***Insurance Times:*** Low Rates Could Scuttle Mass. OEM Endorsement
October 24, 2000, Vol. XIX No. 22

# Approved rate formula dampens insurers' enthusiasm for new rider

by Mark Hollmer
InsuranceTimes

BOSTON - Expected low rates could kill an optional industry endorsement for original equipment manufacture parts by making it financially unfeasible for many insurance companies to offer.

The reason stems from Insurance Commissioner Linda Ruthardt's recent approval of a mechanism to calculate rates for the Automobile Insurers Bureau-sponsored endorsement, which covers the use of OEM parts to replace crash-damaged ones.

Ruthardt approved legal aspects of the proposed endorsement on June 2 but rates haven't been established yet. The AIB filed its plan nine months ago, on Dec. 23.

Her latest decision in the matter, handed down Sept. 29, dictates that endorsement rates themselves can't be calculated based on this year's numbers, Rather, that will happen in December, when Ruthardt establishes overall auto industry rates for 2001.

But the approved mechanism would establish rates less than half of those recommended by the AIB based on this year's figures, said Daniel Johnston, the AIB president.

## Lower Figures

The AIB recommended a premium rate of 13 percent of collision and 2 percent of comprehensive, but Ruthardt approved the equivalent of 5 percent of collision and 1 percent of comprehensive.

Johnston said the number will likely still be much lower using 2001 figures, and that the mechanism "does not leave enough to pay claims" for companies that may choose to use the optional endorsement.

Interviewed earlier, Richard Derrig, the AIB senior vice president, confirmed that the rate the AIB endorsement ends up with "could be too low ... to proceed."

Even if a rate is approved, Derrig said, it may be too low for the endorsement to go into effect.

The AIB will ultimately have to decide whether to file the final endorsement once 2001 rates are set.

The mechanism, actually approved by Presiding Officer Jean Farrington (and then affirmed by Ruthardt), essentially follows a State Rating Bureau recommendation rather than the AIB, Johnston said.

Still, Farrington, in her decision, wrote that the AIB's proposed methodology to develop an endorsement rate was "appropriate" and that the AIB's estimates for claim cost increases regarding the difference between OEM and aftermarket parts "are reasonable."

But Farrington said the AIB hasn't "supported any adjustment to claim costs based on anticipated price increases from a reduction in competition ... I will therefore approve the AIB's approach without the proposed additional claim cost values."

Farrington also said the 2001 endorsement rates "should reflect commission payments."

A voluntary endorsement that covers OEM parts would signify a big change in the Massachusetts insurance industry.

The state requires using aftermarket or generic auto parts for repairs rather than new ones, as long as they are "of like kind and quality" and cheaper, unless vehicle safety is affected.
Insurance mechanics can use OEM parts if they can't find cheaper ones, or if a vehicle is newer than 15,000 miles.
Ending aftermarket parts would cost 4.6 percent more for cars with a 1990-1997 model year, the AIB said in an actuary report issued earlier this year.
Ruthardt still plans to issue a bulletin regarding the marketing of the endorsement "on a non-discriminatory basis" and how its details will be offered to consumers.

## ***Insurance Times:*** Privacy, Agent Licensing Are Priorities For Conn.'S Cogswell

October 24, 2000, Vol. XIX  No. 22

by Mark Hollmer
InsuranceTimes

HARTFORD - Connecticut regulators hope they'll be among the first to debut proposed privacy regulations later this fall, but they'll only include half of the NAIC model.
They'll address how to protect private financial information, but protection of personal health details isn't included in the initial proposals. The National Association of Insurance Commissioners includes both elements in its model privacy legislation intended as a guide for states.
According to Insurance Commissioner Susan Cogswell, the omission makes sense because the action avoids conflict with impending federal regulations covering the same territory.
"The Health and Human Services Administration will be putting out (its) own health privacy regulations within a month ... we don't know what that's going to look like...(or) if they will be in conflict with the NAIC model," she said in a recent InsuranceTimes interview.
Cogswell also spoke on a number of other issues during the interview, including the year's legislative agenda and the Internet.

Acting Sensibly
Regarding proposed privacy regulations, she said her department was acting sensibly by withholding the health portion of privacy regulations until the federal ones kick in first.
This will allow regulators to add proposed health privacy regulations after the fact that complement rather than conflict with federal ones, Cogswell said.
"We'd rather not have companies go through this twice," she said. "We already have statutes on the books that protect health information so we can wait to see what the feds have."
The Gramm-Leach-Bliley (GLB) financial services modernization law passed in 1999 allows banks and insurance companies to jump into each others' businesses.
Under the GLB law, states have a three-year deadline to come up with uniform or reciprocal licensing standards; at least 29 must do so or a federal agency would be created to do it for them.
GLB initally called for states' privacy regulations to kick in by November, but federal regulators and the NAIC have put off the deadline until July 1.

Company Bulletin
Connecticut plans to notify insurers about the change in a special bulletin, Cogswell said.
Within a month, Cogswell said, the proposed regulations will be sent successively to the Governor's Office of Policy and Management, the state Attorney General's office and a legislative committee for review.
The public can attend the legislative committee, Cogswell said, but a public hearing would be held only if enough people ask for one. Expect at least for months for the entire process.
Other issues Cogswell addressed:
• Producer licensing legislation. This is the priority for the year, she said, which also falls into place under Gramm-Leach-Bliley. "The NAIC has put a lot of work into the model and Connecticut would like to be one of the first states to adopt (the legislation)," she said.
• One-stop-financial services. Since the GLB law, there hasn't been a rush nationally or in Connecticut to form financial-services holding companies, Cogswell said, under which banks and insurance companies merge.
Connecticut has a leg up on the law, Cogswell said, because the state has had banks selling insurance since at least 1997. The state has also had a financial holding company prior to GLB - with Citigroup purchasing Travelers Insurance.
"We began working immediately with federal regulators," she said. Cogswell added that Connecticut's practice has served as a model nationally for functional regulation, where federal bank and state insurance regulators perform separate functions, but both share information so they don't "put an undo burden on companies."

Information Sharing
Connecticut, she said, is the only state that has an information sharing agreement with the Federal Reserve concerning insurance/banking regulatory issues.
• The Internet. Cogswell said it's hard to predict how much of the market it will be in the future, but admits "certain people are using it as a tool to go shopping" for insurance. She said it's up to the Insurance Department to "make sure consumers know what they're doing when they go online to buy insurance.
"The challenge is how best to protect consumers while allowing that commerce to move forward," she said.
• Individual Health Insurance Market. Cogswell said the market in Connecticut is difficult as it in other states, though Connecticut "probably has more companies than other New England states offering the product, but it is expensive."

## ***Insurance Times:*** RI A 'Showcase State' For Natural Disaster Planning

October 24, 2000, Vol. XIX No. 22

Taking steps to prepare towns, businesses

NEWPORT, R.I. - The hurricane of 1938 was one of the worst natural disasters in New England history, killing hundreds of people and costing more than $4 billion in today's dollars.
At a recent national conference, Disaster Safety: Choice or Chance?, sponsored by the Institute for Business & Home Safety, an expert asked how Rhode Island might fare today in a similar disaster.
"What would happen if Rhode Island faced a hurricane, flood or other natural

disaster right now? How would the state cope?" asked David Vallee, a service hydrologist with the National Weather Service.
A similar event to the hurricane of 1938 would cause more than $1 billion in damage to property in the Ocean State alone. Homes, businesses, infrastructure and the environment are exposed to potential losses. "Our families, property, equipment, highways, airports and waterways can be impacted, resulting in financial loss, economic disruption as well as long-term ecological, social and cultural effects," commented David Odeh of Odeh Engineers, Inc., a structural engineering and consulting firm in Providence.
According to Odeh, the state can benefit from implementation of the IBHS Showcase for Natural Disaster Resistance and Resilience model implemented in Rhode Island through an executive order signed by Gov. Lincoln Almond in December 1998. Organized around 14 elements, including adoption and enforcement of building codes, integration of natural hazard impacts into land use plans, up-to-date response and recovery plans, and business preparedness, Rhode Island is providing a systematic and cost-effective framework for disaster preparedness and recovery that can be adopted by other states nationwide.
Vallee. who spoke about state mitigation efforts, noted that Charlestown, Woonsocket and Pawtucket were among the town that have taken initiatives to actively address the threats. "These parts of Rhode Island have already developed short and long term plans to deal with the risk, and other cities and towns are in the process of doing the same."
Vallee maintained that Rhode Island must educate its consumers and the media about better disaster preparation. "We must continue to press cities and towns to enforce hazard-resistant building codes and to more appropriately use available land in light of the flood hazards in these communities. Partnerships are the most efficient and effective means to get the biggest bang for the buck."
While better building codes, stronger code enforcement and new building techniques and materials are critical aspects of a sound mitigation strategy, they constitute only part of the total framework, according to Pamela M. Pogue, floodplain management coordinator for the Rhode Island Emergency Management Agency. "Decisions on where to build and how to manage development within a community are just as important as decisions on how to build. Without thoughtful land use planning, the framework is incomplete and efforts to contain natural disaster losses will be ineffective."
Pogue noted that the most recent disaster, Hurricane Bob, which struck Rhode Island in 1991, causing more than $1.5 million in damage to marinas, harbors and boats, has already faded from memory. "We need to minimize damage to marinas, harbors and boats through comprehensive land use plans, harbor management and watershed management plans," she said.
The IBHS and its partners  launched the Rhode Island Showcase State for Natural Disaster Resistance and Resilience, Pogue said, to explore just these issues. "The state, under the leadership of the Rhode Island Emergency Management Agency will complete a statewide hazard analysis and risk assessment and provide assistance to municipalities to identify their natural hazard risks," Pogue said. "It will also develop partnerships with businesses to provide a public-private link for coordinated mitigation, preparedness, response and recovery, promote and support enforcement of the latest model building code and encourage communities to participate in the National Flood Insurance Program and the Community Rating System."
According to Odeh, whose firm received a contract from the National Oceanic and Atmospheric Administration to perform an initial assessment of risk for the showcase state, "in-state technology can help identify and create an understanding of risk. Public-private partnerships can foster sustainable economic development and better disaster preparedness. The IBHS showcase state initiative has forged key partnerships for progress in reducing losses from

