Insurance Times: Lazio Vs. Clinton NY Senate Race Draws Out-Of-State Agents' Interest
August 29, 2000, Vol. XIX No. 18

Agents claims to be pro-Lazio
not anti-Clinton in high profile contest

by Mark Hollmer
InsuranceTimes

The feisty battle between Hillary Clinton and Rep. Rick Lazio for a New York U.S. Senate seat is drawing independent agents from all over the country into the fray.

Leaders of a number of industry associations are encouraging members to throw their financial and volunteer support to Lazio rather than the controversial First Lady.

Industry insiders say it's not unusual to organize on behalf of a political candidate. They're not fighting to keep Clinton from winning, they say. Rather, they're simply rooting for Lazio - a small-business-friendly leader who has looked out for the insurance industry over the years.

"Our support for him is because of the positions he has taken and the activities he has taken relative to New York State on things like financial services reform and ... disaster legislation," said Richard Poppa, chief executive officer of the Independent Insurance Agents Association of New York.

Frank Mancini, executive vice president of the Massachusetts Association of Independent Agents, agreed. He said members of the national Independent Agents Association of America asked the MAIA and other state associations to rally support for Lazio. Mancini encouraged members to show their support in a recent agent newsletter.

"This is not unusual," he said. "When there is a friend of independent insurance agents in Congress that is involved in a tough election, then the national asks people to help them. It's just that this race is a little more high profile than others."

On the other hand, Clinton's stewardship of a task force that looked at establishing universal health care in the 1990s didn't exactly help her, Poppa said.

"She took positions that were adverse, in our opinion, to the best interests of consumers and for that matter the insurance industry," he said.

Robert Rusbuldt, IIAA's executive vice president, is playing a large role as Lazio's volunteer finance co-chairman. He said he's serving in that role on his own and not on behalf of the IIAA, and works to raise money for Lazio on an ongoing basis. Rusbuldt, who grew up in New York. said Lazio is his friend.

At the same time, Rusbuldt said he represented the IIAA at a recent Lazio fundraiser in New York City. The Big "I" jointly sponsored the event, he said, along with political action committees from the American Insurance Association, IIAANY and others.

But the IIAA isn't officially asking its member associations to support Lazio's campaign. Rusbuldt says IIAA executive committee member Cloyce Anders has forwarded e-mail independently to

"selected leaders in various states asking if they'd be willing to help out."
Like most trade associations, the Big "I" has a political action committee that handles donations to political campaigns. The group -- known as InsurPac -- has already given Lazio's campaign the maximum-allowed $10,000, Rusbuldt said. Many other PACs have also donated, he said.
In its July 18 report to the Federal Election Commission, InsurPac reported giving nearly $236,000 to various candidates since January, and $56,000 over the previous month. Many of the $250, $500 or $1,000 donations came from insurance agents around the country.
InsurPac gave $3,000 to the Lazio campaign on June 14, according to the report.
InsurPac's June and July FEC reports also show the donations cross party lines.
InsurPac's June FEC filing (reporting May donations) includes a $15,000 contribution to the National Republican Congressional Committee, $5,000 to the Democratic Senatorial Campaign Committee and $5,000 to Sen. Joe Lieberman's Connecticut U.S. Senate campaign. (Lieberman is now the Democratic vice-presidential candidate.)
In the July report (which includes June donations), InsurPac lists donations including $1,000 for the New Democratic Network and $1,000 for the Republican Majority Fund.
Insurance agents seem to be rallying behind Lazio because of a perception that he's supported small business.
"I believe that Lazio is more small-business friendly than Hillary Clinton is ... and Lazio has been helpful to the insurance industry in the past," said Bill Hofmann, a Massachusetts Republican who is IIAA's president-elect.
Rick Lazio's campaign web site highlights his legislative work for family tax cuts and other tax reform, and his role as the senior New York Republican on the House Commerce Committee.
Mrs. Clinton's White House web site highlights her resume as first lady, such as chairing a committee on how to expand health care coverage. Clinton has focused on education and children's health issues throughout her career, according to the web site.
Another reason agents are working to support Lazio, according to Poppa, is that Lazio has a legislative record and Mrs. Clinton does not.
"She doesn't have a record for us to oppose or support," he said.
Still, some agents remain on Mrs. Clinton's side.
George Frazier, an agent from Arkansas, was president of the IIAA from 1977-78. He's also known President Clinton "since he was a boy."
Frazier said he wasn't familiar with Lazio, but readily offered his views on Mrs. Clinton.
"I have no knowledge if (Lazio) has worked or not worked for agents and consumers ...," Frazier said during a recent phone interview.
But "you must understand that Hillary Clinton is not only well qualified to hold the Senate seat ... she is a dear friend and I will support her to the very end."

Insurance Times: Insurance Crime And Punishment Fraud Prosecutors Encouraged As Court Penalties Fit The Crimes
August 29, 2000, Vol. XIX No. 18

by Mark Hollmer
InsuranceTimes

BOSTON - A car smacked her vehicle from behind, and then Nadia Jean-Michel filed medical and lost wage claims for herself and her passenger, Nadia Principal.
The thing is, Nadia Principal didn't exist.
Nadia Principal was one of at least two other aliases Jean-Michel used to commit insurance fraud. In fact, authorities said, she staged the accident and others for financial gain.
The Brockton, Mass. woman was found guilty last month on multiple counts of insurance fraud and larceny over several years.
But rather than getting a slap on the wrist for her white-collar crimes, a judge sentenced Jean-Michel to six-to-10 years in prison.
The case is an example is one of hundreds compiled by the Insurance Fraud Bureau of Massachusetts in a significant first.
According to the IFB, this is the first effort of its kind by an insurance fraud agency that seeks to establish what happens in the long-run to those prosecuted for insurance fraud.
Also, contrary to stereotype - the punishment isn't necessarily a slap on the wrists.
The study tracked the results of 273 cases completed from 1991 through 1999 regarding 476 people who were prosecuted, mostly for automobile and workers compensation fraud. Subsequent cases completed after 1999 - like Michel's - were used to predict the prosecution rate of future cases.
Among the findings: 87 percent of suspects prosecuted during the eight-year period were found guilty or some equivalent. And nearly all of that number received some sort of penalty.
Richard Derrig, the IFB's vice president of research, said the findings are good news for claims investigators everywhere, and reason to celebrate.
"One of the frustrations of all the claims people before the setup of the fraud bureau was the inability to follow up on claims they knew to be fraud, but they really had nowhere to go. The best companies could do on their own power was to try and deny the claim," he said.
But "having this (report) now, they know that if they come across these kinds of cases, they can ship them off to the fraud bureau, and they end up in substantial penalties."

Deterrent Statistics
In addition, Derrig said, the results of the study show that the bureau is helping to reduce insurance fraud, and the statistics can themselves serve as a deterrent.
"It certainly strikes me and people around here that part of deterrence is knowing exactly what happens to the outcome of a case," he said.
Here's a summary of some of the report's major statistics:

Investigators completed inquiries into 62-percent of the IFB cases, of which 27 percent were referred to a prosecutor. The rest were either determined not to have enough evidence to submit to a prosecutor and were closed or referred to a different agency, Derrig said.

About 50 percent of the cases referred to a prosecutor have gone through the system to completion, with 87 percent of that number reaching guilty outcomes or something similar (i.e. no contest).

93 percent of the fraud prosecutions involved automobile and workers compensation insurance.

The IFB felony conviction, sentencing and probation rates generally compared nationally with Department of Justice statistics for similar cases.

44 percent of those found guilty were sentenced to jail, and about a third served at least part of their sentences.

60 percent of guilty cases involved probation and restitution.

About $10.3 million in restitution was paid out, with more than $8 million going toward addressing workers compensation premium fraud.

Derrig says the 27 percent of cases referred to a prosecutor is not a low number.

"It comes from the fact that companies (or) anyone who is an observer of an insurance transaction that appears to be fraudulent is required by statute to refer (the information) to the fraud bureau" for review, he said.

But "suspicion is very far removed from criminal activity that can be proven beyond a reasonable doubt ... according to Massachusetts statutes," he said.

"And even when our investigators might believe (fraud was committed), prosecutors may not ... so they have the final word as to whether or not to go forward with prosecution."

Derrig added that the number gap between initial cases and those referred to a prosecutor "is one of the reasons why the public perception of large amounts of fraud is not grounded in provable fact.

"There's a lot more ability to suspect something is happening than, in fact, to be able to prove it's happening or, in fact, have it happening," he said.

16,000 Referrals

The IFB says it's handled nearly 16,000 referrals of suspected insurance fraud since it began in 1991.

For the report, IFB officials analyzed the outcome of 476 people prosecuted in 273 cases.

Some like the case involving Celies Dessin, include the pieces of classic fraud schemes.

Dessin - the former owner of a driving school - stopped his car abruptly at least three different times. Each time, three unlucky drivers rear-ended Dessin's car. He claimed the accident hurt his neck and back, and then filed insurance claims seeking payment for medical bills, lost wages and pain and suffering.

After each accident - according to the Massachusetts Attorney General's office - Dessin would hide his previous neck and back injuries from his treating chiropractors. Then the chiropractors would report the injuries as connected only to the most recent car accident, and insurers paid the claims.

Last November, the Attorney General's office announced he was convicted of three counts of motor vehicle insurance fraud, sentenced to two years in jail and ordered to pay nearly $41,000 in restitution.

Insurance Times: Drug Firms Battle New Maine Group Purchasing Law

August 29, 2000, Vol. XIX No. 18

by Francis X. Quinn
Associated Press

AUGUSTA, Maine - The Pharmaceutical Research and Manufacturers of America has gone to federal court in Bangor to challenge Maine's new prescription drug price law.
PhRMA is seeking a preliminary injunction to block the law from taking effect until its constitutional challenge is heard.
Earlier this year, Maine adopted legislation enabling the state to negotiate for lower prices on behalf of more than 300,000 residents who do not have insurance coverage for prescription drugs.
As a big buyer pooling the purchasing power of participants in a new Maine Rx program, the state hopes to obtain substantial discounts from suppliers similar to those provided to other large purchasers.
If negotiations with manufacturers fail to reduce prices significantly, price controls could be imposed three years from now.
Characterizing Maine's new statute as a price control law, the industry group cited the Supremacy Clause and the Commerce Clause of the U.S. Constitution in the lawsuit.
PhRMA said the Maine statute interferes with the nationwide federal Medicaid program in violation of a constitutional prohibition against states making laws that conflict with federal law.
PhRMA also argued that the Maine law would unconstitutionally regulate transactions outside Maine's state borders.
``We fully understand the goal of state legislators to ensure affordable prescription medicines for their citizens, but this law is not the right solution,'' Marjorie Powell, assistant general counsel of the drug industry group, said.
``The pharmaceutical industry shares this goal and strongly supports federal efforts to expand access to medicines for senior across the country,'' Powell said.
Gov. Angus King said he was disappointed that the drug industry group had adopted an adversarial approach instead of working with the state as a partner.
``All parties would have been better served if (the industry group) had decided to sit down and talk with us about their concerns on the implementation of this law rather than challenging its legality,'' King said.
``While this lawsuit runs counter to the productive relationship we hope to have with (the industry group), we have every

confidence that the court will rule in favor of Maine's law,'' King said.
While Maine's new law carries a threat of market regulation, the architects of the plan built the legislative support for it by emphasizing negotiation over coercion.
But industry reaction has remained negative and there has been virtually no sign of cooperation.
Earlier this month, the King administration accused a major drug manufacturer of trying to end-run Maine's law.
SmithKline Beecham, with U.S. headquarters in Philadelphia, said it has decided not to ship its products directly to Maine, but rather will send them first to out-of-state wholesalers.
Maine Human Services Commissioner Kevin Concannon called SmithKline's move ``legally heavy-handed'' and ``a contrivance'' to break its legal connection with Maine in order to circumvent the drug-price law.
SmithKline spokesman Tom Johnson said, ``We are taking those steps to ensure that the citizens (of Maine) have access to prescription drugs while we are studying the effect of this law.''

