyone who held stock in AT&T got shares of the new company as well. Lucent eventually overtook its former parent as the most widely held issue. AT&T currently has more than 4.1 million shareholders.

Insurance Times: Life Agents Face The Future Now

April 25, 2000, Vol. XIX No. 9

To be a traditional life agent or become a financial advisor? Whichever agents choose, technology plays a role.

by Mark Hollmer
InsuranceTimes

It was more than a year ago when Stephen Israel decided to master using his computer on the job.
Israel, 53 -- a New England Financial agent in Waltham, Mass., with over 28 years in the business --took his Dell laptop home. Next, he spent more than 10 hours figuring out how to use his

company's Financial Profiles program. Back at the office, Israel's secretary also helped teach him the basics.
Today, Israel brings his laptop to client meetings and uses the software to demonstrate how a product will work-long term, giving the client a clearer vision of the future.
In the past, the process would be cumbersome at best.
"I would have to run off reams of paper to show the difference," Israel said.

High-Tech Process

Customers have always bought life and health insurance to address four simple issues: premature death, a longer than expected life, retirement and disability. And they still do, although somewhere along the way, the whole process became more high-tech.
More and more, clients are using detailed financial planning to chart a path to their twilight years. Life or health insurance is one piece of a larger puzzle that now includes mutual funds, estate planning, stock market investments and an ever-growing array of financial products.
But industry insiders differ about how to adapt best to a changing market that is making a growing number of agents financial advisors of sorts as well as salesmen and women.
To address this change, some say agents should increase their diversification and become financial and insurance industry experts to keep up with client demands. Others argue that traditional agents are always needed. They say those agents will serve clients best by forming business partnerships with other non-insurance experts rather than trying to be masters of every financial-related issue.
Still, most agree on another point: Keeping up with training and technology can only help agents do their job better, whether it's face-to-face or giving policy quotes to potential clients over the Internet.
Agents "must be computer knowledgeable ... more cost efficient ... and service oriented," said Israel, the incoming president of the New England Financial's Leaders Association, which represents about 3,000 life and health agents across the country..
Marvin Feldman, second vice-president of the Million Dollar Round Table, adds: "Agents must be better educated then they were in the past."

Evolving into Advisors

Mark Trencher, the vice president of research for Conning and Co. in Hartford, Ct., handles research on life-insurance industry trends. He says agents should understand that technology is "a tool they can use" to improve their jobs. And that technology will increasingly become necessary, he said, because insurance agents have evolved and are evolving into an "advisory capacity beyond just selling insurance."
Israel is a typical example of today's life/health agent. He is a contract agent with New England Financial but he's also a broker, which allows him to work through New England Securities to sell a wide variety of investment products with other companies.
Trencher uses John Hancock as a larger example of what is a standard for many companies. The company has about 1,000 agents, he said, who are also required to become registered representatives who can also sell equity-based products ---

heading into territory once considered exclusive by financial planners and others.
Statistics, he said, are a partial barometer of the change.
The Life Insurance Marketing and Research Association counted 250,000 life/health agents in 1986. That number dropped to about 195,000 some 10 years later, Trencher said. But only some of that number drop reflects a decline in life/health agents, he said.
Many still sell those products but those agents are no longer counted because they've added financial products to their roster.
The industry also has more agents now who are independent business-people rather than "captive agents" who stay with one company, he said.
In addition, Trencher sees the industry moving away from the traditional middle markets, which includes households that make between $30,000 and $75,000 per year. Instead, agents are moving upscale, targeting upper-level income earners who can afford sophisticated financial/life-planning packages now available.
They're buying up-and-coming products like variable universal life and long term care.
"And that's continuing to go on," Trencher said. "But one of the results is that there is a big, middle market that doesn't have life insurance. That really is a market that's available," he said, for those who can figure out how to sell to it."

Middle Marketing

To reach this demographic, Trencher said, companies and agents are using direct mail, the Internet and the workplace to fill that void.
Of course, federal law now allows banks, insurance companies and traditional financial companies to get into each others' businesses, adding new competition to the industry.
Feldman, also the co-owner of the Feldman Agency in East Liverpool, Ohio, agrees that agents must be better educated than in the past. He said many, in fact, have better skills and training today than 10 years ago.
Feldman is a New York Life agent, and cites the company's 2-to-4 day "universities" that offer intensive training in specialized markets as just one example.
At the same time, he said, he agents don't have to be experts in everything. Instead, Feldman encourages agents to create strategic marketing alliances - which means knowing about and working with experts who can fill in the gaps.
"It's something that has been around for a long time but it's really becoming more and more prevalent," he said. "Companies are realizing that they can't be an expert in everything."
Feldman sees "a flow of new and innovative products" continuing in the future, such as critical illness policies to cover someone who has a heart attack and survives.
Of course, there's always a middle ground. Some companies are sticking to tradition while looking to the future at the same time.
Ed Boyce, corporate vice president in agent training at New York Life, said his company is actively using computers and technology and focusing on total life planning for clients.