disaster and is creating a model for other states."
Joseph Madden, director of external relations and community affairs for MetLife Auto & Home, headquartered in Warwick, said the value of preparedness can't be underestimated. "Companies can take initiatives to build awareness with employees," he said. "Retrofitting efforts, such as the use of tempered glass and shutters provide an example for employees to take back to their homes and use."
"As an insurance company, we want to do our part," Madden added. "We hope what we're doing will inspire other businesses to participate."
Jeffrey Johnson, vice president for community relations with Beacon Mutual Insurance Co., based in West Warwick, explained that companies are also exposed to post disaster workers compensation claims. "Employers could reduce workers compensation claims by having a plan, and preventing employees from doing emergency repair work they are not familiar with or qualified to do."
Johnson, whose company insures more than 1,000 businesses in Rhode Island, said that businesses need to be educated about planning for recovery. "A disaster could adversely impact your workers compensation premiums for four or five years," he said. "We don't want that to happen."
Small businesses also need to know the risks they are exposed to, explained Robert D. Hamlin, director of the state's Small Business Development Center. "Nearly 97 percent of businesses in Rhode Island are small businesses. If a disaster were to strike, how would these businesses repay a loan?"
Hamlin said that when companies are thinking about a business plan, they should also consider disaster planning. "What happens to inventory if a disaster strikes? You need to raise the consciousness level of disaster mitigation."
John Golembeski, president, Rhode Island Reinsurance Association, moderated the panel.
The IBIS is a nonprofit initiative of the insurance industry to reduce the social and financial costs of natural disasters. It recently relocated its headquarters from Boston to Tampa.

## ***Insurance Times:*** American Enterprise Life Insurance Company

October 24, 2000, Vol. XIX  No. 22

October 24, 2000

American Enterprise Life Insurance Company
Administrative Offices
829 AXP Financial Center
Minneapolis, MN 55474

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

***Insurance Times:*** Mass. Board Concludes Aftermarket Parts Not Equal To OEM Parts

October 24, 2000, Vol. XIX  No. 22

by Mark Hollmer
InsuranceTimes

BOSTON - An industry board report concluding that structural aftermarket parts "are not what they could or should be" and may jeopardize vehicle safety is now in the hands of Massachusetts Insurance Commissioner Linda Ruthardt.

Among the conclusions by the Massachusetts Auto Damage Appraisers Licensing Board: "Structural aftermarket parts should not be allowed to masquerade around this Commonwealth as being like/kind/quality parts that are simply made by a competitor of the original manufacturer."

ADALB Chairman Gilbert Cox, Jr., plus board members Walter Thomas and Joseph Valarioti signed the majority report, which was to be sent to Ruthardt on Oct. 18 following the ADALB regular meeting.

Ruthardt had asked the board to submit its recommendations to her after a Consumer Reports article last year suggested certain aftermarket parts were unsafe.

She will also be considering a six-page minority report by board members Peter Kenyon and Donald Spinelli criticizing the board's two related majority motions passed earlier in the year.

"The majority ignores the facts that millions of aftermarket cosmetic and structural parts have been used in the United States for the past 20 years without any apparent safety problems," they concluded.

The Alliance of American Insurers issued an Oct. 18 press release also criticizing the ADALB majority report.

"It is difficult to understand how the Board came to its conclusion since the Insurance Institute for Highway Safety ... has gone on record declaring generic repair parts don't affect vehicle safety," said AAI regional manager Frank O'Brien.

"It is particularly suspect given that the preliminary report stated it did not receive any scientific evidence that shows generic parts are unsafe."

The ADALB passed two aftermarket motions  by a 3-2 vote  at its May 24 meeting in Marlborough. One concluded that "structural aftermarket parts are not of like/kind and quality" to original manufacturer parts and "may" compromise vehicle safety. The other motion stated "aftermarket parts are not the exact duplicate of the factory original parts and may jeopardize" overall vehicle safety and value.

The 10-page majority report attempts to explain the board's reasoning for the May 24 motions, and OEM  and aftermarket parts.

"It is not our intention to ban (the use of aftermarket parts) or to ignite a crusade against their use. In fact the Board voted 4-0 that aftermarket parts have a meaningful place in the repair of an automobile."

However, the board was presented "with several examples of aftermarket structural parts that were clearly not the equal of OEM parts with respect to their weight, methods of reinforcement or bracing and thickness of metal.

"These parts, because they are lighter, thinner and less braced are clearly not of like/kind/quality to OEM parts," the report concludes.

Manufacturing Defects

Further, the report adds "aftermarket cosmetic crash parts appear to suffer from the same manufacturing defects as aftermarket structural parts. Their overall weight, rigidity and quality of metal and plastics differs from their OEM counterparts.

"It is very safe to assert in writing that the quality and fit of aftermarket cosmetic parts are not the equal of an original."

Aftermarket structural crash parts can include bumpers, bumper supports, radiator supports and frame rails, while fenders, door skins and grilles are cosmetic crash parts.

The majority report points out that Bay State consumers "are not protected by any federal or state safety standards" when they purchase individual auto parts and that "individual parts are not crash tested or otherwise certified" by any federal agency.

The majority report urges auto body shops and consumers to choose parts based on quality rather than bottom line (aftermarket parts can be cheaper), which "will lead to the manufacturing of better parts."

Board members did vote 4-1 to ask Ruthardt to explore ending the use of generic parts after a car has been driven 15,000 miles or more, and focus repair decisions instead on the vehicle condition itself.

Also mentioned in the majority report is the board's unanimous vote to note "there is no recall system for aftermarket parts in existence," and recommend establishing a 1-800 number so a purchaser can verify if a part is being recalled.

## ***Insurance Times:*** RI Ruling On Insurer/Auto Body Ties Expected Soon

October 24, 2000, Vol. XIX No. 22

PROVIDENCE - Insurers and auto body shops are expecting a court decision within the month on whether auto insurers can maintain direct relationships with certain repair shops.

The issue at the heart of the so-called Crown Collision case is Rhode Island's automobile direct repair program. Under Rhode Island law, an appraiser is prohibited from working out of a body shop.

The case involves Crown Collision of Pawtucket and its activities relating to its agreement with United Services Automobile Association (USAA).

The Department of Business Regulation (DBR) on June 30 ordered Crown to stop performing damaged vehicle appraisals without a license and to stop repairing vehicles it had appraised. The DBR also cited Crown for not maintaining separate offices for the appraisal and repair activities as state law requires. The Cease and Desist Order was set to take effect in 60 days.

This action stemmed from charges initially brought by the DBR in 1998. At that time the DBR issued a complaint charging that Crown Collision's arrangement with USAA violated state law.

The DBR alleged that Crown was appraising damaged motor vehicles for USAA without holding the appropriate damaged vehicle appraiser license. The DBR also claims that Crown and USAA infringed upon insureds' "free choice" to select a repair facility.

Crown appealed the DBR decision and a Superior Court judge granted its motion for a stay. Additionally, the judge's order provides that the court will hear this matter on "an expedited basis."

The National Association of Independent Insurers (NAII) has been monitoring this case from the outset. NAII Counsel Gerald Zimmerman notified member companies of the recent activity. "Our members should know that presently direct repair relationships between insurers and auto body shops are not outlawed in Rhode

Island. However, it is likely the Superior Court will rule on this issue at the end of October or early November," Zimmerman said.

## ***Insurance Times:*** PIANJ To Fund Agent Lawsuit Against Insurer

October 24, 2000, Vol. XIX No. 22

TRENTON, N.J. - The Professional Insurance Agents of New Jersey Inc. said it will fund the appeal in a case it believes is of "utmost importance" to independent agents.

The case, R.J. Gaydos Insurance Agency vs. NCIC, is currently pending before New Jersey's high court. Holding that an insurance company violates the FAIR Act when it terminates an agency for a high volume of high loss ratio policies, the New Jersey Appellate Division decided in favor of Gaydos, prompting the Robert Plan (the now defunct NCIC's parent company) to appeal to the New Jersey Supreme Court.

Gaydos chose not to incur further legal costs to defend his favorable ruling before the high court.

The FAIR Act prohibits insurers from "penalizing an agent by paying less than normal commissions or compensation because of the expected actual experience produced by the agent's auto business or because of the the geographic location of the business written by the agent. However, there is no law that says an agent cannot be terminated for these reasons. With the appellate court's favorable ruling, there is now case law in the state prohibiting such terminations, notes PIANJ President Kenneth Auerbach.