Insurance Times: Mass. Insurers Hit With Another Fire Training Levy

August 29, 2000, Vol. XIX No. 18

Assessment to rebuild fire fighting academy hidden in budget

by Mark Hollmer
InsuranceTimes

BOSTON- Massachusetts property and casualty insurers will be assessed an additional $750,000 next year to help rebuild a Springfield, Mass. fire fighting academy, on top of a combined $4.4 million related tax already in the state budget.
The Legislature has traditionally tapped the industry to help fund the state fire-fighting academy in Stowe and the Fire Marshall's office, but the region's insurance trade associations say the newest measure - a one-time assessment -- goes too far.
What's more, some industry insiders argue that private industry shouldn't be the sole funding source for a service the government traditionally pays for everywhere else.
"Insurers already pay their fair share to fund the state's fire fighting academy (in Stowe)," Frank O'Brien, regional manager of the Alliance of American Insurers, said in a recent press release.
Added, James Harrington, regional vice president of the American Insurance Association: "This latest increase goes beyond the bounds of reasonableness."
Harrington's comment is included in his Aug. 8 letter to Gov. Paul Cellucci urging him to veto the measure, which was contained in a last-minute deficiency budget bill (and signed into law recently).

Rep. Caron

Rep. Paul Caron, D-Springfield, and the western Mass. city's legislative delegation, successfully negotiated with the Ways and Means Committee to place the assessment in the deficiency budget. Caron defends the item as something that will help cut insurance industry premiums in the long run.

"The insurance industry ... benefits by having better trained firefighters that are familiar with conditions that will be recreated under an actual fire," said Caron, who spoke during a phone interview from the Democratic National Convention in Los Angeles.

"We'll (see) better results in terms of saving the loss of life and property," he said, "which again lowers cost to insurance industry (segments) that pay out claims."

The state fire-fighting bureaucracy and the insurance industry are connected by an annual tax that property/casualty insurers pay on premium.

Next year that section of the industry must pay a $3.4 million assessment to fund the state fire-fighting academy in Stowe and its related community fire prevention programs. Property and casualty insurers pay approximately $1 million to fund the state Fire Marshall's office. The $750,000 one-time tax comes in on top of that.

(The insurance industry is taxed in other ways, too, paying a two percent, across-the-board premium tax. Auto and workers compensation insurers are also assessed separately to fund some enforcement duties in the Attorney General's office, and also the State Rating Bureau in the Division of Insurance.)

Matching Grant

The cost of the Springfield project is only partially covered by the $750,000 assessment - which is considered to be a matching grant. Springfield municipal leaders will have to come up with the difference on their own.

The Springfield Fire Training Academy (or center, as it is also known), is about 25 years old, said Springfield Fire Department spokesperson Garrett Sullivan.

Firefighters from Springfield and 30 other nearby fire districts use the facility to practice under authentic hot, smoky conditions. But now, Sullivan said, the "burn building" or "smoke house" has been deemed structurally unsound and firefighters won't be able to use it any more.

As a result, Sullivan said, a new burn building is "an urgently needed project in the city of Springfield."

But should the insurance industry pay for it?

O'Brien, of the AAI, says the assessment - a one-time increase of nearly 20 percent - is over the line.

"While the Alliance would never object to the desirability of training firefighters to the highest possible standards, it respectfully objects to an increase in the already substantial amount of money insurers now provide," he said.

John Golembeski, president of the FAIR plan - which provides last-resort dwelling and commercial fire coverage throughout the state - says the insurance industry shouldn't cover the entire burden of services government should provide.

"We are opposed to the entire concept of the industry being responsible for funding a new fire academy as well as the state

Fire Marshall's office and the fire-fighting academy," he said, speaking about the insurance industry perspective.
"These are governmental responsibilities, not the responsibility of a private industry."
Golembeski represents the insurance industry as a board member of the Fire Services Commission, which oversees the state Department of Fire Services. The FAIR Plan is also represented on the board that oversees the Massachusetts Fire Training Council, which runs the Stowe-based fire-fighting academy. (State Fire Marshall Coan has both departments under his jurisdiction.)

Insurers Benefit
Golembeski says he doesn't entirely buy the argument that the industry should pay for fire training and services because insurers benefit from effective fire training.
"It is true to some extent," he said, "but firefighters today do many things other than just fighting fires that have no impact on property and casualty insurance companies.
"Our position as an industry over the years is we're willing to be a partner but we don't feel we should be the sole (funding sources) of these types of activities."
Edward Donahue, vice president/counsel with the Independent Property and Casualty Insurers of Massachusetts, says the assessment, one-time only or not, sets a risky precedent for the industry.
"I think it's a bit naïve to think that this will be a one-time assessment," he said.
"After the precedent for it has been set, it won't take long for other cities or municipalities to decide that they, too, would like to be the beneficiaries of a one-time assessment" for a similar program.
Despite industry opposition, the budget item apparently appeared too quickly for the insurance industry to mobilize.
"We were not even aware of it until the final days when the Legislature was in session," Golembeski said.
Asked to explain his support, Caron said the Springfield Fire Department contacted him with its urgent request, but it didn't happen in time to become part of the main budget.
Coan, the state Fire Marshall, wouldn't talk about the use of a state assessment to pay for a municipal fire-fighting training academy. He says the decision is simply up to legislators.

Long Term Need
However, he pointed out that the state officials believe there is a long-term "need for a state-operated fire training facility in western Massachusetts, and we are moving in that direction very slowly."
A facility is important, he said, to give firefighters access to training that may otherwise be impractical and too expensive to undertake across the state.
But the Springfield academy isn't necessarily going to become a state facility any time soon, Coan said.
It "... as far as I know will always be a city facility," he said.
Even so, Caron said, the expanded insurance industry assessment makes sense, even as a one-time only additional tax.
"I was chairman of the Public Safety Committee from 1991 to 1997 and plans to build a (state) fire academy in western

Massachusetts have been around since 1990," he said.
"If we wait until the fire academy is built, where are the firefighters in need of training going to train. We have an existing facility in Springfield ... it's appropriate to use that to continue (training) firefighters."
Caron also said the larger issue is deciding whether fire training should be mandated statewide, as it is with police officers.

Insurance Times: Trust, CAR Again Debate Exit Funds Disbursement Formula

August 29, 2000, Vol. XIX No. 18

by Mark Hollmer
InsuranceTimes

BOSTON - Though the liquidation of Trust Insurance is well underway, Trust's parent company continues its long time fight to reform the CAR reimbursement formula.
The Massachusetts Division of Insurance held a hearing on June 28 on the reimbursement formula, with no set deadline on a final ruling. But the hearing officer allowed both Trust and Commonwealth Auto Reinsurers to file supplemental testimony after the fact.
Trust founder and former Chief Executive Officer Craig Bradley and CAR Governing Committee Chairman Richard Brewer squared off in their submitted testimony., with CAR defending the current formula against Trust's criticisms.
Right now, a company that withdraws from the market pays CAR its share of the deficit contribution in a payment over three years or in a lump sum. CAR then distributes the money to the remaining insurers, based on the deficit share for each remaining insurer.
Trust maintains that this method "gives no consideration to the share of the withdrawing insurer's business that each remaining insurer acquires."
Further, Trust says the disbursement only "minimally" reflects the higher share of CAR deficit an insurer must pay after taking on the withdrawing company's business.
"The result is that insurers who have absorbed none of a withdrawing company's business receive a 'windfall' share of the withdrawing company's funds," Trust says in its post hearing brief.
Conversely, Trust argues, an insurer that takes on a "substantial" share of the business only gets a percentage of settlement funds restricted to its "percentage share of the CAR deficit at the time of withdrawal."
Bradley, now serving on the Trust Group's legal committee, proposes distributing settlement funds according to the redistribution of the withdrawing company's business.
Brewer, in his CAR supplemental statement, argued Trust's proposal wouldn't be fair and would be "without regard for whether writing that additional business imposes any additional

obligation for payment of CAR's deficit ....
"CAR seeks to use money paid by a withdrawing company for its CAR deficit share to reimburse remaining insurers for their increased CAR deficit share as a result of the withdrawal," Brewer said. "Trust seeks to use the money to subsidize the writing of voluntary business."
Brewer writes that Trust knew CAR's formula when it sought Aetna's book of business.
"Only after Trust locked up the desirable portion of Aetna's business did it seek to change the CAR settlement disbursement mythology to dovetail with its own marketing strategies," he said. "The self-serving behavior demonstrated by Trust was no doubt a factor considered by the Governing Committee companies who voted against Trust's proposal..."
Brewer points out that "no other insurance company supports" Trust's proposal.
Bradley says Brewer "fails to address... why remaining companies who absorb a minimum amount of a withdrawing insurer's business (and) incur no additional costs or an increase in their share of the CAR deficit should receive a disproportionately large share of the settlement funds paid by the withdrawing company."
He said there is a "serious conflict between CAR's stated purpose and the actual distribution of ... funds."
Bradley said there is a discrepancy from 1992 to 1994, when Aetna, Hartford and USF&G paid CAR funds to withdraw from the market. Liberty Mutual, Travelers and USAA faced declining participation ratios, Bradley said. But Liberty, Travelers, and USAA received $9.1 million, $5.3 million and $4.3 million in settlement funds, respectively, he said.
All three companies absorbed tiny percentages of Aetna's former business, Bradley said.
Aetna Insurance's departure from Massachusetts in 1992 sparked the ongoing dispute. Following the CAR formula, Aetna paid $88 million to cover its future CAR obligations. Trust expected to receive nearly $25 million but got $3 million or 3.4 percent, even though it assumed 20 percent of Aetna's business. Liberty Mutual, on the other hand, received 10 percent of the $88 million but didn't take on any of Aetna's old Massachusetts business.
Earlier this year, a Massachusetts Court of Appeals returned the matter to Commissioner Linda Ruthardt for reconsideration of the formula. Ruthardt has since removed herself from the case to avoid perceptions of conflict of interest because she placed Trust in receivership.