Shift to Internet

But while some companies are shifting toward distributing their

product on the Internet or through a brokerage house, New York Life is staying with its traditional career agent distribution system.
The company has about 6,800 agents, he said, and it is "still very actively recruiting and bringing new agents into the life insurance business" even though their number "has remained flat over the years."
An agent will always be necessary, he said, to help customers "buy the right type of insurance and give other recommendations as well."
And the Internet, he said, illustrates a good reason why. Even though insurance is available on the Internet, not much of it is selling online.
"People don't know what they're buying or why they're buying it and that's one of the things we try to help them with," he said.
Sidney Friedman, president of Corporate Financial Services in Philadelphia, agrees with those who believe that some parts of the industry will never change.
Friedman, an agent with Guardian Life Insurance, is a 46-year veteran, and at 65, he has diversified, earned additional financial services/related degrees, and uses a computer.
But as much as the industry has changed and continues to change, Friedman said, agents will never be "everything to everybody."
Deep down, he said, today's agent is still a sales person focusing on the same universal issues: "living too long, dying too soon ... becoming disabled" and retirement.
The only thing that has really changed, he said, is how you solve those issues.

Insurance Times: A Tale Of Life Settlements The A, B, Cs Agents Should Know About What Could Be A Booming Market
April 25, 2000, Vol. XIX No. 9

by Dave Goodwin

This is a tale of three agents. One of them might be you.
This tale also carries a challenge and a test to see what you would do in a not-too-rare scenario.
Here's the situation: Clients Jerry Jones was unhappy with his universal life policy. At age 62, he had a serious heart condition. For $650,000 face amount he was paying $8,400 annually, but the cash surrender value was only $2,000. Due to its poor performance, Jerry wanted to drop the policy. He asked agent A, who had written the policy, what to do.
"renew it," agent insisted.
Agent B advised buying a new policy from him and dropping the old policy, using its cash value toward his new policy.
Agent C advised Jerry t sell his policy through a life settlement firm and use the money toward a new rated policy which he offered.
Which agent offered the most attractive solution?
As it turned out, agent C did. Jerry received $169,000 for his policy with its $2,000 cash surrender value.

If you were agent A or B, would you have a strong defense for your advice?
This is not a theoretical exercise; it's based on a true story and many more like it are occurring.
What is a life settlement and why is it important to life and property/casualty agents?
A life settlement is the sale of an existing life policy to a non-related party at a discounted price. The seller, for various reasons, may no longer want to keep the policy, may not afford it, may not need it, or may simply prefer getting cash now. The policy may be term, cash value, group, individual. The insured may be healthy or not, but a general rule of thumb in that his/her life expectancy should be about 15 years or less and the policy face should be about $100,000 or more.
The concept is important to a huge and growing market. A recent report by Conning & Co. says that this market is "set to explode in the next decade" as more healthy seniors look to sell their policies. Conning estimates the market at over $100 billion of life insurance as aging baby boomers use this new financial instrument for additional flexibility.
"With more than $492 billion in life insurance in force, the 65-and-higher population represents an enormous marketing opportunity," says Conning, with many seeing the transaction as a financial boon, especially if they have a term policy which they may otherwise view as worthless if it's dropped.
Formerly labeled "viaticals," the industry has come a long way. Viaticals are now generally defined as those involving life expectancies of 24 months or less; "life settlements," two years or more. In viaticals early days, scandals occurred too frequently. Fraud was committed, some firms were closed, wild promises were made, some investors were hurt. Now, normal care is still needed, as in any transaction, but legitimacy prevails. Insurance companies are among those buying the policies and holding them as investments.
On first hearing of life settlements, many agents don't visualize common situations in which the concept applies. Policy owners -- individuals or corporations or trusts or charities -- sell their policies for some of these reasons:
the policy's performance is poor (as in the above case)
premiums become unaffordable or a lower premium or better-suited policy becomes available
the coverage is no longer needed or the need no longer exists, such as coverage on a paid-up mortgage or for kids who are no longer dependent, or for a key corporate officer who retires, or for estate liquidity when liquidity has been achieved
when the beneficiary is no longer alive and no other potential beneficiary is apparent
when retirement or disability change priorities or plans
when accumulating interest on policy loans starts to "choke" the value f the policy
when the need for immediate cash outweighs the need for payment to the beneficiary
when investment potential of a cash settlement seems more attractive than maintaining the policy
when the owner is a nonprofit organization which prefers current cash
when policies funding buy-sell or corporate stock-redemption

plans are no longer needed

Here are some real life cases:

64 year old female, $500,000 policy with $75,000 cash surrender value. Policy owner received $190,000. Agent's referral fee: $7,500 (1/2% of policy face value)

68 year old male, 2 term policies totaling $6 million face, annual increasing premium $102,500. Client received $270,000. Agent's referral fee: $60,000 (1% of face)

84 year old female, nursing home resident, $1 million face, cash surrender value $200,000, annual premium $15,303. Client family received $520,000.

Many agents can identify situations which are best served by life settlements. Failure to inform clients about them, when appropriate, may be a terrible disservice. It may also deprive the agent of a huge fee-- some have been reported in the six figure range. It may also lose important clients or, in worst case scenarios, lead to E&O claims.

On the positive side, though, life settlements may be very useful in demonstrating an agency's professionalism; people generally want to hear new concepts, even if only for possible future use. Or referrals now. They ought to hear about it from you first. Moreover, agents may use this tool at seminars for lawyers or accountants, for example, for commercial accounts.