"It is extremely important that all efforts are made to see that the Supreme Court affirms this ruling," Auerbach said.

There is a secondary issue at stake, as well: whether an agent may bring a private cause of action against an insurer under the FAIR Act. The defendant in the case is arguing that the agent's appropriate remedy is not to sue in a private court action but to seek administrative relief from the Department of Banking and Insurance.

"The ability of an agent to bring a private cause of action against insurers for violations of the FAIR Act would greatly benefit all agents by opening up another avenue of recourse which could provide them with money damages." Auerbach said.

## ***Insurance Times:*** Third Quarter U.S. Catastrophe Losses Lowest In Years

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NEW YORK - U.S. catastrophe losses for homeowners and businesses are at their lowest third-quarter level in 11 years, according to the Insurance Services Office.

Insurers paid out $315 million for the period for three catastrophic events, compared with $2.1 billion for seven events in last year's third-quarter period. Both figures, however, pale with third-quarter 1992 property losses of $17.4 billion, caused by Hurricane Andrew and seven other catastrophes.

The three events that affected the most recent third-quarter losses took place in 12 states, mostly in Midwestern states including Minnesota, Wisconsin, Ohio,

Michigan and Illinois. Among them: an early July thunderstorm that caused $150 million in damages.
So far this year insurers have paid out $3.84 billion in catastrophe losses compared to $8.06 billion in the first nine months of 1999 and $9.6 billion in the same period in 1998. This year's third-quarter losses came from over 100,000 claims, ISO said.

## ***Insurance Times:*** New England Fidelity Liquidation To Trigger State's Guaranty Fund

October 24, 2000, Vol. XIX  No. 22

Receivership to seek principal of $2.75 million loan

by Mark Hollmer
InsuranceTimes

BOSTON - New England Fidelity is on the road to liquidation, less than two weeks after a judge ordered the small auto insurance company placed in receivership.
Massachusetts Insurance Commissioner Linda Ruthardt filed the state's latest petition for liquidation in Supreme Judicial Court on Oct. 5.
"The Commissioner has determined that New England Fidelity is insolvent," explained Christopher Goetcheus, the Division of Insurance spokesman.

Nov. 15 Target Date
A hearing date is scheduled for Nov. 9 at 2 p.m., with a targeted liquidation order of Nov. 15. If approved, that's the date that triggers the state's guaranty fund - which would cover outstanding claims up to $300,000, including claims on policies that remain in force through Jan. 15.
Bob Florian. New England Fidelity president and chief executive officer, blamed the company's failure, in part, on too much ERP business. But the DOI's quick insolvency determination also revolves around a complicated issue concerning a $2.75 million bank loan, and New England Fidelity's June 30 unaudited financial statement.
The company filed its unaudited statement with the DOI on Aug. 14 and revealed a surplus reduction from $6.1 million last year to $2.7 million as of June 30. (That's far below the $5.75 million minimum surplus the company needed.)
But $2.75 million of the company's assets as of June 30 are from a March 1999 loan a Family Bank subsidiary made to New England Fidelity's parent company, known as LADD Financial Group.

Loan Agreement
The agreement allowed LADD to use the loan money to add capital to New England Fidelity, according to the receivership petition. In return, LADD pledged 51 percent of New England Fidelity stock as collateral.
Meanwhile, the DOI approved the deal and LADD "drew down on the loan" and pumped $2.75 million in capital into New England Fidelity.
DOI receivership officials take issue, however, with how the company classified the loan on its financial statements.
New England Fidelity reported the money as an asset on its financial statements, the receivership paperwork said. But the company actually deposited the money "into an account with the Bank pursuant to an Investment Management Agreement."
This agreement allowed the bank to manage the $2.75 million and in return, New

England Fidelity could receive earnings from the money as long as LADD didn't default on the loan. But the contract, Goetcheus said, did not address if the principal could be returned to New England Fidelity.
With adjustments for the loan, New England Fidelity's surplus is now estimated to be "a negative $2.6 million," according to the liquidation petition.
New England Fidelity may still have gone under if the bank returned the loan, but the money "could have given the receiver more time to look at options," Goetcheus said.
Though the bank has kept the money for now, the DOI receivership plans to fight for return of the money, Goetcheus said.
"The agreement between New England Fidelity and the bank should have been brought to the Division's attention and never was," he said.
"We had the right of approval or refusal."
The company petitioned for relief from Commonwealth Auto Reinsurers (CAR) on July 21 because it had reached nearly 158 percent of its "ought to have" exclusive representative producer (ERP) business level, and was oversubscribed by 4,554 ERP exposures. However, that relief came too late to save the insurer, whose ERP exposures accounted for about a third of its total book of business.

## ***Insurance Times:*** Laser Surgery Benefit For City Of Hartford Employees 'Not A Major Item'

October 24, 2000, Vol. XIX No. 22

by Mark Hollmer
InsuranceTimes

HARTFORD - Two major newspapers generated some buzz recently about one of the City of Hartford's unusual health benefits for city employees: cosmetic laser eye surgery.
The New York Times and The Hartford Courant wrote about how many city employees have had some form of the laser eye surgery benefit in their health plans for years. But its use has climbed, they said, as the outpatient surgery to restore 20/20 vision has become more popular.
The Times reported that Dr. Richard Fichman, a Manchester ophthalmologist, even began to drum up laser eye surgery business by sending people to Hartford schools and City Hall to hand out pamphlets.
Fichman did not return calls from InsuranceTimes seeking comment.
According to Gene Surrett, risk manager for the City of Hartford, the benefit is no big deal.
City employees - including the Board of Education, teachers and City Hall workers, about 5,300 in all - are covered by a union approved health plan, he said. That plan includes the laser eye surgery benefit, which costs a minimum $3,600 for both eyes, according to The New York Times.
Surrett told InsuranceTimes that 408 people have used the procedure since 1996, costing about $1.4 million over four years out of a $37 million total annual health benefit price tag for the city.
An earlier version of the procedure, known as radial keratotomy, used to be included in the city's major medical plan with Traveler's. Within last decade the city switched to PPO coverage, but maintained coverage levels agreed to in union negotiations. As a result, the benefit, considered non-standard coverage, is now part of the city's coverage through Anthem Blue Cross and Blue Shield.
Surrett said the $1.4 million eye surgery bill, accumulated since 1996,

represents a small number in the city's total health care coverage costs.
"It's not ... one of our major items," he said.
Surrett added that while cosmetic surgery insurance coverage is unusual, he's not "totally convinced" that this is cosmetic.
"If you look at a policeman or fireman they need to have their vision as best as they possibly can to make sure they do their job correctly, so it may be an important item for them. For someone like that, you want to make sure they can see the way they're supposed to see."
Carol Pompano is Anthem's regional public relations manager. She said the company doesn't usually cover the surgery, but "larger groups can request their plans to cover what they wish (them) to cover."

## ***Insurance Times:*** New Yorkers Gain Access To Physicians' Malpractice Records, Hospital Report Cards

October 24, 2000, Vol. XIX No. 22

Anny Kuo
Associated Press

ALBANY, N.Y. - New Yorkers will be able to access malpractice records and other background information about physicians under a bill signed into law by Gov. George Pataki.
Under the law, the state Health Department will collect and post ``profiles'' of doctors in an Internet database that will include information like where doctors were educated, the names of other doctors in their practice, the health care plan they participate in and the name of the malpractice insurance provider.
The legislation also requires malpractice judgments, criminal convictions and state disciplinary actions within the last 10 years to be listed. Malpractice settlements within 10 years would be included if there are more than two or if the health commissioner orders that they be listed.
Patients will be able to look up a doctor's information by accessing the department's Web site or through an 800 telephone number.
The new law includes a ``physicians misconduct reporting'' requirement that narrows the time frame in which hospitals and health care plans must report suspected misconduct by a doctor from 60 days to 30 days. They must also clearly state the reason for a doctor's dismissal or resignation.
It also requires the state health and education departments to immediately alert hospitals and health care plans of disciplinary actions against a doctor and creates new criminal penalties for insurers who fail to report malpractice payments.
In addition, the state Board of Regents will need to consult the Health Department before restoring a revoked physician's license. The department will also have veto power over license restorations.
A state ``Patient Safety Center'' will be established to collect information about medical errors and make recommendations to reduce such mistakes.
The Health Department's Web site will also include hospital and health care plan "report cards'' that provide information about available services. The hospital report cards will be based on the state's Cardiac Report, which ranks hospitals and surgeons on successful cardiac surgeries.
``A whole new world of information is opened up to medical consumers,'' said Geri Barish, president of 1 of 9, a Long Island breast cancer coalition.
The Health Department Web site currently includes disciplinary actions against

doctors over the past eight years. Department spokesman John Signor said that will be expanded to include records within 10 years in the next two months. During that time the department will also collect other data such as biographical information.
``This is a priority at the department and we'll get it up on the Web site as quickly as possible,'' Signor said.
The health department Web site is: www.health.state.ny.us. The profile hotline, which only takes complaints right now, is 1-800-663-6114.