Insurance Times: Mass. Auto Rate, Commission Filings For 2001 Made

August 29, 2000, Vol. XIX No. 18

BOSTON - The Automobile Insurers Bureau and the Massachusetts Association of Independent Agents have made their respective filings for the setting of 2001 auto rates and commissions.
MAIA is asking for a $118.78 commission, which is equal to the $114.43 the MAIA asked for for 2000, trended forward using

various trend factors. The request represents a seven percent increase over the $110.50 average commission approved for 2000.
In addition, the MAIA is asking for the re-establishment of minimum and maximum limits on commissions, so "agents in the lower and higher rated areas of the state will receive an average CEPP (commission expense pure premium) which more accurately reflects the statewide average."
Rising employee costs are a major reason for the request for higher commissions, said Frank Mancini, MAIA executive vice president.
"The costs of personnel are very high," he said. "That's true throughout the industry. It's hard to get qualified help."
In addition, Mancini said, agents continue to face rising technology costs. They struggle to save on technology, he said, because most insurance companies still insist on proprietary systems.
The AIB's Aug. 11 filing doesn't actually contain a recommended rate increase because of the liquidation of Trust Insurance Co., which wrote more than four percent of the state's personal auto market last year. AIB officials say they are still figuring out how Trust's insolvency will affect future rates.
At the same time, AIB President Daniel Johnston is predicting that the final rate recommendation will be about a 2.5 percent average increase. Final information may not be out until October, according to the AIB.
The State Rating Bureau - the actuarial arm of the Division of Insurance - will review evidence to determine what rate change, if any, it will recommend by the end of September.

Insurance Times: NY Implements 'Speed-To-Market' Reforms

August 29, 2000, Vol. XIX No. 18

NEW YORK - The review process for New York insurance product filings should get quicker and easier, thanks to a recently announced streamlined process.
Insurance Department Superintendent Neil Levin said the changes are necessary in the wake of the Gramm-Leach-Bliley Act, which allows banks and insurers to get into each others' business.
Insurers, he said, must be allowed to launch financial services products "in a more timely matter" so they can compete in the changing marketplace.
In addition, Levin said, the new "speed to market" changes should free up resources to make the Insurance Department more responsive
Among the new changes:
Insurers will now use standard transmittal forms and certifications of compliance.
Easier procedures to develop and market products.
Using technology to improve how the department enters, tracks and monitors the approval process for a product filing.
Accident and health insurers, life insurers and property/casualty insurers will all deal directly with the new procedures.

Gov. George Pataki has worked to streamline the regulatory process in New York, and the Insurance Department changes are part of that effort, according to Levin.
The changes are also part of a nationwide initiative by the National Association of Insurance Commissioners to modernize insurance regulations.

Insurance Times: CAR Proposes 22% Commercial Rate Hike
August 29, 2000, Vol. XIX No. 18

BOSTON - CAR is proposing a 22-percent increase for commercial motor vehicle fleet and non-fleet rates in the Massachusetts involuntary market.
Commonwealth Automobile Reinsurers - the state's high-risk auto insurer - submitted the rate filing on June 28. The Division of Insurance scheduled a hearing on the filing for Aug. 24
The rate proposal, if approved, would affect commercial vehicles such as cabs, limousines, trucks and trailers not covered by the voluntary market. The new rates would go into effect on Oct. 1.
Last year, CAR filed a proposed 9.6 percent overall commercial rate increase, but Commissioner Linda Ruthardt approved a rate decrease of minus-2.5 percent.
For 1999, CAR claims a 13.8 percent cession rate (percentage of the commercial market).
CAR commercial rate increases have varied since 1995. Back then, CAR requested an overall 10.2 percent commercial rate increase and got 3.8 percent. There was no CAR commercial rate filing in 1996. In 1997, CAR made a 13.1 percent rate commercial rate filing and was granted 2.4 percent.
In 1998, CAR filed a rate increase for taxis and limousines only - at 9.6 percent. The DOI granted a .9 percent increase.

Insurance Times: Mass. Insurers Could Face Interim Levy For Insolvent Trust By Oct.
August 29, 2000, Vol. XIX No. 18

by Mark Hollmer
InsuranceTimes

BOSTON - With Trust now under liquidation, it may be Spring, 2001 before the Massachusetts Insurers Insolvency Fund knows the full exposure cost to cover claims at the failed company.
"We won't know the extent of it until several months down the road," said Paul Gulko, the fund manager.
Gulko, when pressed, offers a rough estimate of "millions" of dollars that will be needed to cover Trust exposures.
Meanwhile, insurers could be assessed for an early contribution to the fund in October, following a meeting by board members.

"We'll see what we need," Gulko said, adding the board can make interim assessments at any time and make additional requests as needed.

Ultimately, Gulko said, the total assessment per insurer shouldn't be too high.

The fund is allowed to issue a maximum assessment of two percent of a company's net direct written premium, said Gulko, adding "we've never gone that high." In the past, Gulko said, the assessment maximum has been about .5 percent.

Insurance Commissioner Linda Ruthardt sought an insolvency declaration and liquidation order for the Taunton-based company earlier this summer. A Supreme Judicial Court judge issued the liquidation order at the end of July. It became effective Aug. 2.

The guaranty fund will pay covered claims dated before February, the date temporary receivership was initiated, as well as those dated on and up to 60 days after Aug. 2 when the insolvency order became effective. Liquidation of assets of the company is covering claims in-between the February and August dates.

Insureds involved in an accident where a Trust policyholder is at fault, must exhaust their uninsured coverage before the solvency fund kicks in. At that point, the fund will cover the difference up to $300,000 per occurrence.

Trust's liquidation is serving to complicate matters in another area: this fall's rate case for next year's personal auto market insurance rates. The Automobile Insurers Bureau isn't making a specific rate recommendation for next year until more is known about the extent of the Trust assessments on insurers; for now it is suggesting that the final recommendation would be for an approximate 2.5 percent increase.

Trust Insurance has a negative policyholders' surplus of over $5 million as of Dec. 31. The company reported a negative cash flow of $28 million at the end of June.

The MIIF can be reached at 1-800-852-2003 with questions about the fund's coverage of the Trust situation. Inquiries can also be faxed to the MIIF at 617-227-8235, or mailed, c/o Guaranty Fund Management Services, One Bowdoin Square, Boston, Mass. 02114-2003.

The Massachusetts Association of Independent Agents urged members to allow some time to elapse before contacting the MIIF, unless a matter is "extremely time sensitive."

Insurance Times: Maine High Court Nixes HO Claim In Murder Case

August 29, 2000, Vol. XIX No. 18

PORTLAND, Maine (AP) - The state supreme court has upheld a decision that the families of three men who were fatally shot cannot collect money from the shooter's homeowners insurance policy.

The supreme court agreed with the summary judgment of a Cumberland County Superior Court justice who concluded that Royal Insurance Co. of North Carolina did not have to cover injuries or damages that are "expected or intended'' by the insured.

Chief Justice Daniel Wathen, writing for the supreme court in an unanimous ruling, said the policy did not cover the shooting because the policyholder, Sabato ``Sabino'' Raia, intended to hurt the men when he pulled the trigger.
Raia, a Portland bar owner, was acquitted of murder charges after a jury found he acted in self-defense in the June 1997 incident.
The plaintiffs, who believe Raia got away with murder, contended that the insurance policy was ambiguous. They also argued that Raia was negligent in using force and that therefore the insurer was responsible because negligence is accidental and unexpected - not "expected or intended'' as the court found.
Raia claimed his life was threatened when the three men came to his house following a confrontation at an Old Port bar. A jury found him innocent in December 1997.
Raia shot Kevin Pinette, 22, Nickolas Patenaude, 23, and Dana Matthews, 24, with a .22-caliber handgun.
William Vickerson, the lawyer for Pinette's mother, said he thought the plaintiffs made a strong argument to the supreme court but that the outcome was not a complete surprise.
There will be no further appeals, and stipulations entered into by the parties preclude the plaintiffs from suing Raia.
``This whole thing has just been an awful thing for my client. This is just a little more salt in the wound,'' Vickerson said.
James Poliquin, lawyer for the insurance company, was on vacation and could not be reached for comment.

Insurance Times: Mass. Blues Reserves Right To Reinsure

August 29, 2000, Vol. XIX No. 18

by Mark Hollmer
InsuranceTimes

Blue Cross Blue Shield of Massachusetts quietly gained the right to jump into the reinsurance business a few weeks ago.
Commercial insurance carriers and HMOs in the state have always had the right to sell reinsurance, but Blue Cross -- as a non-profit health care company -- has not.
That all changed a few weeks ago when Gov. Paul Cellucci signed new legislation that lets a nonprofit hospital or insurer make reinsurance contracts.
Blue Cross pushed for the change because it was the only insurer in the state that didn't have the right. Insurance Committee joint chairs Rep. Nancy Flavin and Sen. Robert Bernstein sponsored the legislation to update the law.
"This is a tool we did not have as a result of our original charter, (but) everyone else does have this capability. We thought it was appropriate to get this to a level playing field," explained Bruce Butler, senior vice president and chief actuary for Blue Cross Blue Shield of Massachusetts.
The law takes effect in November, but Blue Cross, Butler said, has "no immediate plans to get into the reinsurance market."
Rather, Butler said, "this is a capability we felt ... was

appropriate to have at the ready."
A reinsurer provides financial backing to accounts assumed by other insurers.
That's what Blue Cross couldn't do when Arbella and Kaiser opted out of the health insurance market in Massachusetts several years ago.
If a similar situation happens again, Blue Cross will now have the right to offer reinsurance in those situations (in terms favorable to Blue Cross), backing those plans for a finite period and then ultimately moving them over to Blue Cross Blue Shield policies.
The company reported a net income of $61.3 million, on $2 billion in premium for 1999..
Blue Cross revenue from January to June, 2000 is at $30 million, based on a six-month premium of $1.2 billion.

Insurance Times: In Conn., paying claims too swiftly raises suspicions and lawsuits

August 29, 2000, Vol. XIX No. 18

by Mark Hollmer
InsuranceTimes

HARTFORD - Two Connecticut residents injured in separate car accidents are suing the other drivers' insurers for allegedly rushing to settle the cases too soon.
And in a possible connection, the Connecticut Insurance Department has launched a market conduct investigation of Progressive Northwestern and Nationwide Mutual Insurance - the two companies named in the initial lawsuit.
However, Jayne McLaughlin, chief of staff for Commissioner Susan Cogswell, would not confirm whether the investigation is connected to the lawsuit.
"At this point the investigation is ongoing," she said. "We are not going to be commenting on it ... until the investigation has been completed."
The case was initially filed in Superior Court and then briefly moved to Federal Court because the potential damages could involve more than $75 ,000.
But now the case has moved back to Superior Court and is to be split into separate cases following a judge's order.
William Prout, the attorney representing Progressive, wouldn't comment on either the market comment exam or the lawsuit.
Nationwide Mutual officials could not be reached.
Both plaintiffs are seeking compensation, punitive damages and attorneys fees. They claim the companies violated a Connecticut law that limits an agent's attempt to settle an insurance case within 15 days of an automobile accident.
In the first complaint, Anna Rodriguez says a Progressive Northwestern agent - representing the driver who struck her car and injured her -- visited her at home two days after an Oct. 19 automobile accident. Rodriguez ultimately faced $8,000 in medical

bills but said in an affidavit that she settled for $500.
The other plaintiff, Dominick Diglio, was driving his infant daughter when another car struck him on the passenger side, back in June 1999.
Diglio received neck and back injuries. Five days later, a Nationwide Insurance representative - representing the other driver - visited Diglio's home, and settled the case for $4,000.
Diglio, in his affidavit, said he ended up having $2,000 in additional medical bills relating to the accident.
Attorneys Kenneth Bartlett, Walter Bansley and David Golub are handling the plaintiffs' cases.