I suggest that a gents-- especially property/casualty agents and their life associates-- add a question or two to their standard fact-gathering forms, just as they already have (I hope) added questions leading to other products such as annuities, life, critical illness, and others. These new questions should identify potential prospects for life settlements. Agents might also leave or mail a simple outline of life settlements as a reminder to clients to call the agent for further information.

Some agents are reluctant to deal with a product unless they know it thoroughly. This should not be a drawback here. The concept is simple, the paperwork is clear and help is available in seminars or on an individual basis. p

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Watch for announcements in InsuranceTimes for Goodwin's seminars in New England.

Insurance Times: A new survey by the Society for Human Resource Management (SHRM) suggests that employers are being more cautious about the number of benefits they offer.

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A new survey by the Society for Human Resource Management

(SHRM) suggests that employers are being more cautious about the number of benefits they offer. The SHRM(R) 2000 Benefits Survey shows overall decreases from the previous year's survey in the number of employers who offer such benefits as relocation assistance, health wellness programs, subsidized cafeterias and certain types of leave.

"Slight decreases in several benefits may be due to employers focusing their resources more effectively," according to SHRM President and CEO Michael R. Losey, SPHR and CAE. "Many employers initially responded to the tight labor market by implementing new and more generous benefits packages in an attempt to boost their recruitment and retention efforts. The slight cut- backs we're seeing this year may be indicative that a number of employers found the new benefits were too costly or not as effective as they had hoped."

Housing and Financial Benefits

Although the majority (60 percent) of human resource (HR) professionals responding to the survey report that their organizations offer relocation benefits, that number is down as compared with 68 percent in 1999. One in ten respondents offer a cash balance pension plan, a newly listed benefit on the survey, and the number of organizations offering a defined benefit retirement plan fell from 52 percent in 1999 to 47 percent in 2000. Nearly one in three offer a complete cafeteria plan in which workers can choose among an array of benefits (29 percent), an increase from 23 percent in 1999. More than one- quarter of companies (26 percent) offer a sign-on bonus for non-executive positions and 37 percent offer such bonuses for executives.

Family-Friendly and Leave Benefits

Benefits that focus on flexibility continue to be popular with little variance from 1999 figures. More than half (51 percent) of HR professionals surveyed said their organization offers flextime as an employee benefit. In addition, approximately one-quarter of respondents said their organizations offer options such as compressed work weeks (27 percent), telecommuting (26 percent), and job sharing (22 percent). As another matter of convenience, 15 percent offer lactation programs, up from 6 percent in 1999. The number of organizations offering elder care benefits, however, essentially stayed the same, despite projections that workers will have responsibility for providing for aging relatives as a result of advances in medicine, increased longevity and an aging population.

Perhaps as evidence that employers are struggling to find enough qualified workers to staff their organizations in the current tight labor market, the survey noted several decreases in leave benefits for employees over the 1999 survey. According to the survey, 87 percent of HR professionals say their organizations offer paid vacation and 41 percent offer paid personal days, down from 94 percent and 55 percent respectively in 1999.

In addition, 12 percent of respondents reported offering leave through a Paid Time Off plan in which all types of leave, such as sick, personal and vacation, are bundled into one general bank of leave to be used by the employee.

Health Care Benefits

Although the vast majority of organizations offer dental insurance (96 percent) and some type of health insurance (99 percent), the number of employers offering wellness benefits fell

in 2000. For example, the number of respondents that offer wellness programs, resources and information fell from 56 percent to 49 percent. Health screening programs continue to be popular, especially among larger employers, but still fell from 48 percent to 41 percent in 2000. More than one in six respondents (65 percent), however, offer on-site vaccinations such as flu shots, representing an increase from 57 percent in 1999.

Personal Perks and Unusual Benefits

Some organizations seem to go above and beyond when providing personal perks to their workers. More than one in ten (11 percent) organizations offer paid dry cleaning services to workers, 8 percent offer massage therapy, 4 percent offer concierge services and 1 percent of respondents offer pet health insurance, nap time during the workday or already prepared take-home meals. The popularity of subsidizing food or cafeteria services appears to have peaked in 1999 when 37 percent of respondents said they offered this benefit. In 2000, the number fell to 30 percent, the same percentage reported in 1998.

New to the SHRM Benefits Survey are several unusual benefits centered around employee entertainment. According to the survey, 41 percent of HR professionals say their organizations pay for employees to attend sporting or cultural events and more than three in ten offer Halloween parties (36 percent), theme days (34 percent) or ice cream socials (32 percent).

Insurance Times: Why Worksite Marketing Works

April 25, 2000, Vol. XIX No. 9

Middle America's best opportunity to obtain popular benefits

Nobody's home in middle America, or so it must seem to insurance agents trying to sell to individuals. Phone calls go unanswered; direct mail is thrown away; referrals are few and far between.

Where is everyone? They're at work.

So it makes sense that more and more insurers and agents are going to the workplace to sell new insurance products as voluntary benefits.

Worksite marketing on an industry-wide basis reached $9 billion in 1998, reports the Life Insurance Marketing and Research Association.

One company, Guardian, has seen its worksite business nearly triple to $125 million in the last four years, says Stuart Shaw, second vice president for group worksite management at the New York-based insurer.