## ***Insurance Times:*** Business Groups Hope To Stall Ergonomics Rules Until After Election

October 24, 2000, Vol. XIX No. 22

by Jim Abrams
Associated Press

WASHINGTON, D.C. - A decade-long effort to give workers new protections against repetitive motion injuries is coming to a head with the Clinton administration, over the objections of Congress, intent on implementing workplace rules this year.
The GOP majority in Congress is equally determined to put off the new rules until next year, when they hope there will be a Republican in the White House more sympathetic to the business community's strong opposition to the rules.
Both the House and the Senate this summer voted mainly along party lines to bar the Occupational Safety and Health Administration from releasing final repetitive motion injury standards during the fiscal year that began Oct. 1.
The White House said that delay was unacceptable, and has made it one of the key issues, along with education spending, in ongoing negotiations over a $350 billion bill to fund labor, education and health programs in fiscal 2001.

Bush Administration
Last November, after a decade of studies that began during the Bush administration, OSHA issued proposed standards to protect workers from back injuries, carpal tunnel syndrome and other work-related disorders.
OSHA contends that every year 1.8 million workers suffer from ergonomic injuries and 600,000 workers lose a day or more of work. It says businesses pay out $15 to $20 billion each year in compensation related to these disorders, one-third of all worker compensation costs.
OSHA says the rules would cost businesses some $4.5 billion to implement but would reap $9 billion a year in savings from medical expenses and workers compensation.
Business groups, however, cite a study by the Economic Policy Foundation, a think tank, that estimated costs of more than $90 billion a year over 10 years.

Chamber Position
Stephen Bokat, senior vice president and general counsel for the U.S. Chamber of Commerce, said the proposed rules don't adequately define hazards and preventive measures, could make businesses liable for non-work related injuries and create conflicts with current worker compensation laws. If the rules are enacted in their current form, the Chamber will challenge them in court, he said.
Rep. Henry Bonilla, R-Texas, a leading opponent of the proposed rules, said in a recent statement that they could result in job losses, hiring freezes and

lowered salaries. The proposal ``has the ability to kill hundreds of small businesses across our country.''
On the other side, Peg Seminario, health and safety director for the AFL-CIO, said repetitive stress is ``the biggest safety and health problem that exists'' for workers in fields ranging from data entry to health care to construction.

Outlast Clinton
Republicans, she said, have consistently delayed federal action since they gained control of Congress in 1995 and are now trying to outlast Clinton's days in the White House. ``I don't think it's a matter of money, it's more a matter of ideology: They don't want the government involved in mandating that employers take action, they don't want regulation, period.''
Senate Republicans last week suggested a compromise under which the ban on promulgating the final rule would be for six months rather than the full year.
Sen. Ted Kennedy of Massachusetts, the top Democrat on the Senate Health, Education, Labor and Pensions Committee, said that proposal was unacceptable.
``Every month we delay, 50,000 more workers suffer painful and often crippling injuries,'' Kennedy said. ``It is long past time for Congress to let this needed rule take effect.''
The Labor-HHS spending bill is H.R. 4577.

## ***Insurance Times:*** Bill Blocks HUD Insurance Role

October 24, 2000, Vol. XIX  No. 22

WASHINGTON, D.C. - A House-Senate Conference Committee Report on the 2001 appropriations bill for VA-HUD and Independent Agencies last week supported language in the Senate version of the bill that effectively precludes HUD from pursuing regulatory authority over property-casualty insurers.
The Conference Committee report is considered a victory for insurers and an affirmation of the authority of states to regulate insurance under the McCarran-Ferguson Act.

States' Authority
"This is a win for both insurers and state regulation," said Robert Dibblee, senior vice president of governmental affairs for the National Association of Independent Insurers (NAII). "Once again, Congress has shown its support for language that effectively puts the brakes on HUD's continuing efforts to expand its regulatory oversight to the property-casualty industry. As in past years, Congress' recent action should stop the federal agency's end-run around McCarran Ferguson and leave regulation of insurance issues where they belong-with individual state regulators."
The Conference Report now awaits final action by both the House and Senate before being sent for signature to the President who has already signaled his support for the bill. It was anticipated that this measure would be signed into law before the end of last week.

## ***Insurance Times:*** Insurers Blast NH 'Loss Of Enjoyment' Damages Ruling

October 24, 2000, Vol. XIX  No. 22

CONCORD, N.H. - The insurance industry has charged that the New Hampshire Supreme Court's recent decision to allow separate damages for "loss of enjoyment of life" when permanent injuries are sustained establishes a dangerous precedent.

"Prior to this opinion, New Hampshire law did not address whether these damages could be recoverable," said Rick Newman, counsel for the National Association of Independent Insurers (NAII). "By agreeing to uphold such damages, New Hampshire could be opening the floodgates to frivolous lawsuits."

The original case, Edward and Joyce Bennett v. David Lembo, involves an auto accident in which Lembo rear-ended the Bennett's car while it was stopped at an intersection. Bennett later sued Lembo for negligence and loss of consortium after Bennett's doctor found that the 1994 accident left his patient with permanent impairment.

In the trial, Bennett's attorney advised the jury to consider awarding Bennett additional damages for "loss of enjoyment of life," as separate and distinct from claims of economic loss and conscious pain and suffering. The jury returned a $75,000 verdict for Bennett and $25,000 for his wife, and the trial court rejected the defendant's motion to set aside the verdicts because such damages were unavailable under the state's law.

In its Oct. 5 opinion, the New Hampshire Supreme Court states that earlier case law does not preclude the awarding of damages for "loss of enjoyment of life," and holds that such claims are specifically compensable under state law.

"This ruling has the potential to do serious damage to the New Hampshire court system, and could disrupt the state's insurance market," Newman said.

"The high court was doing no favors to the average consumer when it delivered this ill-conceived opinion. The result could be insurance premiums - not just for auto, but for all other liability coverages as well."

## ***Insurance Times:*** Mass. Wins Support In Fight Against Bank Law Preemption

October 24, 2000, Vol. XIX No. 22

Also, OCC is again asked by federal financial services group to overturn Rhode Island's 1996 banks-in-insurance law

BOSTON - Bay State insurance agents learned that they have influential friends in their campaign against the effort of the Massachusetts Bankers Association (MBA) to have the federal government overrule portions of the state's banks-in-insurance law.

In related news, a national financial services trade organization has renewed its call for a federal ruling on whether a 1996 Rhode Island law governing banks' sale of insurance is preempted by federal law.

This past June, the MBA petitioned the federal Office of the Comptroller of the Currency (OCC) to preempt three provisions of the 1998 Massachusetts law which opened insurance sales to banks and other financial institutions. The MBA claims that the federal Gramm-Leach-Bliley Financial Services Modernization Act of 1999 preempted certain state provisions. In July, the OCC opened a 30-day public comment period, which saw more than 100 letters on two sides of the issue. Support for the MBA's preemption position was limited to 14 bank trade association and 52 Massachusetts banks.

Opposition to the MBA's preemption position, however, was voiced not only by the Massachusetts Association of Insurance Agents and other agent groups, but also

by a variety of groups representing regulators, legislators, consumers and businesses.
Joining MAIA in opposing the MBA were the National Association of Insurance Commissioners (NAIC), the National Conference of Insurance Legislators (NCOIL), the National Conference State Legislatures (NCSL), as well as 26 state and national insurance trade associations. Also four consumer groups: the Center for Insurance Research, the Massachusetts Affordable Housing Alliance, MASSPIRG, and Spread the Risk Inc.
In addition, opposition to the MBA position was sent by the Massachusetts Office of Consumer Affairs and Business Regulation, which oversees the Division of Banks and the Division of Insurance.
Frank Mancini, executive vice president for MAIA, expressed agents' appreciation for the support of so many groups for upholding the state's laws in the face of federal preemption.
"The development of the Massachusetts banks insurance sales law was a cooperative effort among insurance and banking interests, key legislators and regulators, and consumer representatives," said Mancini. He noted that, with the exception of the banks, all of the parties involved in the legislation opposes the MBA preemption request. "If the OCC gives these comments the weight they are due, we are convinced that it will not grant the preemption requested by the MBA," Mancini added.
Concerning the Rhode Island bank law, the Federal Register published a second written request for an opinion from the OCC about whether federal law preempts certain provisions of the Financial Institutions Insurance Sales Act (FIISA), enacted by Rhode Island in 1996.
When the FIISA was first enacted, the association, which represents banks selling insurance and other financial services companies, filed a similar request for the OCC's opinion. Although the issue was placed on the Federal Register for comment at that time, the GLB Act addressing many of the same issues was enacted in 1999 and no OCC opinion was ever issued.
Now FIIA has renewed its request for the OCC's opinion on whether federal lawpreempts some of the provisions of the Rhode Island statute and its implementing regulations.

## ***Insurance Times:*** OpinionExchange

October 24, 2000, Vol. XIX No. 22

"OCABR has serious concerns that preemption of the waiting period requirement would interfere with the vital provisions in the Massachusetts insurance laws and other consumer protection laws that prohibit tying. This anti-tying concern is consistent with the important goal of the Massachusetts General Laws to protect consumers from unfair conditions in the lending of money or extension of credit...The waiting period requirement may also be needed to eliminate possible implicit or explicit pressure placed on a customer to purchase insurance from the lender to whom the customer has submitted a credit application. Similarly, the referral prohibition and referral fee prohibition are consumer-protective in nature and guard against inappropriate product recommendations, high pressure sales tactics, and the sale of insurance products on the basis of compensation to the seller rather than the benefit to consumers."
Jennifer Davis, director, Massachusetts Office of Consumer Affairs and Business Regulation, in her letter to the federal Office of the Comptroller of the Currency, in support of

provisions of the state's law governing bank in insurance challenged by the Massachusetts Bankers Association and other banking interests.