Insurance Times: Internet should be among weapons in nation's fight against fraud NAII task force recommends ways industry can improve its anti-fraud efforts including backing a national anti-fraud training program
August 29, 2000, Vol. XIX No. 18

by Mark Hollmer
InsuranceTimes

What's wrong with this picture?
You're a claims adjuster asked to evaluate home damage after a flood or hurricane, but you discover something fishy - claimed coverage items don't match the insured's lifestyle, his job or income.
What's more, furniture reported damaged apparently doesn't exist because the carpets don't have any telltale indentations.

Task Force Report
Those clues don't necessarily point to fraud, but they could.
They're among the tips and recommendations included in the recently released National Association of Independent Insurers Anti-fraud Task Force Report 2000.
"We're issuing a call to arms to everyone affected by this blight to fight fraud at its source," Jack Ramirez, the NAII president, explained in a prepared statement.
The report actually updates a document produced by the NAII's fraud subcommittee back in 1992, which included 15 recommendations to fight insurance fraud through public education, new laws and flexible insurer compliance.
Today's document also includes 15 recommendations with about half new or revised. Among the additions: a recommendation that the NAII "... encourage the development and use of advanced technology and the use of all claims database to detect and deter insurance fraud."
The task force subcommittee is also pushing for NAII support of the new inter-agency National Insurance Fraud Training Program, which in turn is establishing a National Insurance Crime Training Academy expected to use the Internet plus live teaching classes.

Increasing Sophistication
John Eager, the NAII's senior director of claims, says the

additions reflect the industry's growing awareness of how to fight insurance fraud but also the increasing sophistication of those who commit it. He advised the task force that produced the latest report.

The circumstances surrounding fraud have changed dramatically in a number of ways since 1992, he said, particularly the mobilization to fight it.

"The difference is almost like night and day," Eager said. "In 1992 there were eight fraud bureaus in this country, with four (not) funded. In ... 2000, there are 38 fraud bureaus and the majority are funded. We really have a totally different dynamic."

Last SIU Meeting

Eager mentions the last meeting of the International Association of Special Investigative Units to prove his point. About 4,600 people attended its most recent meeting this year, he said. Back in 1992 the crowd barely reached 200.

So how has fraud and the NAII's approach to fighting it changed?

"In 1992 some of the fraud indicators weren't necessarily part of the discussion, like catastrophe fraud," he said. "Another difference is that some of the schemes the crooks used have changed some."

For example, Eager said, the Illinois fraud bureau last year uncovered new fraud schemes where the accused allegedly used the Internet to set up storefront businesses, advertised and collected money on line and then disappeared.

"We just weren't as technologically challenged as we are in 2000," he said.

Eager said the new report differs from its 1992 predecessor because it contains a clear message to build partnerships to fight insurance fraud, between community members, insurance companies and law enforcement agencies.

The NAII "didn't even talk in those terms in 1992," he said.

Even so, Eager foresees new challenges from "cyber-crooks" and the corresponding need of additional training to fight Web-based fraud.

"The industry is now proposing (through the National Fraud Training Program" to use this Web-based technology to really upgrade the skills of all those folks ... in the fraud fight," he said.

15 Recommendations

Here is the 15-point recommendation list, with both original and new recommendations for the NAII organization as a whole.

1-2. Develop and promote the passage of legislation the "full range" of fraud, particularly in states where legislation is the most weak.

3. Support companies that want to establish special investigation units.

4. Support use and development of National Insurance Crime Bureau fraud indicators.

5. Support state-mandated fraud awareness training for agents, underwriters and adjusters.

6. Support voluntary pre-insurance inspections

7. Develop research that compares pre-insurance inspection laws , and digest studies and statistics that show the effectiveness of those laws.

8. Support national toll-free fraud hotlines and the use of the Internet to report fraud.
9. Support programs that fight all kinds of fraud that affect the insurance industry.
10. Keep developing and updating resources such as the associations' compilation of state insurance fraud laws and regulations as well as other research. The compilation is on the NAII web site.
11. Use public affairs campaigns to publicize insurance fraud problems and anti-fraud efforts of member-companies.
12. Encourage the Insurance Research Council and other groups to study third-party fraud, low-impact soft tissue liability claims and provider fraud. Consider more studies that look at how affective anti-fraud laws and programs are.
13. Support the National Insurance Crime Bureau's assumption of a leadership role in developing the National Insurance Fraud Training Program. This would be in coordination both public and private groups, like the FBI and the National White Collar Crime Center.
14. Support the National Insurance Fraud Training Program, which is expected to develop up-to-date courses - many Internet-based - that will teach professionals how to fight fraud.
15. Encourage developing and using high-tech and all claims database to fight insurance fraud.

Insurance Times: Mass., R.I. At Odds Over Non-Resident Licensing Rules

August 29, 2000, Vol. XIX No. 18

by Mark Hollmer
InsuranceTimes

Massachusetts and Rhode Island are at increasing odds over the Bay State's enforcement of a law governing how non-resident agencies get licensed to conduct business.

And if it isn't solved soon, some insurance industry insiders warn the dispute could hurt business and adversely affect the movement to establish uniform licensing standards between states -- before a federal law imposes them.

"It doesn't speak well for the effectiveness of state regulation of insurance to have these types of disputes," said James Harrington, vice president of state affairs for the American Insurance Association. "Therefore I would hope, particularly for those who would support the continuation of state regulation of insurance, that this misunderstanding can be resolved ... quickly."

Adds Gerald Zimmerman, associate counsel with the National Association of Independent Insurers: "This is a perfect example of why agents say there needs to be uniformity to avoid these types of silly protectionist laws that are on the books."

Started Enforcing

The controversy began when the Massachusetts Division of Insurance apparently started cracking down earlier this year on

insurance agents and companies from other states believed to lack proper licenses as non-resident corporations.
Prior to this, Rhode Island agencies believed both states worked under a reciprocal arrangement, according to Al Mastrostefano, the Rhode Island Superintendent of Insurance.
"We were under the impression Massachusetts would issue licenses.... for Rhode Island (insurance agencies) without restrictions and we would do the same for their non-resident (insurance agencies,)" he said.
In response, Mastrostefano said, the Rhode Island Insurance Division will now enforce an old law, too, that imposes reverse restrictions on states it does business with.
As a result, the Rhode Island Insurance Division is sending out notices of intent to deny applications from Massachusetts agencies currently pending in the state. Those agencies can reapply. But if their licenses are approved, they will be subjected "to the same limitation of rights and privileges that are conditions placed on Rhode Island agencies doing business in Massachusetts ...," according to an Aug. 22 letter signed by Fred Federici, executive vice president of the Independent Insurance Agents of Rhode Island. Federici wrote the letter to member agents.

Restrictive Process
Mastrostefano said he believes the Massachusetts law in question would require Rhode Island (and other non-resident) agencies to run through a lengthy, restrictive licensing process.
"Our resident (agencies) would have to get their agencies incorporated in Massachusetts. They would have to go through a formal licensing process with the (Massachsuetts) Insurance Department, and once the license was issued they would be restricted to placing business only with Massachusetts domestic insurance companies," he said.
Mastrostefano said he believes the Rhode Island cases "are relatively new" which implies a recent push to enforce the law. He wouldn't comment, however on how many Rhode Island agencies have been affected by the enforcement.
According to a source close to the case, two Rhode Island agencies have been cited under the law. The source said other agencies may be under investigation.

No Comment
Christopher Goetcheus, the Massachusetts DOI spokesperson, said that "the division does not comment on open enforcement actions or verify whether they exist.... And we have no comment on this time on the measures spelled out from regulators in Rhode Island."
Goetcheus, however, did cite Massachusetts General Law 175, section 174, which governs corporation licenses, and "prohibits a corporate agency from transacting insurance business or acting as an agent to a foreign company...
"It's a law that we as an agency have a duty of enforcing if it is being violated," he said.
Federici, in his letter to IIARI member agents, said state and association officials worked a number of ways to reach a solution.
"As we have been reporting to you, the (Massachusetts DOI) has

been actively pursuing insurance agents and companies from other states who have allegedly failed to properly license themselves as a non-resident corporation ...," Federici writes.

"Since first learning of this situation, IIARI has been diligently working behind the scenes in an attempt to provide a window of opportunity" for IIARI members to comply with Massachusetts' s law, without the threat of heavy fines and/or other penalties."

Worked With Others

Federici maintains that his association has worked with the Massachusetts DOI, the Massachusetts Association of Independent Agents, the Rhode Island Governor's Insurance Council, Rhode Island Gov. Lincoln Almond's office and the Rhode Island Insurance Department.

"Marilyn Shannon McConaghy, Director of Rhode Island's Department of Business Regulation and (Mastrostefano) have spent countless hours in discussions with their counterparts at the Massachusetts (DOI) in an attempt to resolve this issue," he said.

Mastrostefano said he hasn't made a decision yet on Massachusetts agencies already licensed to do business in Rhode Island.

Meanwhile, he said he sees the Massachusetts enforcement of the out-of-state licensing law as something that hurts the Rhode Island producer community.

"It has an effect on our Rhode Island producer community in having limitations and restrictions placed on them in doing business in Massachusetts," he said.

Zimmerman said he would expect Rhode Island agents to be cautious about "writing a Massachusetts-based risk for fear of getting fined..." He added he expects the dispute to affect commercial risks rather than personal lines, because more commercial business is conducted across state lines.

Not Retaliatory

Mastrostefano insists Rhode Island's action is not retaliatory, and that he's simply enforcing the law.

"If a position has been changed by Massachusetts where we thought it was reciprocal ... and ... it was no longer reciprocal, we must follow our own law" as a result, he said.

And aside from the current controversy, Mastrostefano said, Rhode Island state officials will push for a model uniform licensing law in the next legislative session.

The move, he said is in response to the federal Graham-Leach-Bliley Act, passed last year to allow banks and insurance companies to get into each others' businesses.

In addition, the law gives states three years to come up with uniform or reciprocal licensing standards. At least 29 states must do so by the deadline. If they don't the law will establish a federal agency to guide and enforce those standards. The National Association of Insurance Commissioners is promoting uniformity.