In 1994, only 34 percent of employers offered a voluntary benefit. Today 56 percent offer at least one voluntary benefit, according to Limra. And, Limra says, the market is expected to grow even more: 34 percent of employers are considering adding voluntary benefits within the next two years.

Worksite marketing is taking off because it makes employers and employees -- not to mention insurers and agents -- happy.

Employers, under pressure to attract and retain employees in today's tight job market, like being able to make new benefits available to employees without having to pay for the benefits. In some cases, voluntary benefits can lower payroll taxes -- another feature favored by employers.
Employees like the convenience of being able to select benefits at the workplace and pay for them without hassle through payroll deduction.
"Employees are very comfortable buying at the workplace; in fact they seem to prefer it. It's very convenient," Shaw says.
For many of these customers, worksite marketing represents their best, maybe even only, opportunity to obtain certain benefits because agents are largely focused on other opportunities.
"Traditional insurance agents are limiting their focus to affluent markets. Fewer and fewer individuals in households are being contacted," Guardian's Shaw said.

For the industry, worksite marketing is an efficient way to reach markets that might otherwise be ignored.
High technology and high end professional firms tend to already have rich benefit packages and are not the best candidates for worksite marketing efforts.
Instead, worksite marketers tend to target start-ups, gray collar firms, municipalities and similar enterprises with middle income employees, according to Shaw, whose company looks for employees in households with income below $75,000 and, even below $35, 000.
When sizing up prospects, Guardian prefers firms with a minimum of 30 to 50 employees. The maximum is about 1,000, although Guardian does have some larger accounts.
"But beyond size we look for commitment from an employer. It's important for the employer to endorse the plan," Shaw says, noting that the more involved and enthusiastic the employer is, the more employees are likely to respond.

In Guardian's experience, the most popular supplemental benefits are dental, supplemental term life, short and long term disability and, increasingly, vision care.
Also gaining popularity are long term care, pre-paid legal, auto, homeowners and mutual funds-- although Guardian itself does not now offer these in its worksite program.

Shaw acknowledges that worksite marketing is not an easy sell in all situations due in part to bad experiences and certain misconceptions about the administrative work and costs involved.
Some of the industry's earlier high-pressure enrollment tactics left a bad taste.
"The success of renewals/retention of business tends to vary with the enrollment method and product value. Higher pressure, 'here's the product, take it , you need it' enrollment methods tend to produce higher lapses," Shaw maintains.
While a high pressure enrollment method combined with a lower value product can easily produce a 40 percent first year lapse rate, a more professional, educational enrollment approach combined with products that provide a decent value to the consumer will typically result in lapse rates around 10-15 percent, he noted.
"While commission levels can vary considerably, a key issue for

agents to consider is the level of service provided by the carrier," Shaw advises. "Quite often, individual policies pay a high first year commission with the agent responsible for enrolling employees in the voluntary benefit plan; the agent will then need a portion of this commission to pay enrollment companies, engage additional agents, etc. While group policies typically provide a lower first year commission, some group carriers, such as Guardian, manage the entire enrollment process for the agent with no additional charge."
Some carriers expect agents to handle all the work, including enrollment, administration, claims handling and employee communications. Others give agents whatever support they need.

An agent or broker who helps an employer set up a worksite program usually finds it worthwhile.
Commissions on voluntary benefits vary significantly by contract type (group vs. individual) as well as product but voluntary benefits written on individual policies typically have higher first year and lower renewal commissions - such as 50 percent+ first year, 5-10 percent in renewal years.
Voluntary benefits written on group policies typically have level commissions, often in the 10-15 percent of premium range.
Voluntary benefit plans are often eligible for special producer programs, generating additional agent compensation.
"For any selling effort, it may be helpful for agents to compare the anticipated commission stream to the amount of time they will need to provide servicing the plan," Shaw continued. For example, he said, a group voluntary life plan with $40,000 in annual premium would produce around $ 5,000 in annual commission. The time required for an agent to service a voluntary life plan is typically minimal, perhaps averaging just two hours per month. Under this scenario, the agent would be receiving over $200 per hour spent on the plan.
Also, voluntary benefits can typically be added to an agent's existing clients, cutting down on the need for prospecting for new clients.
"Most employers do not have a complete spectrum of benefits in-force, and there are often opportunities to add dental, short- or long-term disability, supplemental term life or universal life," Shaw added.
Once the foundation has been set, agents should be able to build upon it. Guardian's experience has shown that if a company offers one supplemental benefit, chances are good it will agree to offer another later on. This is borne out by Limra, which found that among employers with at least one voluntary benefit, 41 percent would prefer to use the same carrier if they add additional voluntary benefits, 13 percent would prefer a different carrier, and 46 percent have no preference.

Insurance Times: Employers Exhibiting Caution About Fringe Benefits
April 25, 2000, Vol. XIX No. 9

A new survey by the Society for Human Resource Management (SHRM)

suggests that employers are being more cautious about the number of benefits they offer.