When it comes to protecting consumers from potential abusive sales practices by banks selling insurance, Massachusetts insurance agents and companies appear to have friends in important places --like in the state regulatory agencies, the legislature, and key consumer groups.

As the Massachusetts Association of Insurance Agents recently pointed out, the roster of those backing the state's banks-in-insurance law reads like a who's who in consumer protection: the Massachusetts Office of Consumer Affairs and Business Regulation, the Center for Insurance Research, the Massachusetts Affordable Housing Alliance, MASSPIRG and Spread the Risk Inc.

Add to this team the National Association of Insurance Commissioners, the National Conference of Insurance Legislators and the National Conference State Legislatures and you have a formidable team. This is a team whose combined legal and political arguments should be more than enough to persuade the OCC to dismiss banks' complaints that the state law conflicts with federal provisions and thus should be preempted.

It is encouraging to see such a show of support for state consumer protections in the face of a federal threat. Perhaps this consensus can form the basis for future agreements in the area of insurance consumer protection.

The National Association of Mutual Insurance Companies (NAMIC) recently released a report on the Role, Function and Purpose of Rating Organizations. The 45-page report, produced by international insurance consultants Milliman and Robertson, Inc. (M&R), is based on company and rating agency interviews as well as insurance agent and company surveys and evaluations.

The report includes seven recommendations that NAMIC believes will help improve the accuracy of ratings, make ratings more understandable to consumers, agents and companies, and improve the process and analytical factors that are incorporated in the A.M. Best and Standard & Poors (S&P) insurance company rating models.

"This was a very interesting and thought-provoking project," said Jonathon Godown, the Milliman & Robertson financial consultant who produced the report. "While the analysis produced a number of interesting findings, one of the most significant was unique advantages to being a mutual company. These advantages are not always fully appreciated by many external observers, including rating agencies."

The report noted that while rating organizations effectively communicate rating issues and topics through various publications, industry commentary, seminars and Web sites, this is not the primary form of interaction between rating agencies and the companies they rate. Companies focus on the meetings with rating agencies and other direct forms of communication as their primary source of information and to understand what rating agencies are doing.

Unfortunately, the quality and consistency of this communication needs improvement, and misunderstandings can have real-life consequences. In the past year, one-third of agent respondents (36 percent) represented at least one company that was downgraded by one or more rating services. As a result, about one in six responding agents (17 percent) experienced a loss of business. Also in the past year, about one in six responding agents (18 percent) changed carrier representation based on a rating.

The report's seven recommendations for improving insurance ratings and the rating process are:

1. Ratings from rating agencies should ultimately focus on measuring the probability of failure of an insurance enterprise. A common standard of uniformity, such as default statistics, should be developed as a way of helping

users of the ratings to understand what the ratings represent.

2. Rating agency services beyond the assignment of ratings provided by the rating agencies (such as offering of observations and guidance) should be clearly performed outside the context of the rating process.

3. Rating agencies should perform and publish portfolio reviews and peer comparisons and improve the benchmarking of rating standards and thresholds as a way of addressing perceptions regarding accuracy and potential consistency problems that may exist within their ratings.

4. Standard & Poors and A.M. Best need to address the issue of consistency (both analytical and company-to-company) through the continued use of analytical rating teams, analyst training, better internal communication, rating committees, and minimizing analyst rotation whenever possible.

5. Company specific issues and the rating implications of changes in the rating process, methodology or criteria need to be better communicated by the rating agency analysts to company management and done so in a timely manner.

6. Analysts need to be aware of the impact that corporate structure has on the business strategy and balance sheet of a mutual insurance company - such as taking the cost of capital into consideration to give a clearer picture of the true capital generating power of an insurer.

7. Rating agencies should strengthen their communication efforts to accurately explain ongoing changes in their rating philosophies.
Call NAMIC Member Services at (317) 875-5250 for more on the report.

## ***Insurance Times:*** What To Tell Clients About Long-Term Care Insurance

October 24, 2000, Vol. XIX  No. 22

Does your client's LTC Insurance 'cut the mustard?'

What to Look For in LTC

• Comprehensive benefits, including a wide array of supportive home care and assisted living services in addition to nursing home care.

• The daily benefit keeps pace with the increasing cost of care through a built-in inflation protection feature.

• Daily benefits that require little or no co-payments.

• Home care benefits that are based on weekly or monthly caps.

Connecticut Department of Social Services,
Nursing Home Rate Survey, September 1999.

by David J. Guttchen
and Mary L. Pettigrew

As record numbers of people enter their retirement years, many will require costly nursing home or home care, known as long-term care (LTC). And it will become a more pressing issue as baby boomers grow older and increase the demand for LTC services. This means the need for quality LTC insurance and well-informed producers who sell LTC insurance are greater than ever.

LTC insurance pays for part or all of the LTC services a person may need. LTC is assistance a person may need over an extended period of time to manage, rather than cure, a chronic condition or to compensate for a limited ability to function. Someone may need LTC if he/she needs help to perform daily activities, such as bathing or dressing, or needs ongoing supervision because of a cognitive impairment, such as Alzheimer's Disease. LTC can be provided in numerous settings, including the home, the community, a nursing home, and a variety of assisted living settings. It has been estimated that 75% to 80% of all LTC is provided in the home.

Meaningful Benefits

Here are some pointers for determining whether the LTC insurance you are proposing for your client will have meaningful benefits when he/she needs them. The daily benefit of the LTC insurance policy plus the client's income (current or anticipated) should equal the cost of care.

This "rule of thumb" helps to design a LTC insurance policy that relies on the person's income (i.e., Social Security, pension, investment distributions, etc.) for co-payments. If the LTC insurance daily benefit and the person's income are not sufficient to cover the cost of long-term care, then the person will need to use his/her assets to make up the difference in cost.

Let's take a look at how this general rule of thumb influences some important purchase decisions: (1) the initial purchase amount of the daily benefit for nursing home care; (2) the initial purchase amount of the daily, weekly or monthly home care benefit; and (3) the inclusion of inflation protection on the daily benefit.

Initial purchase amount of daily benefit for nursing facility care.

The cost of LTC is very expensive, especially in Connecticut. The current statewide average cost for a semi-private room in a Connecticut nursing home is more than $210/day and more than $78,000 per year. These averages tend to be underestimates of the actual cost because the costs reported here reflect basic room and board charges. The average costs do not include ancillary services, such as therapies, or personal items, such as cable TV, telephone, hair care, etc. In addition, the cost for a private room is more expensive than a semi-private room.

Costs also vary greatly depending on the area of the state where the nursing home is located. If your client plans to receive long-term care in Connecticut, you may want to review the actual costs of nursing homes in the area of the state they wish to reside. The publication, Cost of Long-Term Care in Connecticut, is produced by the State of Connecticut's Partnership for Long-Term Care and is available free of charge. This publication provides the cost for rooms by individual Connecticut nursing homes sorted by town.

If your client plans to retire outside of Connecticut, the cost of nursing home care in Connecticut could still serve as a guide in selecting the initial purchase amount of the daily benefit. Someone who purchases LTC insurance based on the cost of nursing home care in Connecticut likely will have a very rich benefit if he/she receives LTC elsewhere in the country. Remember, LTC insurance is NOT a "use it or lose it" type of insurance. If the cost of care is less than the daily benefit, the remaining portion of the daily benefit will be rolled over into the policyholder's total lifetime benefit, increasing the length of time that the policy will pay.

Initial purchase amount of daily, weekly or monthly home care benefit.
While home care can oftentimes cost less than nursing home care, it is only less expensive when family and friends are available to assist in providing the care. Because friends and family members currently provide the majority of home care, it is often assumed that the cost will be less. This in fact may be true if your clients are older and they have family living in close proximity to them. However, if your clients are younger, it will be helpful to keep the following information in mind. Baby boomers have had fewer children than previous generations, so the burden of home care will fall on fewer family members. Also, given the mobility of today's society, family members rarely live in the same community and oftentimes live in other states or countries. This means that in the future, people may rely more on paid services than on family and friends for home care.

Home Benefits Standard
The industry standard for home care benefits has been 50% of the daily benefit selected for nursing home care. As mentioned above, this amount of home care benefit may be adequate for someone who has a large family and network of friends to draw upon for assistance. If they don't, and are reliant on paid services, the person may be underinsured if they select the 50% level of benefit. In these cases, 80% or 100% of the nursing home daily benefit may be more appropriate.
More recently, insurance companies have been offering home care benefits on a weekly or monthly basis. Because the type and amount of home care services tend to vary on a daily basis, it would not be surprising for a claimant to exceed the daily benefit of their LTC insurance on any given day.
Having the home care benefit capped across a week or a month would allow daily charges that exceeded the daily cap to be paid as long as the claims did not exceed the cap for the week (daily benefit times 7 days) or the month (daily benefit times 30 days). For this reason, home care benefits that are capped by the week or the month provide much greater flexibility for the policyholder.

Inflation protection on the daily benefit. Many producers still fail to recognize the importance of inflation protection, especially on the daily benefit. As mentioned above, the current average cost in a Connecticut nursing home is $210/day. Nursing home costs in Connecticut have increased by 4.1% compounded annually for the past five years. At a modest 5% compounded inflation rate, the current daily cost will increase to $330/day ten years from now and $530/day twenty years from now. If your client does not have inflation protection on the daily benefit, he/she will be paying an ever-increasing amount in co-payments. As mentioned earlier, if your client's income is not sufficient to cover the co-payments, he/she will need to dip into the very assets he/she thought would be protected by the LTC insurance.