Ruthardt Statement

Earlier this year, Massachusetts Insurance Commissioner Linda Ruthardt said she believed the federal government would have to establish uniform licensing standards because most of the states won't be able to do it themselves.

"The federal system is going to come into place just because of the odds," she said in May.
Zimmerman said the Massachusetts/Rhode Island dispute ends up helping those opposed to state regulatory control.
"This type of situation lends itself to the folks who would say the states can't handle something as simple as one agent doing business in another state," he said.

Insurance Times: U.S. Can Learn Worker Safety Lessons From Canada's Hospitality Industry
August 29, 2000, Vol. XIX No. 18

by Richard G. Hughes

The April 28 Boston Herald reported that Massachusetts' ranking as the state with the lowest workplace fatality rate is in jeopardy after the number of Bay State workplace deaths more than doubled last year. The number of people killed on the job in Massachusetts jumped from 41 in 1998 to 91 last year, the most recorded in a year since the Massachusetts AFL-CIO and the Massachusetts Coalition on Occupational Safety & Health began keeping count in 1995. Sixty people were killed in that year, fifty-five in 1996, and sixty-six in 1997. In 1998, the Bay State's 1.4 deaths per 100,000 workers was the lowest in the country, which had an average rate of 4.5 deaths per 100,000 workers. National data for 1999 is not yet available.
Robert Norton, a lawyer in Quincy, Mass., who represents the families of several workers killed at their jobs, believes most accidents are preventable if people responsible for ensuring safety do their jobs.
"Ninety-nine percent of the deaths are not only preventable but avoidable," Norton said.
Norton's clients include the families of the first worker killed in the Big Dig project and one of two men who died last July working on a sewage pipe in Massachusetts Bay. "They'll tell you safety on the job site begins with the worker--it doesn't. It begins with the owner and the contractor taking the time to consider the work that will take place . . . . with an eye toward determining whether it can be done safely. But, unfortunately, it usually takes a death or an injury before they do that."

Canadian Survey
Massachusetts employers, in fact American employers, are not alone in their lack of attention to safety. An alarming 56 percent of young workers in Canada do not receive safety training of any kind before taking on new tasks at work, according to a survey conducted by the Industrial Accident Prevention Association of Ontario. The survey, which polled 600 young workers between the ages of 14 and 17 across Canada, also found that 24 percent of young workers have had "near misses" where they have narrowly escaped injury at work, 19 percent had been exposed to hazardous materials on the job, and 10 percent had

been asked by their employers to perform a task that they thought was dangerous.

Here on Cape Cod, where inexperienced temporary help is the norm for our tourist area, we may want to look toward British Columbia for direction. There, the Workers Compensation Board is teaming up with the tourism and hospitality industries to provide health and safety training that will help protect the area's greatest asset--its people.

The WCB and the Pacific Rim Institute of Tourism will be working together to fully integrate occupational health and safety issues into existing province-wide training programs and tourism curriculum. PRIT is a tourism education council that helps facilitate tourism and hospitality training in high schools, colleges, universities, and apprenticeship-level programs.

"This industry's high turnover and predominance of young workers make this partnership particularly appealing because it allows us to reach a large number of workers in a high-risk industry,"said Roberta Ellis, WCB prevention division vice president.

The hospitality sector in British Columbia accounts for the third highest number of Workers Compensation Board claims in the province (4,702 in 1998) --behind health care (6,994), and heavy manufacturing (5,644). On average, 19 workers in the hospitality sector are injured on the job every day in B. C., resulting in 133,666 lost work days in 1998 and more than $9 million in claim costs.

During the five-year period 1994 to 1998, $44 million was paid out in claims. These direct charges to the hospitality industry, which cost employers $1.12 for every $100 of payroll, do not include the estimated $300 million of indirect, uninsured costs related to work accidents during this five-year period.

"Part of the reason for the high number of claims can be attributed to the sheer size of the industry, which contributes $9 billion annually to the province and employs one in eight British Columbians," said Ellis. "Another factor is the youth and inexperience of a substantial part of the workforce in the tourism sector."

The tourism industry in British Columbia is one of the fastest growing industries in the province, creating jobs one and a half times faster than any other sector of the province's economy. Twenty-two percent of all young workers in the province are employed in this sector, and it is a profession of choice for many of them. These young workers, however, are disproportionately represented in claim statistics with 37 percent of all hospitality industry claims occurring to workers aged 15 to 24.

First Position

"The importance of establishing good safety awareness and training for a hospitality worker's first position cannot be overstated," said Sharon Lingenfelter, Workers Compensation Board hospitality industry services manager, who is responsible for developing the partnership program with PRIT.

"An employee who receives effective training at the beginning of their career will develop an appreciation for health and safety that will carry with them to future jobs," Nick Worhaug, president of the Hotel, Restaurant and Culinary Employees and Bartenders Union (Local 40), agrees. "The health and safety of our members in the workplace is an obvious priority, however, it must be a priority for business operators (employers), too."

This new initiative is just one of the ways the board is working to promote health and safety within the hospitality sector.

Other WCB programs include partnering with Food Safe Training Program to include a component on worker health and safety; incorporating health and safety training into the alcohol server training program; and the formation of a tourism and hospitality safety advisory committee.

In British Columbia, the Workers Compensation Board is a statutory agency serving more than 1.8 million workers and 160,000 employers governed by a panel of administrators. The Massachusetts workers compensation equivalent is purely a claims dispensation board presently doing nothing in the area of injury prevention or injury prevention awareness. p

Hughes is owner and consultant at Excellence in Safety, Inc. of Falmouth, Mass. He has been in the loss control industry since 1978. Excellence in Safety assists clients in developing safety programs and training personnel in the manufacturing, construction, transportation, municipal and services sectors. He can be reached at eis@cape.com.

Insurance Times: Travelers Works Computer Deal For Agents With Dell

August 29, 2000, Vol. XIX No. 18

HARTFORD - Travelers Insurance is helping agents improve their automation capabilities through a special arrangement with Dell Computer Corp.

Travelers agents are eligible for special savings on the latest computer systems from Dell, which can be purchased through the Travelers Agent PC Store via a link through the Travelers "Agent Services" Web site (www.travelers.com), or through the Premier Pages Web site Dell created for Travelers.

"This is an excellent promotion for our agency partners and clearly confirms our commitment to bringing agents a comprehensive and integrated small business system," said Patrick Kinney, vice president of sales and marketing for Select Accounts, the division of Travelers that provides small business insurance.

Travelers believes that the computers available through this promotion support many of the new technologies that carriers are making available to agents, such as Travelers' total business system for small business agents. The main component of the system is Issue Express Net, which combines Internet-accessed technology with Travelers' quote, rate and issuance system. In addition, Travelers provides public Web access to allow agents to transact business over the Internet.

Insurance Times: Pomerleau Named Dentist's Advantage Representative

August 29, 2000, Vol. XIX No. 18

BURLINGTON, Vt. - New England has a new local representative for the Dentist's Advantage professional liability program. Pomerleau Program Administrators has been selected as the program's exclusive representative for the northern New England states of Maine, New Hampshire and Vermont, announced Brian Courcy, senior vice president at Pomerleau.

Dentist's Advantage, exclusively for dentists and dental groups, is backed by Fireman's Fund, and offers professional liability, business liability, property protection and workers compensation.

Pomerleau, a wholly-owned subsidiary of Chittenden Bank, operates offices in Burlington and Rutland, Vermont and Springfield, Massachusetts.

Call 802 863-2841 or toll-free 1 800 639-1504.

Insurance Times: AAIS Offers First Standard Umbrella/Excess Policy Form

August 29, 2000, Vol. XIX No. 18

The American Association of Insurance Services (AAIS) has developed the insurance industry's first standard program for writing umbrella and excess liability coverage for commercial accounts.

The AAIS Commercial Umbrella/Excess Program features a base policy and 35 endorsements filed countrywide on an advisory basis, along with sample rules and rating information that can be adapted by insurers for their unique market needs. The form can be written over any underlying commercial liability policy, whether developed by AAIS or not.

To date, there have been wide variations in the structure and wording of proprietary commercial umbrella policies. The introduction of a standard form will make it easier for carriers to write layered liability coverage, wherein one carrier assumes the first $2 million in coverage, and another the next $2 to $5 million, a third from $5 to $10 million, and so on.

The AAIS policy addresses the sometimes conflicting expectations of insureds who want "drop-down" umbrella coverage for unanticipated exposures and reinsurers who want to minimize the possibility of drop-down exposures.

"The AAIS umbrella/excess form will let insurers write a broad range of liability coverage at high limits for accounts that have outgrown the constraints of heavily-regulated primary forms," commented Janice Nieman, AAIS manager of commercial liability.

"At the same time, it limits application of coverage to exposures that should already be addressed in the language and underwriting of underlying policies."

Call 800 564-AAIS or visit www.aaisonline.com.

Insurance Times: New D&O Program For Condo Associations Launched
August 29, 2000, Vol. XIX No. 18

NEW YORK, N.Y. - The Distinguished Program Group has launched a new directors and officers liability policy for condominium and homeowners association board members.
The coverage provides protection for past, present and future directors and officers, as well as volunteers, committee members, trustees, executives, employees, builders, developers and others.
Other coverage highlights include spousal liability protection; broadly defined employment practice liability coverage; and protection for claims arising from the American with Disabilities Act.
The coverage is underwritten by Kemper Insurance Cos. Limits up to $1 million are available and can be extended an additional $10 million to $200 million through the Distinguished Programs real Estate Umbrella Liability Purchasing Group.
Call 1 888 355-4626.

Insurance Times: Brokers Worry P/C Rate Hikes May Now Be 'Too Much, Too Fast' Fear Insurance Crisis Similar To 1980s Lies Ahead
August 29, 2000, Vol. XIX No. 18

Insurance brokers who have been hoping for price increases for years now fear that recent industry price hikes may be "too much, too fast."
The Council of Insurance Agents and Brokers, in its most recent quarterly market report, said commercial property and casualty insurance rates continued to spiral upwards across the country for small, medium, and large commercial lines through June 30.

Commercial Lines
Including results from July 1 policy renewals, the data show rate increases for four of the five commercial lines: commercial auto, workers compensation, property, and general liability.
Of all lines, only umbrella coverage remained fairly constant for the quarter, although it too showed a slight upward trend, according to association leaders.
"We had anecdotal evidence for rate increases at the beginning of the year when we started our quarterly benchmarking," said Ken Crerar, president of the group.
"Since then, The Council has documented a fairly dramatic upward swing in commercial market rates. While rate increases are long overdue, leaders in our sector worry if it's too much too fast, and if we could we be headed for an insurance crisis similar to the one we experienced in the 1980s."

Medium Accounts
The most notable increase continued in rates for medium-size commercial accounts. Ninety-six percent of survey respondents

reported higher prices within the last 90 days, and nearly half of those, or 44 percent, reported that rates have increased more than 10 percent.

Small accounts also continue to rise. Eighty-nine percent reported increases in that market, with 21 percent reporting increases of greater than 10 percent.