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Insurance Times: Senate Encouraging Stock Option Benefits

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Federal labor laws would be streamlined to clear the way for hourly employees to receive stock options and gain a stake in the nation's prosperity, U.S. senators said in passing a measure.
``This bill simply says it makes no difference if you work in the corporate boardroom or on the factory floor. Everyone should be able to share in the success of the company,'' said Sen. Mitch McConnell, R-Ky., the bill's sponsor.
Government officials last year realized that under the 1938 Fair Labor Standards Act, an hourly employee's stock options must be counted as part of his base pay when calculating overtime.
The business community, as well as lawmakers, were concerned that the exorbitant costs involved would force employers to eliminate stock options for hourly workers but not salaried employees.
McConnell''s bill, which passed 95-0, exempts stock option gains from overtime pay. Stock options would be treated as an employee benefit and could not be used in lieu of a worker's regular salary or used in calculating overtime compensation.
Sen. James Jeffords, R-Vt., said the measure was a ``symbolic first step in the process of aligning our labor laws with the new economy.''
A similar bill is pending in a House committee. Labor Secretary Alexis Herman, whose agency helped draft the legislation, has said she will recommend that President Clinton sign the bill if it passes.

Insurance Times: Risk Managers' Average Salary Rises 7%

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The average salary for senior risk managers in 1999 in the U.S. increased seven percent from 1998 up to $110,000, according to the 2000 RIMS Compensation and Benefits Survey.
The average employee benefit manager's salary has gone down $1,000 in the past two years to $57,000.
The survey found that the top risk manager in an organization works 47 hours a week and supervises 11 employees.
The survey is published by the Risk and Insurance Management

Society.

Insurance Times: Mass. Blues Agrees To Pay For Longer Visits
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Blue Cross and Blue Shield of Massachusetts has backed off a decision to refuse paying additional fees to doctors who conduct longer, more expensive patient visits.
The decision by the state's largest insurance company followed a protest by the Massachusetts Medical Society after Blue Cross denied payment to 1,400 doctors for services the insurer believed were unnecessary. The society said the doctors were treating patients with the care they believed appropriate.
The insurer balked at paying the doctors in February, after examining payment claims from 14,000 Massachusetts doctors. The review revealed about 10 percent of doctors routinely conducted longer and more costly office visits than appeared necessary.
The doctors were treating patients during 40- and 80-minute office visits and charging $38 and $50 more than briefer exams.
The insurer will continue to scrutinize bills and will work with doctors to make necessary adjustments, said company spokesman John Schoenbaum.

Insurance Times: Group Disability Posts Double-Digit Growth
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Total group disability sales, based on annualized premiums, posted their fourth consecutive year of double-digit growth in 1999, increasing 11 percent, according to LIMRA International's U.S. Group Disability Sales and In Force Survey.
Short-term disability (STD) sales increased 21 percent for the year as sales were strong for both fully-insured and ASO plans.
Long-term disability (LTD) sales increased over 5 percent, with fully-insured plans increasing just under 5 percent while ASO sales increased 14 percent.
The LIMRA survey, which tacks group disability insurance sales and in force data for 47 companies, found that the top five writers of group disability accounted for almost 69 percent of new sales in 1999, based on annualized premiums. The top 10 writers accounted for 87 percent of new sales.

Insurance Times: Ameritas Assumes BMA Dental Business
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LINCOLN, Neb.- Ameritas Life Insurance Corp. announced the transition of Business Men's Assurance Company of America (BMA) group dental business to Ameritas, effective July 1, 2000.
This transition -- which brings to Ameritas approximately $15

million of in-force dental premium, 410 dental cases and 41,500 new lives -- coincides with BMA's recent announcement of its intent to sell its group insurance operations to MetLife. Ameritas has been the claims processor and reinsurer of BMA's dental insurance business since 1996. Therefore, the transition to Ameritas will be seamless and dental coverage for the affected policyholders and insureds can continue uninterrupted.

Insurance Times: Doctors Admit Lying To Insurers To Get Care For Patients

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More than one-third use deceitful tactics CHICAGO (AP)- More than a third of doctors surveyed nationwide admit deceiving insurance companies to help patients get the care they need, researchers report.

Tactics included: exaggerating the severity of an illness to help patients avoid being sent home early from the hospital; listing an inaccurate diagnosis on bills; and reporting nonexistent symptoms to secure insurance coverage.

In a random mailed survey of 720 physicians nationwide in 1998, 39 percent said they had used at least one of those tactics ``sometimes'' or more often within the last year.

The results were published in the Journal of the American Medical Association.

Claim It's Necessary

Thirty-seven percent of those surveyed said their patients ``sometimes'' or more often asked them to deceive insurers. More than a quarter - 28.5 percent - said it is necessary to ``game'' the system to provide high-quality care.

Of the doctors who reported using deceitful practices, 54 percent said they did so more often than in the past.

``As pressures to control health care costs increase, it is likely that manipulating reimbursement systems will increase,'' wrote the authors, led by Dr. Matthew K. Wynia of the AMA's Institute for Ethics in Chicago.

``Health plans in which the use of these tactics is common should carefully review their rules and procedures and work with physicians to reduce the perceived need for covert advocacy,'' the authors said.

A smaller survey published in the AMA's Archives of Internal Medicine last year found that more than half approved of using deceitful practices with insurance companies; the authors of the current survey say theirs is the first to report actual practices.

Reasons Suggested

Although physicians were not specifically asked why they engaged in deception, the authors suggest reasons ranging from restrictions on reimbursements associated with managed care to patients' demands.