Connecticut provides a valuable resource for consumers and producers. The Connecticut Partnership for Long-Term Care educates consumers about the importance of planning to meet the high costs of long-term care. In conjunction with participating insurers, it also has developed high quality, affordable LTC insurance for Connecticut residents. For producers who sell LTC insurance in Connecticut, products approved by the Connecticut Partnership guarantee that your clients are purchasing a quality product that includes minimum daily benefits, automatic inflation protection, and flexibility in the home care benefit. LTC insurance policies approved by the Partnership also include a unique Medicaid Asset Protection feature that enables the policyholder to protect assets equal to the amount of private insurance paid out for LTC services, if the policyholder needs to apply to Connecticut's Medicaid Program for assistance.

## ***Insurance Times:*** Jefferson Group merged with Interstate

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Fireman's' Fund Insurance Co. and Allianz of America announced the merger of Jefferson Insurance Group into the excess and surplus operations of Interstate Insurance Group.

The merger creates one of the top five domestic excess and surplus markets in the country with gross premiums expected to top $400 million.

Gary R. Dittman, president and chief executive officer of Interstate, will head up the combined organization.

All four companies belong to the Allianz Group of Munich. Interstate, a Chicago-based company, is a wholly owned subsidiary of the Fireman's Fund, writing professional liability, non-standard personal lines and financial institutions lines of business, in addition to excess and surplus lines. Jefferson, headquartered in Jersey City, N.J., is a wholly owned subsidiary of Allianz of America, a holding company for North American Allianz companies.

## ***Insurance Times:*** Web Site Offers Boat Insurance Estimates

October 24, 2000, Vol. XIX  No. 22

National Marine Underwriters announced a new web site (www.nmu.com) with new features, including real time insurance estimates for most pleasure boats. The service allows NMU customers and brokers to receive online estimates 24 hours a day. NMU offers complete insurance coverage for pleasure craft and charter vessels. Call 800 BOAT-INS.

## ***Insurance Times:*** FM Global Returns Merger Savings To Insureds

October 24, 2000, Vol. XIX  No. 22

JOHNSTON, R.I. - Insureds of FM Global will receive a collective $250 million in savings on their premiums beginning January 1, 2001. The savings result from operational efficiencies achieved from the July 1999 merger of Allendale, Arkwright and Protection Mutual, and their subsidiaries, into FM Global, officials said.

## ***Insurance Times:*** F&D Adds To Its E-Risk Protection Program

October 24, 2000, Vol. XIX  No. 22

The Fidelity and Deposit Companies has enhanced its E-Risk Protection Program to now include refinements in response to the evolution of e-commerce. The new enhancements include:
New Rewards Coverage - Pays for information that leads to the arrest and conviction of any persons committing or trying to commit any illegal act against the insured's e-commerce activities.
Third Party Provider Endorsement- Makes E-Risk available to customers whose electronic business systems are under the control of an outside service provider.
Liberalization Clause - States that is F&D adopts a revised version of its E-Risk policy during the policy period that would broaden the coverage without additional premiums, then broadened coverage will immediately apply to the insured.
For additional information, visit www.fidelityanddeposit.com or call 1 800-821-4635.

## ***Insurance Times:*** AAIS Expands Membership

October 24, 2000, Vol. XIX No. 22

The American Association of Insurance Services announced that it added 57 new members during the past year, including a number from the Northeast. AAIS is a developer of standard and customized products for more than 600 property/casualty insurers. It has more than 60 years experience in product development, actuarial and filings expertise. Among the new members are Blue Ridge Group, Simsbury, Conn.; Cadillac Mountain Insurance Co., Westbrook, Me.; Citizens Insurance Co. of Illinois, Worcester, Mass.; Eastern Casualty Insurance Co., Marlboro, Mass.; Excelsior Insurance Co., Keene, N.H.; Hanover American Insurance Co., Worcester, Mass.; Homesite Insurance Co. of the Midwest, Boston; Midwestern Indemnity Co., Keene, N.H.; NAS Insurance Group, Manchester, N.H.; Netherlands Insurance Co., Keene. N.H.; Providence Washington, Providence, R.I.; Safety Insurance Group, Boston, Mass.; Sorema North America Reinsurance, New York City.

## ***Insurance Times:*** Hartford Program Insures Septic Tank Cleaners

October 24, 2000, Vol. XIX No. 22

The nation's septic tank cleaners now have a new option for insurance. The Hartford Financial Services Group, Inc. has introduced a comprehensive program for these businesses that has received the endorsement of the National Association of Waste Transporters.
The program features property, general liability, commercial auto, inland marine, workers compensation, umbrella, crime and employment practices liability. Other key coverages in The Hartford's Septic Tank Cleaners program are inspection and certification limited liability coverage and extra expense coverage for unintentional handling of hazardous waste.
The program is open to all independent agents. Agents not affiliated with The Hartford should call 800 748-0351. Hartford agents should call 877 547-9873.

**_Insurance Times:_** Plaintiff Attorney/State Attorney General Alliance Threatens Tort Reform

October 24, 2000, Vol. XIX No. 22

CHICAGO - The plaintiff attorney/attorney general alliance may be the most serious threat to tort reform facing insurers and the business community, according to Victor Schwartz, senior partner of Crowell & Moring and board member of the American Tort Reform Association.

Regulation Through Litigation

Schwartz, speaking before the National Association of Independent Insurers (NAII) Fall Legislative Planning Meeting, described how judges, state attorneys general and plaintiff attorneys have used the legal system to effect regulatory changes through litigation.

"Initially it was the asbestos industry that faced the new phenomenon called regulation through litigation. On the heels of that success plaintiff attorneys attacked the tobacco industry and gun manufacturers. This has raised the natural question, who's next?" said Schwartz.

Regulation through litigation, a phrase coined by former Secretary of Labor Robert Reich, establishes plaintiff attorneys and judges as a fourth branch of government with the power to overrule established business practices and the decisions of Congress, state legislators and regulators.

Outlining the successful model that plaintiff attorneys have used to circumvent state laws he said,

Using the Media

"The strategy is to put pressure on a corporation or industry by vilifying them in the media. In the case of the tobacco industry, the plaintiff attorneys worked with state attorneys general and developed novel legal theories that resulted in the state being given more rights than the smoker. Through these types of tactics and economic pressure, the result is a change of behavior or in essence - new regulation. Under the new paradigm of 'Regulation through Litigation' the judge takes on a new role as regulator."

The attorneys general/plaintiff attorney coalition has also proven to be a lucrative revenue stream for the state and attorney firms. The tobacco settlement resulted in billions of dollars for state coffers and billions of dollars in legal fees.

Political Campaigns

"Plaintiff attorneys are using income received from these settlements to fund political campaigns and judicial candidates that are likely to make it easier for them to bring more lawsuits and continue to collect huge fees. Industry cannot afford to be inactive and leave these races to the plaintiff bar. The business community must shed its reluctance to respond to these challenges," said Schwartz.

To bring about reform, Schwartz highlighted several legislative acts that would bring greater openness and fairness to the legal system. Schwartz advocated that states adopt the Private Attorney Retention Sunshine Act. This act would shed light on the connection between plaintiff attorneys and state attorneys general. The act would require an attorney general to hire plaintiff attorneys in the open marketplace with competitive bidding.

He also urged the business community to support the Class Action Reform Act that

is before Congress. The act would make it easier for multi-state class action suits to be moved from state courts to federal court. "State class actions should only involve class members from the same state. This stops cases like the State Farm ruling in Illinois where the class was opened up to the entire country," said Schwartz.
NAII supports the Class Action Reform Act and other activities aimed at bringing about tort reform. "The bottom line is that these suits are costly to business and consumers and ultimately hurt our judicial system," said Michael Duncan, senior vice president, secretary and general counsel of NAII. "Regulation by litigation circumvents lawmakers, regulators and results in bad public policy."

## ***Insurance Times:*** As Tech Gadgets Become College Norm, So Must Insurance Against Theft

October 24, 2000, Vol. XIX No. 22

by Mark Hollmer
InsuranceTimes

So much for frugal dorm living at college.
This year, a record number of students were expected to lug expensive computers, stereo equipment, cellular phones and other high-tech merchandise with them to colleges and universities across the country.
That, of course, has impact on the insurance industry, because dorm students' personal possessions are covered under their parents' homeowner policies.

School Figures
The Insurance Information Institute cites a survey indicating that the number of students bringing computers to school jumped from 30 percent in 1998 to 60 percent in 1999. This year, the III said, the number should climb to 70 percent. (The numbers come from a Best Buy survey.)
Nationwide, one in four student brings a laptop to lectures on a regular basis, one in five will have a cellular phone and one in 10 will have a portable compact disc player or pager, the III said.
Mary Ann Avnet, marketing manager for New Jersey-based Chubb, said her company is aware of the trend, and covers students' items whether they live on or off campus. Many companies will cover students under their parents' homeowners policies only if they live in the dorms.