For large accounts, 85 percent reported some rate increase, with 38 percent of those indicating increases of more than 10 percent.

Rates for auto, workers compensation, property and general liability continue to harden as well, with over 60 percent of respondents reporting rates were "somewhat hard." Nineteen percent reported auto rates were "very hard;" sixteen percent said workers compensation rates were "very hard;" and 13 reported property rates were "very hard".

Group medical rates showed a dramatic price jump for small, medium and large accounts. Nearly half of those polled said rates for all size accounts increased more than 10 percent.

Visit The Council's web site at www.ciab.com for detailed results.

Insurance Times: Tire Recall Raises Interest In Protecting Brand Image

Lloyd's Touts Insurance Plan

August 29, 2000, Vol. XIX No. 18

LONDON - A recent spate of product recalls in the United States and Europe, most notably Firestone's announcement that it was recalling several million defective tires, has sparked renewed interest about brand insurance.

"Brand damage is one of the major business risks of the 21st century," said Julian James, managing director of Lloyd's North America. "Product incidents -- recalls, boycotts, scandals -- can cost companies millions, affect share prices and even result in bankruptcies."

Coca-Cola Example

Brand and reputation have become quantifiable assets, particularly for large multinational corporations, James said.

For example, Coca-Cola, which was hurt severely by a product contamination outbreak in Europe last year, has net physical assets of $19 billion -- but its brand is valued at $84 billion.

"Product recalls, such as the one affecting Firestone, hurt a company's brand, and that, in turn, hurts the bottom line," James said. "Risk-averse managers are increasingly aware of this and are taking defensive action to protect their companies."

Recent Survey

Indeed, a recent survey by Lloyd's of corporate risk managers found:

-- 34 percent of respondents listed protecting their loss of reputation as a major concern.

-- 25 percent listed protection of their brand and trademarks as a major concern.

-- 21 percent considered protection of intellectual property as a major concern.
"Companies need to better understand the value of their brand and the implications that product recall, lost sales and the loss of intellectual property can have on their organization," James said
He noted that Lloyd's market participants offer products that have been designed specifically against liability risks and the damage to corporate brand and reputation caused by defective or contaminated products.

Consumer Confidence
Ian Harrison, a Lloyd's underwriter at Beazley Furlonge, said: "Any product recalled because of safety issues will have a significant effect on a company and can destroy it, as consumer confidence plummets."
Harrison said that Beazley has developed an innovative product to provide both protection and assistance against economic damage caused by errors in manufacturing.
"The focus of the policy is on the brand owner rather than the component part manufacturer," he said. "Coverage may be triggered by actual or potential bodily injury resulting from manufacturing error, product tampering or extortion. Recall and product replacement expenses are included, and, in the event of a crisis, consultants are available 24 hours a day for public relations, security and product analysis."

Insurance Times: State Farm Claims It Informed Federal Authorities Of Firestone Tire Crashes

August 29, 2000, Vol. XIX No. 18

Insurer maintains correspondence in 1998 and 1999 cited claims trends

by John Kelly
Associated Press

The country's largest automobile insurer said that it tipped the government in July 1998 and again in mid-1999 about an increasing number of crashes it believed were caused by failing Firestone tires.
State Farm Mutual Insurance Co. said it sent electronic mail to the National Highway Traffic Safety Administration in July 1998, saying the insurer had documented 21 crashes caused by Firestone's ATX tires, which were among the types Bridgestone/Firestone Inc. recalled last week for safety reasons.

Growing Number of Claims
State Farm spokesman Steve Vogel said the insurer followed up that e-mail with a telephone call in 1999, telling NHTSA it was receiving a growing number of claims related to potential Firestone tire failures.
"State Farm routinely and voluntarily communicates with the

government about insurance claim trends that may be a reason for the responsible agency to begin an inquiry into a possible defect that affects safety,'' Vogel said. "State Farm does not report defects. It reports claims trends that may arise.''
NHTSA officials confirmed they did get the 1998 e-mail, but a spokesman said they have no record of other State Farm communication regarding the ATX tires.

Firestone Tires
Nashville, Tenn.-based Bridgestone/Firestone last week recalled all P235/75R15-size radial ATX and ATX II tires and Wilderness AT tires of the same size made at its plant in Decatur, Ill.
Most of the 6.5 million 15-inch tires were on Ford vehicles, notably the Explorer sport utility vehicle. Most of the complaints about the tires involved tread separation that sometimes caused blowouts and rollovers.
While Vogel confirmed the insurer's tips to the government were about ATX tires, he said State Farm's search of its records - so far - has yielded nothing more specific about the tire model or the vehicle makes involved.
State Farm also has reported "a handful'' of tire-related crashes to Bridgestone/Firestone Inc. since 1995, Vogel said. Those communications, however, were State Farm's effort to get reimbursed for claims it paid on crashes that appeared to be caused by bad tires, Vogel said.

Insurer Reimbursed
Vogel said Bridgestone/Firestone reimbursed State Farm for some accident claims, but he did not know how many. State Farm is still reviewing records, so Vogel could not say for sure how many accident claims the insurer reported to Bridgestone/Firestone.
Asked if State Farm alerted Bridgestone/Firestone about a spike in claims for tire-related crashes, Bridgestone/Firestone executive vice president John Lampe said, "We have no record of those calls at all.''
Bridgestone/Firestone spokeswoman Christine Karbowiak said the company is not ready to comment on whether it had contact with State Farm about reimbursing the insurer for accident claims.
NHTSA spokesman Rae Tyson said the agency has a copy of the 1998 e-mail, but said the 21 accidents reported by State Farm was too small a number to have prompted the NHTSA to investigate.
NHTSA staff scoured files and interviewed staffers and found no other evidence of State Farm tips, but Tyson repeatedly said he was not disputing State Farm's story.
``No one here can remember talking to State Farm about Firestone tires,'' Tyson said.

Insurance Times: Northwestern Life Bank Charter Approved

August 29, 2000, Vol. XIX No. 18

WASHINGTON, D.C. (AP) - Northwestern Mutual Life Insurance Co. has obtained permission to operate a new, federally insured

savings bank specializing in trust services.
The Office of Thrift Supervision announced its approval for the company to open the bank, to be named Northwestern Mutual Trust Co. and based in Milwaukee.
The new thrift will offer trust services, which include acting as an investment adviser or custodian of trust funds or property held in trust, executing wills and acting as guardian of an estate or trustee of an IRA account.
Its main source of prospective customers will be referrals from Northwestern Mutual's 7,500 agents in all 50 states and from employees in the company's regional sales offices.
Northwestern Mutual, also based in Milwaukee, is the nation's sixth-largest life insurance company, with more than $583 billion in current insurance policies.
The federal approval makes Northwestern Mutual the latest in a string of companies in the financial services business to get new federal savings and loan charters in recent months.
Earlier this year the thrift agency, part of the Treasury Department, approved similar charters for tractor maker Deere & Co.; American Express Co.; General Motors Corp.'s consumer finance division; New York Life Insurance Co.; the Hartford Group; the National Association of Mutual Insurance Companies; and AXA Financial Inc., parent of Equitable Life Assurance Society and brokerage firm Donaldson, Lufkin & Jenrette Inc.

Insurance Times: Metlife To Buy New Jersey Bank

August 29, 2000, Vol. XIX No. 18

MetLife has signed an agreement to purchase Grand Bank of Kingston, New Jersey. This acquisition is subject to the approval of federal banking regulators.
A nationally chartered bank, Grand Bank opened for business on February 23, 1999, and provides banking services to individuals and small businesses in the Princeton, New Jersey area. As of June 30, 2000, Grand Bank reported total assets of $80 million, deposits of $52 million and shareholder equity of $7.3 million.
"This agreement is an important step towards reaching our ultimate goal of being in the retail banking business," said Judy Weiss, executive vice president in charge of MetLife's newly created banking unit. "As we build this business, we will continue to explore opportunities that provide new services for our customers, including accounts for claims payouts, and create opportunities for many of our other operations."

Insurance Times: Sage Life Expands Bank Distribution

August 29, 2000, Vol. XIX No. 18

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

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

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

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

Insurance Times: Princeton Provides Agents With LTD Product

August 29, 2000, Vol. XIX No. 18

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

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

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

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

Insurance Times: Oregon-Based Disability Insurer To Build East Coast Shop In Maine

August 29, 2000, Vol. XIX No. 18

by Penny Williams and Associated Press

SOUTH PORTLAND, Maine - An Oregon-based disability insurer plans to set up its East Coast underwriting operation in an office building to be constructed near the Maine Mall.

The office being set up by The Standard Insurance Co. will employ about 100 people and give the company a foothold in the backyard of UnumProvident Corp., a national leader in disability insurance that has corporate offices in Portland.

Standard Insurance already has a sales office in Portland as well as other offices in Boston, North Carolina, Georgia and in New Jersey.

Company officials say the decision to start an underwriting operation in the East was driven by customer demand.

'Logical' Office

Competing with UnumProvident is "not our main goal,'' company spokeswoman Julie Piper Finley said. "I realize it's ironic that Unum will be in our back yard. But our East Coast sales have brought an increased number of clients making a regional underwriting office logical."

The expansion plan calls for additional agent appointments as well as additional sales offices in the East as warranted by customer demand.

The Standard, a subsidiary of publicly-held StanCorp Financial Group, employs about 2,100 people nationwide. About 2,000 are in Portland, Oregon and the rest are scattered throughout the 50 offices around the nation, Piper Finley said.

The company specializes in life and disability insurance and retirement plans for individuals and groups, and also offers group dental plans. The Standard provides employee benefits for more than four million workers.

The South Portland, Maine staff will underwrite group policies, evaluating the risks of insuring prospective groups and setting policy rates.

The Boulos Co., a commercial real estate developer, will start the eight-month construction project on Sept. 1.

Gregory W. Boulos, one of the partners, says the insurer approached them after trying unsuccessfully to find office space in the Portland area. The Standard will lease the 8,000-square-foot space in the Eastern Mall Office Park from Boulos.

He said the sizzling economy has driven the area's office space vacancy rate to about two percent, the lowest it has been since records have been kept.

Insurance Times: Not So Fast With Death Tax Repeal

August 29, 2000, Vol. XIX No. 18

The many Americans let out a big sigh of relief when Congress recently passed the Death Tax Elimination Act of 2000 would be wise to hold their breath!

Though the bill is designed to eliminate estate taxes (tax on estate values passed to heirs at death) over the next 10 years, President Clinton has vowed to veto the measure, making the issue a political firestorm in this presidential election year. Despite the bill's uncertainty, it's pretty safe to say that estate tax planning will change for many individuals, say officials at Sun Life.

Sun Lifer advisors say that those who believe the elimination of estate taxes will save their heirs large amounts of money at the time of their death should consider the following issues.

Capital Gains

Under the proposed law, when you leave an asset (i.e. home, business, land, stocks or mutual funds) to your heirs, they will inherit that asset at its original cost, with possible exceptions. If your heirs want to or need to sell the asset, they'll have to pay capital gains tax on the appreciated value of that asset. To properly plan - and not leave your heirs scrambling to gather the cash needed to pay any capital gains tax if a sale is necessary - a life insurance program can be an efficient and cost-effective way of providing funds to pay this tax.