An editorial accompanying the report says Wynia's study calls the findings ``stunning.''
The practice may result in part from the public's contradictory expectations of medicine and insurance - wanting costs contained but demanding access to the finest health care and expecting ``their physicians to be faithful, uncompromising agents,'' wrote the editorial's author, Dr. M. Gregg Bloche of the Georgetown/Johns Hopkins University Program in Law and Public Health.
Dr. Charles M. Cutler, of the American Association of Health Plans, said physicians who deceive insurers are ``essentially allowing people to get benefits for which they haven't paid.
``The people who pay for that are everybody else who's paying for the premiums,'' said Cutler, whose group represents more than 1,000 HMOs and other health plans.

Insurance Times: Aetna Settlement May Be Landmark

April 25, 2000, Vol. XIX No. 9

DALLAS (AP) - In a deal that could set a national precedent, the health insurer Aetna Inc. has settled a lawsuit with Texas, promising to give doctors more power over medical treatments and agreeing to prohibit financial incentives for doctors to limit care.
Texas Attorney General John Cornyn said the settlement could be a model for other suits around the country against HMOs and other managed care companies, which allege that the health plans harm patients in the name of profits. Aetna said it would consider implementing the deal's provisions elsewhere.
``This settlement puts medical decisions precisely where they belong, and that is in the hands of patients and their physicians,'' Cornyn said. ``We believe this agreement sets the industry standard, not just to our state borders, but to a national level.''
Under the deal, Aetna will also broaden patient rights to appeal its decisions to deny coverage for medical care, and will establish an ombudsman's office to advocate for patients and assist in appeals.
Hartford, Conn.-based Aetna Inc. is the nation's biggest health insurer, covering 21 million Americans, including 2.4 million in Texas.
The Texas case is part of a national backlash against HMO care restrictions that includes dozens of suits, along with patient rights legislation in Congress and in state legislatures.
The suit against Aetna's U.S. Healthcare unit and several other insurers was filed in 1998 by Cornyn's predecessor, Dan Morales.
Among other things, Morales alleged the companies illegally compensated doctors who limited patients' medical care and penalized those who didn't.
HMOs have long argued that such compensation plans are legal, and are designed to stop doctors from ordering unnecessary tests and procedures that drive up the cost of heath insurance.
Under the deal, Aetna wasn't assessed any penalties or required

to admit anything illegal.

Extend to Other States

Aetna spokeswomen Joyce Oberdorf said the company is considering voluntarily extending some provisions of the deal to other states, even those in which it hasn't been sued.

``We are revising our entire healthcare model. We are in an area of increased consumer empowerment. We want to have better relationships with physicians. We would be doing this to achieve those goals.''

Among the pact's other major provisions:

Aetna will expand its definition of medically necessary care, which is often the subject of disputes. Texas physicians will gain authority in determining what care is necessary.

Aetna will provide more information to consumers about how it pays doctors and how it determines what care is medically necessary. It also will broaden the circumstances under which Aetna members can appeal denial of coverage.

Aetna will allow individual doctors to choose whether to participate in some or all of the company's health plans operating in Texas. Previously it required doctors to participate in all of them, even though doctors complained they were woefully underpaid under some plans.

Aetna will waive protection under the federal Employee Retirement Income Security Act, known as Erisa. That law exempts health plans doing business with self-insured employers from having to comply with state health insurance regulations.

The settlement comes at a time of great uncertainty for Aetna. Rising health care costs and its deteriorating relations with doctors have helped pummel the company's profits and stock price. In February, company chairman Richard Huber resigned and the company has since said it plans to split its health insurance division and financial services division into separate companies.

Tim Brown, Aetna regional manager, said the agreement would not force the company or doctors to increase costs.

Wall Street viewed the deal as mildly positive for the company. Bear Stearns analyst John Rex said the terms will potentially have ``positive implications'' for Aetna as it tries to soften its image with consumers and doctors.

Aetna shares gained slightly on the New York Stock Exchange.

Tom Mayo, a law professor at Southern Methodist University in Dallas, praised the deal. ``It takes the most direct and potentially abusive financial incentives away so that physicians aren't financially coerced into making decisions,'' he said.

The other HMOs sued in Texas were Humana Health Plans of Texas, PacifiCare of Texas, NYLCare Health Plans of the Southwest and NYLCare Health Plans of the Gulf Coast. Cornyn said that if the others don't agree to a similar settlement, he'll seek to bring the cases against them to trial.

Not everyone was pleased with the deal.

``I think it looks like Aetna's new practice will benefit consumers, but Aetna is being left off the hook for past practices that harmed consumers,'' said Craig McDonald, director of Texans for Public Justice, an Austin-based watchdog group. ``Aetna should have at least paid the costs of the investigation.''

Insurance Times: Senior Citizens Without Coverage Pay 15% More For Prescription Drugs: Study

April 25, 2000, Vol. XIX No. 9

Clinton says findings bolster call for drug coverage for Medicare beneficiaries

by Karen Gullo
Associated Press

WASHINGTON - Presenting another argument for adding drug coverage to Medicare, the White House released a study Sunday showing Americans without prescription coverage spend at least 15 percent more for their medicines than what insurers pay.