Student Computers
Avnet said her company noticed the increase in student computer use over the last three years. Chubb has about 18,000 homeowner policies in Massachusetts, 25,000 in Connecticut, 60,000 in New Jersey and 75,000 in New York.
"It's to the point where it used to be nice to have a computer in school to this summer ... our agents have told us that nearly every one of their customers that has a son or daughter going to college is taking a computer with them."
Avnet said she expected the 70 percent prediction for student computer use would end up even higher by next spring.
Industry-wide, companies have responded to the trend, the III said, by making sure students' possessions are covered, or by offering floater coverage for expensive items. Floater coverage costs more but usually doesn't have deductibles, and does include accidental loss coverage.
Most homeowners policies have a $5,000 coverage limit for computers and up to

$10,000 for jewelry, the III said.
Covering the growing number of student high-tech possessions doesn't necessarily cost companies more, Avnet said.
"We take it into consideration that people in a household are going to own these things," she said. "So many people travel now and take equipment with them ...
"Granted they're targets of theft but people are very aware that they need to keep an eye" on their cell phones and other high-tech tools, she said.
ISO is also proposing a new policy form to cover full-time off-campus students under age 24, who have parents or relatives who are insured homeowners.

## ***Insurance Times:*** RI Driver Safety School Lets Students Hit The Skids

October 24, 2000, Vol. XIX No. 22

Liberty Mutual and police sponsor Skid School

SOUTH KINGSTOWN, R.I. (AP) - Driving is something most people can do without even thinking.
But when a driver loses control of his vehicle, there usually isn't much time to think. That's where the Skid School comes in.
Skid School is a driving-safety course sponsored by the South Kingstown Police Department and Liberty Mutual Insurance.
The school teaches drivers what to do when their wheels lock up and they lose control.
``We're hoping to raise awareness among people about what to do when that happens,'' Patrolman Paul Horoho said. ``We're hoping this will be a solution.''

Potential Danger
Randie Blunt, a sales manager with an insurance company, has Skid School to thank for thwarting a potential brush with danger.
Blunt was driving on Interstate 95 near the Route 4 merger when another car cut him off. Blunt was forced onto the median and began to skid on the dirt.
He pulled out of danger by relaxing his foot on the brakes and steering the car forward again.
``You don't think that this stuff sticks with you, but when you're in trouble that motion comes right back,'' Blunt said. ``This class saved my life.''

Lose Traction
Skidding takes place when a car's wheels lose traction with the ground, said David Money, who has taught classes like this for 30 years. Once that happens, braking and steering are impossible.
``The whole key is to get the wheels rolling again,'' Money said.
The training center has a blacktop with a constant stream of water laid down for the class.
Tailgating is also a problem, Money said.
``It takes the average driver three-quarters of a second to perceive what's going on, another three-quarters of a second to react, and by that time it may be too late,'' Money said.
Twenty-three people attended Saturday's three classes at the Union Fire District Training Center and the South Kingstown Police Station.

## ***Insurance Times:*** IVANS, Applied Systems Form Joint Communications Venture

October 24, 2000, Vol. XIX No. 22

IVANS, Inc. and Applied Systems, Inc. announced the formation of a joint venture for the purpose of a consolidated communication infrastructure for the insurance industry.

The joint venture between IVANS and Applied Systems is designed to deliver a new industry communication infrastructure, offering cost effective communication and collaboration between all participants in the insurance transaction. The basis of the new infrastructure is a new data exchange which will combine the technologies of IVANS and Applied Systems to provide products and services for more efficient and cost effective end-to-end communication, collaboration and aggregation for agency, company and third party transactions.

The new data exchange will provide universal communication tools assisting companies, and their partners, in the communication of industry standard ACORD transactions. This will be an exchange that will be open to all vendors and open for all agency-company interface. The joint venture will also collaborate on universal communication engines for agencies and companies.

The data exchange provides a single-source platform for industry-wide initiatives between diverse business partners. Additionally, the exchange will provide communication tools for non-ACORD transactions, including company or transaction unique and proprietary data, as well as communication with peripheral third parties for enhanced transactions.

"This joint venture will once again provide the industry with a common platform using best of breed technologies to conduct EDI transactions as well as real-time Internet transactions ensuring that we are not creating separate channels and that the insurance distribution system is tightly integrated,"" said Dan Carmichael, president and chief executive officer of IVANS, Inc. "We feel that this new relationship will be beneficial to all of the customers of both organizations. Applied Systems has been a valued partner of IVANS, and brings a strong knowledge of real-time Internet communications."

## ***Insurance Times:*** Senior.Com To Sell Simplified Hancock LTC

October 24, 2000, Vol. XIX No. 22

Senior.com and John Hancock Insurance Co. have joined forces to offer long-term care insurance over the Internet with a simplified application and approval process.

Called Simplecare, the offering is a long-term care product that individuals may apply for at www.senior.com. It is the first in a series of insurance products to be offered by senior.com

A six question application form takes just minutes to complete, say officials. Consumers who want to discuss their needs can gain access to licensed insurance agents via a toll-free phone number or email. Agents are available Monday through Friday, 8 a.m. to 7 p.m.

***Insurance Times:*** LOMA, Banks Developing Insurance Education
October 24, 2000, Vol. XIX No. 22

ATLANTA - LOMA and the Association for Banks-in-Insurance (ABI) are developing the first compliance education program targeting bankinsurance providers. The first set of course materials for the Bankinsurance Regulatory Compliance Education Program will be available in the spring of 2001.

The program will cover the regulation of annuity products, life, health and property and casualty insurance. It is intended for all bank employees from licensed salespeople to call center staff to bank compliance personnel.

"The program is designed to help ensure that bank affiliated agencies don't inadvertently embarrass themselves through a technical violation of the law," said Ken Reynolds, executive director, the ABI. "It is very important that bank-affiliated agents adhere strictly to both the letter and the spirit of insurance regulations. This is especially important for those regulations that are unique to agents affiliated with banks."

For more information, visit www.loma.org .

***Insurance Times:*** NEF Introduces Universal Survivorship Policy
October 24, 2000, Vol. XIX No. 22

BOSTON - New England Financial recently introduced a new universal life second-to-die policy to round out its competitive survivorship life insurance portfolio.

The new policy, called ULtraflex Survivorship Life, ranks in the top-quartile of competing products in two key categories: minimum premium-to-endow and death benefit internal rate of return based on independent studies conducted by New England Financial.

"We designed the product to be especially attractive to estate planning customers seeking the combination of guarantees and flexibility," said Vice President Paul LeClair, FSA, Individual Product Management for New England Financial. "In addition to its flexible universal life chassis, ULtraflex Survivorship Life offers a full array of riders so that our producers can help clients customize the policy to meet their specific estate planning needs."

To help customers minimize investment risk, the new product incorporates an interest-bearing cash value account with a guaranteed minimum crediting rate of 4 percent and a current interest rate of 6.6 percent. ULtraflex Survivorship Life also features guaranteed maximum charges and fees. In addition, the new product allows the producer the choice of premium-based compensation or asset-based trail compensation.

Other ULtraflex Survivorship Life features include: "Inside" and "Outside" term riders; an expanded death benefit rider that addresses the preservation of the death benefit beyond age 100 of the younger insured; choice of five death benefit options; choices of Definition of Life Insurance (DOLI), test and two disability waiver riders.

To date, ULtraFlex Survivorship Life has been approved for sale in 35 states and the District of Columbia.

## ***Insurance Times:*** CFP Ranks Reached Record Number In Sept.

October 24, 2000, Vol. XIX  No. 22

Denver - The Certified Financial Planner Board of Standards (CFP Board) announced the number of individuals authorized to use the certification marks CFP, CERTIFIED FINANCIAL PLANNER and CFP reached an all time high last month. As of September 30, 2000, the CFP Board reported 36,221 CFP professionals in its database.

Of the current CFP professionals, 25 percent are women, 89 percent hold a bachelor's degree or higher and 84 percent identify themselves as being in the practice of financial planning.

In addition, 41 percent list the business focus of their firm as personal financial planning, 15 percent list securities, 7 percent list accounting, 7 percent list insurance, and the remaining list the business categories banking, education, government, human resources, law, real estate and tax preparation.

## ***Insurance Times:*** Major LIMRA Report

October 24, 2000, Vol. XIX  No. 22

Industry optimistic about future of individual Disability Income sales

Windsor, Conn. -  Companies active in the individual disability income (DI) market foresee growth in the guaranteed renewable market but decline in the noncancelable market, based on a new study released by LIMRA International.

Generally, speaking, the study found that companies are fairly optimistic about the outlook for DI sales over the next three years. Over two thirds feel that the market will grow at least moderately for both group and individual products.

The LIMRA study, Individual Disability Income: Trends and Outlook, was directed by Jennifer Douglas of LIMRA's Industry Performance Research Unit, and Patrick Leary, of LIMRA's Benefits Marketing and Research Unit.

Their conclusion is that companies are cautiously looking beyond individual DI's shaky track record. Companies have learned some very tough lessons over the past decade and that has resulted in a smarter industry that is realistic about obstacles it must overcome and more discerning in its strategies to make individual DI the profitable and valuable product it can be.

Twenty-two executives participated in this survey.  Respondents represent 21 companies that market individual DI products; all but one of the top 10 companies in the industry is represented.

The report notes that the individual disability income market had not lived up to the expectations of many.  Numerous companies discontinued offering the product, sold off their in force business, and have not looked back.

But what about the companies that have stuck it out and learned from the mistakes of the 1980s?