Charitable Giving

Many individuals currently make charitable gifts to reduce their income tax burden while helping their favorite charity. Even if the death tax repeal passes into law, a good many of these people, especially those with highly appreciated assets, will continue to donate gifts for the benefit of a charitable organization. While the need to transfer assets for estate-tax purposes will be gone, the need to transfer assets for income tax purposes will still exist. Life insurance purchased to replace the value of the assets transferred to a charitable entity is a viable planning solution for the heirs.

If the death tax repeal becomes law, the need to purchase permanent life insurance to protect against estate taxes will be lessened. However, life insurance as a financial planning alternative to provide supplement retirement benefits will remain necessary. Employees of a business are only allowed to contribute $10,500 per year (in 2000) to their 401(k)s. A 401(k) plan or any other qualified plan provides tax-deferred buildup for any money contributed. When money is distributed, it will be subjected to income tax. A cash value life insurance policy, such as variable universal life (VUL) or universal life, could provide an attractive alternative that will provide extra retirement income. Even if the death tax repeal becomes law, it would go into effect gradually over the next 10 years. If you currently have life insurance to protect your heirs from estate taxes, it would make sense to keep your policy in place. If you currently do not have life insurance, and thought you were now free from estate taxes, it would make sense to consider your options, such as a ten year-term policy to protect your heirs in the case of your death prior to 2010.

Insurance Times: Mass. Changes Law On Return Of Abandoned Assets

August 29, 2000, Vol. XIX No. 18

BOSTON (AP) - A proposal designed to encourage businesses to turn over abandoned assets so they can be returned to their owners was signed into law last week.

Under state law, banks, brokerages, life insurance companies, and other institutions must turn over money in accounts that are abandoned, but fewer than 10 percent of businesses comply, according to an estimate by state Treasurer Shannon P. O'Brien.

Once the money is turned over, the treasurer's office tries to find the owners. If those attempts fail, the state keeps the money.

The bill makes it easier for businesses to comply by clarifying the state's law, O'Brien said.

The proposal:

Provides a six-month amnesty period for businesses to turn over abandoned assets that should have been reported earlier.

Clearly defines which types of abandoned assets must be turned over to the state.

Establish a nine-year limit - down from as many as 13 years - during which auditors can review businesses' records to find abandoned assets.

Creates an appeals process for businesses to dispute auditors' findings about abandoned assets holdings.

"The old way of doing business didn't work for businesses, and it didn't work well enough for property owners,'' O'Brien said in a statement.

Insurance Times: Choosing The Best Location For Your Seminar

August 29, 2000, Vol. XIX No. 18

The best seminar location will yield the maximum number of leads for your time and money. The best seminar location is in the right town (or, in the case of a large town or city, the right section of town).

Do not make the mistake of thinking that the best town for a prospecting seminar is always where your office is located. Or that it's where you live. Your intended audience will determine the optimal seminar location.

If your seminar is being held for a captive audience (such as clients of a P&C firm, or a CPA firm or members of a credit union), compare your prospective seminar location to these points:

Is the location convenient to your target audience?

Is the location known to your target audience?

Is the location available at a time that's good for your target audience?

If, for example, you are inviting all the clients of a local CPA firm, you may choose a conference center in the same town as the CPA firm, a meeting room actually in the firm's office or a room at the public library in the town where most of the firms'

clients live.
If you are trying to attract into your seminar the general public who are likely future clients for you, to choose the optimal seminar location you must first answer these two questions:
Who is the most likely buyer of my product? If, for example, you are marketing long term care insurance, choose a town that has plenty of age 50+ residents who can afford LTC insurance. A great seminar in the wrong location will not be successful.
Who have you found, in the past, to be your best clients? What do your favorite clients have in common? Knowing the shared characteristics such as age, marital status & economic class will help you choose your seminar town and also target your promotional materials.
Now that you know who your optimal seminar attendee is, how do you find a town filled with enough residents that fit the profile?

Little Sleuthing
This requires a little sleuthing, unless you know an area particularly well. One great place to start is the local newspaper. Are the advertisements for computers, nightclubs, restaurants and other traditional pursuits for the under age-50 crowd? Or, are there ads for hearing aid stores, pharmacies, assisted living facilities and podiatrists? Businesses will only take out ads if they are likely to hit the desired target age group - so the local paper gives you a lot on information.
How are you planning on advertising the seminar? If you are using direct mail, the company where you buy your lists can tell you where there are concentrations of prospects who meet your profile. If you are using newspaper ads, or, better yet, newspaper inserts, the newspaper profile of a town may be the most important consideration in your location selection. If the town that you would like to have your seminar in has two weekly and one daily newspaper, it is going to be much more expensive to reach your target audience than if there is only one weekly source of local printed news. When there is only one weekly newspaper, all town residents need to go to one source for the weddings, funerals, Little League scores and building permit applications. Since it's a weekly, it has a shelf life of one week - unlike a daily newspaper.

Reservation Hotline
I recommend that you set up a dedicated telephone number, answered by an automated voice mail system to take seminar reservations (that's right ñ not a real person!). Here's why an automated reservation hotline makes sense. It:
Answers 24-hours a day with a professional, consistent message that never gives out incorrect answers;
When combined with an incentive (such as a book or lunch gift certificate) for pre-registration, an automated reservation line will tell you with a great deal of accuracy how many people you can expect at your seminar;
Gives you visibility to the quality of the leads you'll get at the seminar;
Captures phone numbers so that you can call all preregistered people the day before the seminar to remind them to attend (never use the word confirm).

A reservation hotline also makes it easy for people to refer their friends, neighbors, relatives and clients to your seminar. An easy-to-remember telephone number that you promote on your letterhead will increase your seminar referrals.

A reservation hotline allows you to set up the seminar room for the correct number of people. If turnout is low, you can set up for a small crowd, or, you can even decide to cancel and reschedule the seminar "because of illness in the family." It is my experience that you should never hold a seminar for less than 12 people. Everyone will be thinking: "If (your topic) is so important, how come there are only seven people here?"

Conversely, if you have an unusually good turnout, you will not be scrambling for chairs at the last minute, and can be a welcoming, not frazzled, host. I have a client on Cape Cod who expected a turnout of 40-50 at a seminar, but got reservations for 96 due to a great seminar location, newspaper insert and pre-registration lunch incentive! Thank God he had the reservation hotline and was able to get enough chairs the day before the seminar.

The most expensive part of holding a prospecting seminar is normally the cost of filling the room- whether you use newspaper ads, direct mail or other promotion methods. p

Driscoll is president of the Long Term Care Learning Institute in Plymouth, Mass. Her new book is "Seminar Secrets: A Hands-on Guide to Marketing to Baby Boomers and Their Parents." Driscoll can be contacted at (508)830-9975, or mail to: mdriscoll@longtermcarelearning.com.

Insurance Times: 7 KEYS TO A GREAT SEMINAR LOCATION

August 29, 2000, Vol. XIX No. 18

Well-known to your intended audience (you won't need to give directions);
Has plenty of convenient, adjacent parking;
Seminar room is quiet (kitchen prep noises and even noisy fan systems can make it hard for people to hear you);
Natural light can be blocked if needed for your slide/overhead or laptop projector (many windows and skylights do not have shades);
Seminar room is easy to find in the facility;
Seminar room can comfortably hold the number you are expecting, preferably classroom style or at tables;
Is a draw in itself - a desirable location that your intended audience likes to visit, without being so high-brow that it intimidates some people.

Insurance Times: RI Blue Cross Reports $29 Million Surplus

August 29, 2000, Vol. XIX No. 18

PROVIDENCE, R.I. (AP) - Blue Cross & Blue Shield of Rhode Island has reported a $29 million surplus for the first six months of this year, since suffering severe losses in the 1990s.

But president and CEO Ronald Battista said Blue Cross still has a ways to go toward financial stability.

The insurer will need to use the surplus to build up reserves and help assure its longterm survival, he said. That means no increased reimbursements for providers or lowered premiums for subscribers.

``We're off the critical list,'' he told The Providence Journal. ``But the crash cart's still around the corner.''

While the surplus is good news, Battista expects providers and subscribers to criticize the insurer for not sharing the bounty.

``Special interest groups from all over will say, 'Oh, you made $29 million - give that back to me,''' he said.

But he said in order for Blue Cross to remain independent, it must put more money in the bank. The average premium increase next year will be 7 percent to 9 percent. About 3.5 percent will go toward rebuilding reserves.

Edward J. Quinlan, president of the Hospital Association of Rhode Island, said hospitals this year paid 30 to 40 percent increases in Blue Cross insurance for their employees.

But they only got single-digit increases in reimbursements for services provided to Blue Cross patients.

``I would say the surplus is not surprising. We're just asking that they apply the same thinking toward our needs as they do to theirs,'' he said.

Hospitals are losing money, he said. ``We need a better balance.''

In 1996, 1997 and 1998, Blue Cross lost a total of $73.2 million.

Battista said he expected to be in the black by $60 million to $70 million by the end of the year.

The company, which covers 560,000 Rhode Islanders, is the state's largest health insurer.

Insurance Times: Lifespan, Unitedhealthcare Ink Three-Year Deal

August 29, 2000, Vol. XIX No. 18

PROVIDENCE, R.I. (AP) - Lifespan, the state's largest hospital network, has agreed to a three-year health insurance contract with UnitedHealthcare of New England.

No financial details were released. But United chief executive officer Bud Fisher said his company will pay more than the $70 million in claims and benefits it now gives Lifespan each year.

The contract negotiations stretched over six months, which both sides noted was longer than usual to broker a deal. The sticking points were Medicaid and Medicare coverage and reimbursement rates.

Both sides noted they had switched from one-year to three-year contracts, hoping to stabilize the hospital network's costs covered by United.

The contract, which became effective May 1, covers patients at Rhode Island Hospital, Hasbro Children's Hospital, Miriam Hospital and Newport Hospital.
Lifespan is a nonprofit health system which has been based in Providence since 1994. UnitedHealthcare is a subsidiary of United Health Group in Minnetonka, Minn.

Insurance Times: Nationwide Financial Introduces IRA Rollover Product

August 29, 2000, Vol. XIX No. 18

COLUMBUS, Ohio - Nationwide Financial announced the availability of The Best of America Successor, a variable annuity that is a new IRA rollover product. Successor provides continuity of investment strategies for qualified plan participants who are retiring or changing jobs.
Successor is designed as a second phase of the retirement plan process, picking up where traditional accumulation products end. It provides underlying investment options already available to the participant through The BEST of America Group Pension Series. Successor also offers additional optional riders and no annual administrative charges. For participants interested in generating income from retirement savings, it provides systematic withdrawals or a variety of guaranteed income benefit options* for those who choose to annuitize their contracts.
"With more than 40 brand-name investment options offered from more than a dozen prominent money management firms, Successor provides an attractive transition for participants wanting to continue their retirement savings and investment program," Rose explained.
"It is a seamless solution for participants, given the similarity of funds offered in the Successor product and our group retirement plan products."
This BEST of America IRA rollover includes international, small and large cap investment options, offered by nationally known fund managers including America Century, Janus, Fidelity and Nationwide to name just a few.