With the discounts they get for buying in bulk, insurance companies pay less for drugs - passing savings along to their enrollees - than Americans who pay full price at the pharmacy window, according to a survey of drug prices and coverage by Health and Human Services Department.

White House officials said the findings bolster President Clinton's call for drug coverage for Medicare beneficiaries.

Under Clinton's proposal, which would cost $195 billion over 10 years, the government would contract with the same drug-purchasing firms used by many private health plans to get discounts and rebates for bulk purchases.

That would let seniors on Medicare benefit from the same lower prices for drugs that younger people in private health plans do, the officials said.

The administration study also echoed other findings that retirees without supplemental private drug coverage in addition to Medicare - which doesn't cover drug costs except those administered in hospital or clinical settings - get fewer drugs they need. It found that although health status between the two groups is similar, senior citizens without drug coverage purchase one-third fewer drugs and pay nearly twice as much for them as those with coverage.

Using new data from Medicare and audits of pharmacy pricing, the HHS study also sought to disprove Republican assertions that lack of drug coverage is mainly a problem for poorer Americans.

It showed that one out of every four Medicare beneficiaries with higher incomes, defined as about $45,000 for a couple, lack coverage for prescription drugs.

``There is no significant decrease in the gap in drug spending as income rises, suggesting that drug coverage makes a difference across all incomes,'' the White House said in a statement.

The study, ordered by President Clinton last fall, comes as the administration and Congress are locked in a heated debate about how to help elderly and disabled Americans who get health insurance through Medicare pay for drugs.

Clinton wants a drug benefit available as an option for all 39 million Medicare beneficiaries that would pay up to $1,000 in drug costs for about $26 monthly premium.

He has criticized drug companies for high prices, in particular price disparities between drugs sold in the United States and

Canada, where the same medicines often cost much less.
Drug companies say prices are lower in Canada because the government has imposed price controls, something they fear could happen in the United States if drug benefits were extended to Medicare patients.

Private Sector Response

Alan Holmer, president of the Pharmaceutical Research and Manufacturers of America, said that pressure is building in Congress for a private sector solution and urged Clinton to work with lawmakers.
``The president's plan is the wrong solution,'' said Holmer in a statement. ``Momentum is growing in Congress for a private sector approach and we hope the president joins in that initiative.''
Congressional Republicans want to target aid to low income people who they say need the most help in paying for prescriptions. GOP lawmakers have proposed different solutions, such as subsidizing premiums or giving tax credits to low-income retirees who buy private insurance.
Last week the Senate passed a budget blueprint that earmarked $40 billion to help older Americans pay for drugs. But the budget does not require the new program or propose specifics.
White House officials say the HHS study probably understates the price disparity for people without drug coverage because insurers often get rebates and other forms of compensation after bulk drug purchases, which further lowers their costs.

Insurance Times: GE In LTC Agreement With Citicorp/Travelers

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GE Financial Assurance will underwrite and distribute long term care insurance through a long term strategic alliance with Citigroup. Under the agreement, GE will acquire 90 percent of the long term care insurance portfolio of Citigroup's Travelers Life & Annuity unit, as well as enter into a continuing marketing agreement with the distribution channels of both Citigroup and Travelers.
Terms of the agreement were not disclosed.
GE will provide long term care insurance to customers of Citibank, Primerica, Salomon Smith Barney, Copeland, and Travelers Life & Annuity.
According to George C. Kokulis, president and CEO, Travelers Life & Annuity, "GE's execution capabilities and commitment to offer quality long term care insurance make it a natural partner for our professional independent agency force and our affiliated Citigroup distribution channels."

Insurance Times: Former RI Gov. Diprete Sells Insurance Agency

April 25, 2000, Vol. XIX No. 9

CRANSTON, R.I. - The family of former Gov. Edward DiPrete has sold its insurance business but will retain its real estate company.
DiPrete, who was released from prison in December after serving 11 months on corruption charges, sold insurance policies before he became governor.
He also sold insurance when he was on work release from state prison last year. But five days into the work release, the state revoked his license, citing federal law barring convicted felons from selling insurance .
A DiPrete family member told The Providence Journal that the business on Reservoir Avenue in Cranston was sold to a Cranston man, Angelo Menna.
No further details of the sale were released.
DiPrete, a Republican, held office from 1985 to 1991. In December 1998, he admitted to trading state contracts and leases for about $250,000 in campaign contributions.

Insurance Times: Personal Lines: Kelly succeeds Countryman as Liberty Mutual chairman; SIAA names Boynton; former U.S. Attorney Budd joins John Hancock; NAIFA reorganizes staff; Shroat named by Travelers
April 25, 2000, Vol. XIX No. 9

Liberty Mutual
Liberty Mutual Insurance Co. chairman Gary Countryman has announced his retirement. He'll be replaced by current president and chief executive officer Edmund Kelly, who was elected by the company's board of directors.
Countryman, 60, will remain with the company as chairman emeritus and will also serve on the board.
Countryman became chairman and chief executive officer in 1992 and continued as chairman when Kelly, 54, took over as chief executive officer in 1996.
During Countryman's tenure, Liberty Mutual's revenues grew from $4.9 billion to $13.6 billion and assets increased from $10 billion to $54 billion.
Last August, Liberty Mutual Group announced 1,500 job cuts and said it would reduce expenses by $150 million. It blamed the cuts on industry wide stagnation.
Kelly said a prolonged commercial insurance price war had pulled down profits.
``We must improve our operating performance and produce more satisfactory earnings in several of our commercial insurance businesses,'' he said in a statement.
Liberty Mutual is ranked 111th among the Fortune 500 largest corporations in the United States. The company has more than $54 billion in consolidated assets and $65 billion in assets under management.

SIAA and SAN Group
Strategic Independent Agents Alliance (SIAA), the nation's largest network of independent insurance agents, and Satellite Agency Network Group (SAN Group), the largest independent agency

network in New England, have appointed Cynthia Messer Boynton of Swanzey, N.H., as director of communication and public relations. Boynton is responsible for writing press releases, membership communications, newsletters, recruitment publications, and advertising and communication strategies. She is also in charge of website management and development.

Boynton brings to SIAA/SAN a varied background in communications and news gathering. Her experience includes positions as television news reporter, local cable news director, public relations and publicity assistant, and media sales representative. During her years in the television news industry, Boynton covered local, regional, and national events and received honors for her work.

SIAA and SAN Group currently write more than $1.25 billion in network premium volume. The network has experienced rapid expansion in membership and currently encompasses master agencies in 111 territories in 44 states. SIAA is now composed of 441 members.

NAIFA

In a move to enhance its legislative and regulatory efforts, the National Association of Insurance and Financial Advisors (NAIFA) has announced staff changes.

"NAIFA continues to evolve with the financial services industry and is extremely fortunate to have talented and flexible staff to help us move to where we want to go as an association," said Arthur Kraus, NAIFA's executive vice president and chief executive officer.

David A. Winston has been named vice president of government affairs and will oversee NAIFA's federal government affairs operation, including determining legislative strategy and coordinating the association's grassroots and political activities. Winston joined NAIFA as counsel for government affairs in 1980 and was promoted to associate general counsel in 1989. He has also served as executive director of NAIFA's grassroots political involvement program.

William R. Anderson, a 22-year veteran of the NAIFA legal team, has been named vice president and associate general counsel of the law department, with primary responsibility for state insurance legislation and regulation.

Michael L. Kerley, senior vice president and senior associate general counsel, will assume the position of executive vice president of the Association of Health Insurance Advisors (AHIA). In this new role with AHIA, Kerley will be the chief staff officer of this Conference of NAIFA and responsible for federal health legislation. He will also retain his duties as administrative supervisor of NAIFA PAC.

Since joining the NAIFA staff in 1969 as counsel, Kerley has been engaged in all aspects of the government affairs department, particularly in the area of federal legislation.

Founded in 1890 as the National Association of Life Underwriters (NALU), NAIFA is a federation of almost 1,000 state and local associations representing nearly 100,000 insurance agents.

Allied American

Allied American Insurance in Natick, Mass. announced several new appointments.

Joseph T. Carroll has been named a vice president. Carroll has more than 18 years of experience in insurance sales and service. In 1982, he joined Mahoney & Wright in 1982, which Allied acquired in 1997.
Roy T. Grafton has been hired as an assistant vice president and claims manager. Grafton will be responsible for managing Allied American's claims departments, claims services, and establishing relationships with clients and carriers.

John Hancock
Wayne A. Budd, a former U.S. Attorney for Massachusetts and Associate U.S. Attorney General, will join John Hancock Financial Services as the company's top lawyer.
Budd was appointed executive vice president and general counsel, the Boston-based company announced.
Currently group president of Bell Atlantic-New England, Budd will begin work as executive vice president on May 25. He will assume the role of general counsel on Nov. 1, when Richard Scipione retires from the post.
A native of Springfield, Budd has been a member of John Hancock's board of directors since 1998. He will remain a member of the board.

ProMutual
ProMutal Group, Boston-based medical malpractice insurer, recently appointed Janice Wilson Allegretto as vice president and general counsel. Allegretto joined the company in 1997 as associate counsel and was promoted to counsel in 1998. Prior to joining ProMutual, she held positions with the Massachusetts Division of Insurance and the Plymouth County District Attorney's office.

Travelers
Jerry Shroat, formerly head of strategic distribution for Travelers Property Casualty, has been appointed chief executive officer of personal lines for the company.
He reports to Jay Fishman, chairman and chief executive officer.
Shroat joined Travelers after years with Great American and Progressive.

New York Life
Parra Elizabeth Vaughan has joined Axa Client Solutions as senior vice president for marketing communications. She is responsible for marketing Axa Advisors and Equitable Life Assurance Society of the U.S.

The MONY Group
The MONY Group announced that Pamela J. Duffy has joined the financial services firm as vice president of product development. Duffy will oversee the company's compensation program for more than 2,100 career agents. In addition, she will also be developing new products for the company's alternative distribution channels. Most recently, Duffy was with Metropolitan Life.

GAMA Hall of Fame
Alan Press, a Guardian general agent emeritus and current

consultant, was inducted into the GAMA International Management Hall of Fame during the group's recent annual meeting in Boston. Press is the first Guardian general agent to receive this honor. The award is based on outstanding contributions to the career system of marketing life insurance.