Insurance Times: Citing Rising Drug Costs, Maine's Anthem Seeks Rate Hikes Of 24% To 33%

August 29, 2000, Vol. XIX No. 18

BANGOR, Maine (AP) - Some customers of Maine's largest health insurance provider face the prospect of rate increases of up to 33 percent if state regulators approve.
Anthem Blue Cross and Blue Shield is asking for a rate increase of 23.5 percent for the 23,000 Mainers who are in the company's indemnity, or traditional, insurance plan.
Customers who belong to the HMO's individual plan would be hit

with a 33 percent premium increase.
A 40-year-old with a typical Anthem indemnity plan would pay $141 a month, compared with the current $113 a month. The tab for a family of four would jump from $273 to $369 a month.
``The increase is being driven by increased medical costs and pharmaceutical costs,'' said Anthem spokeswoman Elizabeth O. Shorr.
Rates for the indemnity plan, HealthChoice, already have gone up 50 percent since 1997.
State insurance officials approved Anthem's acquisition of the nonprofit Blue Cross in June. Since then, the attorney general and a consumer group have filed court appeals over the deal's price tag.
The attorney general's office is challenging the price as insufficient and wants any proceeds of a revised appraisal to go to a charitable foundation. A similar appeal by the Consumers for Affordable Health Care says Maine's insurance superintendent made a legal error by reducing the price from the original offer of $120 million to $102 million.
The rate increase proposal came just as the Maine Center for Economic Policy and Consumers for Affordable Health Care released a study saying that nearly 10 percent of small business dropped their group insurance coverage between 1996 and 1999 because of spiraling costs.
Anthem's rate proposal is another bitter pill for people struggling to get health insurance, said Mary T. Henderson, executive director of the Maine Equal Justice Partners, a group representing the poor.
Anthem is committed to finding ways to improve health insurance in Maine, Shorr said. Blue Cross is now able to rein in administrative costs and may even be able to shave them now that it is part of the Indiana-based Anthem Insurance Cos., she added.
"We really want to work with policy makers to ensure we have a vibrant and competitive individual market,'' she said.

Insurance Times: Small Businesses Drop Health Plans As Costs Rise
August 29, 2000, Vol. XIX No. 18

PORTLAND, Maine (AP) - A new survey shows that the number of Maine small businesses offering health insurance to employees is dropping, and is likely to keep dropping because of rising premiums.
The report compiled by the Maine Center for Economic Policy and Consumers for Affordable Health Care shows that workers are paying more of their health insurance costs, and that one in five employers thinks rising costs have led some to forego coverage.
The results come from 381 replies to 4,000 surveys sent to Maine small businesses last year. It found that 68 percent offered insurance to workers, although 77 percent of them had offered it within the previous three years.
Sixty-four percent of companies said they would reduce coverage if premiums increased as much as 20 percent. Twenty-nine percent

raised deductibles, 14 percent shifted part of the premium to employees and 16 percent delayed wage increases because of rising costs.
But 81 percent said health benefits were essential to attracting and retaining workers, a point that was emphasized by James Amaral, owner of Borealis Breads in Waldoboro.
``It's something we need to offer,'' he said, even though roughly one-fifth of his 50 employees have chosen to do without coverage because their ' $302 monthly portion is too much.
The report offers suggestions such as partially integrating individual and small-group policies with large groups to lower rates by spreading the risks among more people. Another idea, adopted in New York, is to give direct subsidies to small businesses so they may insure their workers.
Maine Insurance Superintendent Alessandro Iuppa said small businesses and their workers face some of the same problems as the individual market. He noted that the small-group market is largely unregulated, with prices determined through competition.p

One respondent to the survey, Rachel Desgrosseilliers, said she opens all job interviews with a line that is a deal-breaker for many prospective employees: ``If health insurance is important to you, there's no sense going any further.''
``We've lost some good applicants,'' said Desgrosseilliers, owner of the Gooseberry Barn in Auburn.

Insurance Times: Kaiser Deals With Breach Of Patient Confidentiality

August 29, 2000, Vol. XIX No. 18

NEW YORK (AP)- Kaiser Permanente accidentally breached the confidentiality of 858 members who were using the health insurer's online service to make appointments and discuss sensitive health matters with doctors.
Kaiser mistakenly sent responses to some customers' e-mail to the wrong members, the nation's second largest health insurance plan acknowledged last week. Nineteen Kaiser members received e-mail intended for some or all of the 858 members.
"Some of the information was very sensitive,'' said Anna-Lisa Silvestre, director of Kaiser Permanente Online.
The problem occurred Aug. 2 when Oakland, Calif.-based Kaiser was upgrading software to its online system to handle increased traffic.
A technician caught the error 20 minutes after realizing the problem. But the next day a Kaiser member called the plan, saying the insurer had e-mailed her a large computer file with messages intended for several hundred other members. That's when Kaiser realized the extent of its error.
About 250,000 of Kaiser's 8 million members use the online service to interact with its staff, doctors, nurses and pharmacists. The service also lets members exchange messages with other members and find information on various health topics.
The online system is billed as a more efficient way for members

to communicate with the plan and its affiliated doctors.
Kaiser is one of several big health insurers increasingly trying to meet customers' growing demand to conduct business online.
Insurers have also tried to prod members to use the Web to reduce their own expenses.
Most of the 858 Kaiser members whose confidentially was compromised were understanding of the mistake, Silvestre said.
Kaiser officials have tried to reach all 858 members to tell them about the mistake.
"Most members thanked us for letting them know,'' Silvestre said.
``A handful are angry that some of their medical information was sent to others.''
Kaiser said it has learned an important lesson from the mishap, but it won't slow the company's increasing attempt to use the Internet to interact with customers.
"This is a good wake up call for the entire industry,'' Silvestre said.

She noted that health companies have to be careful in quickly building complex online systems.
Sarah Andrews, a policy analyst with the Electronic Privacy Information Center in Washington, D.C., said Kaiser's experience shows why companies need to be extremely careful when conducting business online.
"That doesn't mean these online systems should not be in place - they do provide a great convenience - but they should treat them responsibly and should have adequate security.''

Insurance Times: Personal Lines: Concord Group, Safeco, McCarthy announce promotions; Alliance advances Schmidt, appoints Sherno; PIA National names Greenwood; Leonard joins Delta Dental of Mass.
August 29, 2000, Vol. XIX No. 18

Concord Group
Concord Group Insurance Companies, based in Concord, N.H., announced several promotions, including two at its Massachusetts subsidiary, Peoples Service Insurance.
At Peoples, John E. Forbes, who has been with Peoples since 1996, was named assistant vice president. Albert F. Brack, Jr., who also joined Peoples in 1996, and who serves as senior marketing representative to Massachusetts agents of the company, was promoted to assistant secretary.
At Concord Group, five employees were promoted: Linda J. Day to senior vice president; Blaze V. Konefal to assistant vice president for systems; Carol J. Ashby to assistant vice president for systems; Richard M. Kemp to assistant secretary for claims; and Michael P. Nolin, Jr., to assistant secretary for underwriting.

IBANY
Debra A. Baldwin has been elected to the board of directors of the Insurance Brokers Association of the State of New York.

Baldwin, a director with Herbert L. Jamison & Co. in West Orange, N.J., will serve on IBANY's government affairs committee.

The McCarthy Companies

The McCarthy Companies, a member of the Hub International based in Wilmington, Mass., announced two key promotions.

Richard J. Palleschi has been elevated to the position of agency president and chief operating officer. His primary responsibility is to oversee day-to-day insurance and administrative operations. He will also be actively involved in recruiting agencies for merger and acquisition purposes.

Also, Charles J. Brophy, III, has been promoted to executive vice president and treasurer. Brophy joined The McCarthy Companies in 1996.

PIA National

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

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

Alliance of American Insurers

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

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

Also, Charles E. Schmidt, Jr. has been promoted to assistant vice president of public affairs for the Alliance of American Insurers, where he most recently has served as director media relations.

In addition to remaining the association's primary contact with the trade and general media, Schmidt will add departmental planning and budgeting to his duties, and will also represent the Alliance at national meetings.

Safeco

Safeco announced several promotions including naming Peter Dunn senior vice president of field operations and Atlantic Zone manager. He will manage Safeco's property and casualty operations in the eastern states out of Hartford.

Greg Copeland was named regional vice president and Hartford region manager. He will be responsible for Safeco's property and casualty operations in Connecticut, Massachusetts, Rhode Island, New York, Pennsylvania , Maryland and Virginia.

Delta Dental

Delta Dental Plan of Massachusetts announced that Dennis J. Leonard has joined the company as director of sales. Leonard will oversee the company's sales programs, broker and consultant

relations and account management, in addition to sharing responsibilities for the overall product direction and performance.
Prior to joining Delta Dental, Leonard was with ManagedComp.

The American College
The American College has appointed Charles S. DiLullo as the Jarrett L. Davis Distinguished Professor. In his new position, he will be responsible for development, promotion and implementation of the college's programs within the fields of accounting and finance.
David A. Littell has been promoted to Professor of Taxation. His responsibilities will include updating course content for the Huebner School courses in retirement planning and financial decision making.
Arthur S. Whittemore, III, has been promoted to the position of vice president of finance and administration, where he will oversee departmental plans and budgets.
The College also promoted John G. Wells to treasurer and controller.
Finally, Barbara S. Poole has been named associate professor of insurance, coming to the college from Central Connecticut State University.

Russo Picciurro Maloy
Edward J. Maloy, III, has returned to Russo Picciurro Maloy Agency on Staten Island, New York, as director of community relations.
Maloy started the Maloy Agency in 1965 and retired as president in 1967. RPM acquired the Maloy Agency last year.

Sun Life
Sun Life Assurance of Canada recently named Hatty L. Tsai, MD, as assistant vice president and medical director for medical underwriting in the individual insurance division. Dr. Tsai will be responsible for the operations of the on-site employee medical clinic as well as medical underwriting. She originally joined Sun Life Financial in 1999 as associate medical director.
Acentas
Stoneham, Mass.-based Acentas, a business-to-business online insurance provider, has named Brian A. Tilley to the position of director of carrier relations. Tilley joins Acentas from New England Financial where he planned agency web sites and managed the field support unit.

IIARI
The Independent Insurance Agents of Rhode Island recognized several deserving agency employees at its recent education luncheon.
Kathy Conn, of the Capuano Insurance Agency in Cranston, received a scholarship for achieving the highest grade point average in the state on a series of national Accredited Advisor in Insurance (AAI) exams.
Mary Bonville of the Lathrop Agency in Westerly received a scholarship for achieving the highest grade point average in the state on a series of national Accredited Customer Service Representative (ACSR) exams.

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