Generally speaking, respondents are fairly optimistic about the outlook for DI sales over the next three years.  Over two thirds feel that the market will grow at least moderately for both group and individual DI products.  No one feels that the group market will decline over the next three years and only one respondent anticipates a decline in the individual  market.

Companies specifically foresee growth in the guaranteed renewable market but decline in the noncancelable market. Over 70 percent of the respondents feel that we will see growth in the individual guaranteed renewable market, which gives the insurer the right to increase premium for an entire class of insureds on their policy anniversary.

LIMRA's 1999 Individual Disability Income Issues and In-Force survey found that guaranteed renewable products represented approximately 25 percent of the individual policies in force as of December 31, 1999. However, this product accounted for over 40 percent of sales in 1999. Respondents feel this trend will continue.

More than half anticipate that the individual noncancelable product will not recover from its dramatic drop in the mid 90s. In fact, 24 percent foresee further declines. Here, the insurer does not have the right to make any change in provisions or premium while a noncancelable contract is in force.

However, some apprehension about this more expensive product did not seem to have much of an impact on the respondents' overall outlook for the individual DI market.

LIMRA also asked about factors that could potentially affect the individual DI market over the next few years, either positively or negatively. Respondents most often mentioned the economic environment as having a major impact on sales. Low unemployment rates create a larger market and higher wages call for bigger policies. At the same time, a good economy may lessen the consumers' fears about financial issues, resulting in a negative impact on DI sales. Merger activity was also cited as a major factor.

Recent mergers and acquisitions have led to further market concentration and more focused competition within the industry. Offering voluntary products has also emerged as a key strategy employers use to attract and retain quality employees while controlling their benefit costs.

Future Markets

Traditionally, carriers have focused on a few distinct markets for their DI sales. But what markets will lead the way in the future? Respondents feel that sales to business owners and executives will drive individual DI in the future. Respondents also cite managers/administrators and the technically trained as potential markets. In the past, we saw insurers actively target people in the medical and legal fields. A Mercer study found that 84 percent of physicians and 68 percent of attorneys have DI insurance, while professionals, managers, and middle income markets are the least penetrated markets with 3, 2, and 1 percent penetration, respectively.

It's likely that companies are hoping to reach other, more profitable, markets as the medical field has proven it's not only highly penetrated, but also has had rather unfavorable claims experience.

Likewise, respondents most often chose a more modest, $50,000 to $74,999, income range as a desirable market. Few selected incomes of under $40,000, despite the Mercer finding that this large population has very little penetration. It's probable that insurers are realistic about this group's ability to afford the insurance.

Married people, particularly males, in their mid 30s and 40s are viewed as ideal candidates for purchasing individual DI. However, a recent Health Insurance Association of America (HIAA) public opinion study shows that 76 percent of single parents said they are "very concerned" about having income protection if they become disabled.

And women are found to be more worried then men. HIAA points out that the groups most concerned about the need for disability insurance are often the least likely to be able to afford it.

Challenges

Lack of product awareness or expertise among producers was the most frequently reported marketing obstacle. This was a significant concern to respondents across various areas within companies, including actuarial, marketing, sales, and underwriting. There is considerable unease over the lack of consumer awareness as well. Technology issues were also considered a top challenge. A director of sales for a smaller DI writer suggests making the transaction much simpler "without the nightmare of obstacles we now face."

Voluntary Products

Nearly all of the respondents predict growth of voluntary DI sales. These are DI products marketed through the worksite where the employees pay 100 percent of the cost of coverage.

Many factors are driving the growth of voluntary products. Benefit costs are again on the rise, to where the growth in the cost of benefits outpaces the growth in the cost of wages. As a result, employers are using voluntary products to help control their benefit costs while still offering a comprehensive benefits package. The tight labor market is also driving interest in voluntary products. As employers try to attract and retain quality employees, they are using voluntary products to offer unique and competitive benefits, including voluntary disability plans. Buy-up plans are also becoming popular. And finally, voluntary products are being targeted to underserved markets. Many career agents have moved upscale, focusing on higher income markets. As a result, there is an underserved middle income market that carriers are targeting on a more cost-effective basis through worksite marketing.

Internet Sales

In 1999, less than one half of 1 percent of individual DI sales were made through direct response. This includes the Internet as well as through the mail. Going forward, only 24 percent of the respondents believe that the Internet will impact DI sales over the next three to five years. However, 86 percent feel that the Internet will offer a great opportunity for marketing DI. Generally speaking, respondents feel the Internet will play more of a role in marketing disability products as opposed to an outright source of sales. Some obstacles to selling over the Internet are the complexity of the product, consumer awareness of need, underwriting issues, and antiselection. A DI actuary points out, "Awareness - DI needs to be sold. Consumers are not looking for it like they are term insurance."

Bought or Sold?

Regardless of the distribution method, all but two respondents concur that disability is a product that must be sold - that is, the producers need to build awareness of the product among their clients. Despite their concern for income protection, consumers are not taking the next step by actively seeking disability insurance. Therefore, it continues to be the insurers' job to educate them and sell the solution.

Companies are cautiously looking beyond individual DI's shaky track record. Having learned some very tough lessons over the past decade, LIMRA sees a smarter industry that is realistic about the obstacles and discerning in its strategies to make individual DI insurance the profitable and valuable product it can be.

Participating Companies

AAL, Mutual of Omaha, Berkshire Life, Nationwide Financial, Combined of America, New England Financial, Conseco Companies, Northwestern Mutual Life, Great-West Life, Principal Financial. Guardian Life of America, Reassure America , Illinois Mutual Life, Standard Lutheran Brotherhood, State Farm Mutual Automobile, MassMutual Financial Group, Union Central Life, MetLife, UnumProvident, Minnesota Mutual Life.

***Insurance Times:*** Hartford Life CEO Urges More Life Sales By Banks
October 24, 2000, Vol. XIX No. 22

The president and chief executive officer of Hartford Life recently challenged the nation's bankers to seize the "enormous opportunities" to sell more life insurance to their customers.

"I can tell you one thing your customers want. They want life insurance," Lon Smith told a gathering of executives at the recent Association of Banks in Insurance annual conference in Chicago. "Someone will fill the need for individual life insurance products. I challenge you to be that someone."

Smith cited a survey by the Life Insurance Marketing and Research Association (LIMRA) that found 38 percent of Americana believe their households need more life insurance.

Yet, the most recent LIMRA survey (1977) found that only 12 percent of all households purchased life insurance, Smith noted. "Of those who do buy individual life insurance, few purchase it through a bank. And one of the reasons is because no one at the banks asks them."

"This is a good business for banks," Smith said. "It creates new dollars, helps your overall relationships with customers, locks out the competition, and creates a bridge to the next generation."

"Ultimately, I believe banks are going to be a major distributor for the broad market. You (banks) did it with annuities; there's no reason why you can;t do it with individual life."

He suggested that banks don't sell more life insurance because they think it's too complicated. That's why Hartford Life and other insurers are simplifying sales for banks and othe institutions, he added.

***Insurance Times:*** AFLAC-Like Duck Sound In Georgia Political TV Ad Ruffles Feathers
October 24, 2000, Vol. XIX No. 22

by Dick Pettys
Associated Press

ATLANTA - Sounding almost as angry as its loudmouthed TV duck, AFLAC, the Georgia-based supplemental insurance company, warned Mack Mattingly last week to stop running a television ad in his campaign for the U.S. Senate in Georgia that closely resembles its own ads.

Mattingly, a Republican challenging appointed Democrat Zell Miller on Nov. 7 for the balance of the late Sen. Paul Coverdell's term. It is his first television spot of the campaign.

It closely resembles one in a series of ads featuring a talking duck which the insurance company has been running nationally to promote itself. But instead of squawking, ``AFLAC,'' Mattingly's duck says, ``Back Mack.''

``AFLAC has formally requested that the Mattingly campaign immediately cease and desist all use of this commercial and any other misappropriation of the AFLAC

duck,'' AFLAC spokeswoman Kathelen Spencer said.
``If the Mattingly campaign does not honor this request, AFLAC is prepared to take whatever necessary steps, including legal action, to protect AFLAC's interests in this matter.''
Mattingly campaign director Jeff Finger said he had not been contacted by his attorneys.
``Until I have the letter in hand and have had an opportunity to review it, we're going to keep running with the ad.''
The commercial features a man and woman seated on a park bench discussing their choices in the Nov. 7 election.
A duck waddles up from a pond and squawks ``Back Mack'' at various points in the spot, growing increasingly persistent.
The ad is designed to drive home Mattingly's contention that Georgia should elect a Republican senator so it will have a lawmaker from both parties in Washington. Georgia's other senator, Max Cleland, is a Democrat.
``The ad's obviously a parody,'' Finger said. ``We're just trying to have some fun here and communicate with the voters.''
In Washington, Miller said, ``I think the Chick-fil-A cows are coming next. I wish he would tell us where he stands on the issues, not what political party he belongs to. That's basically what the people want to hear.''

## ***Insurance Times:*** Group LTC: It's Not Just For The Fortune 500

October 24, 2000, Vol. XIX No. 22

Leading LTC expert explains why small businesses represent a very hot market for worksite marketing of Long-Term Care Insurance

by Margie Barrie

Long-Term Care Insurance in the employer market is an area where I think there is a tremendous amount of potential for sales and for expanding an already thriving insurance practice.
To protect your book of business, you need to at least understand the basic components of LTC in the worksite so that you can be relatively comfortable broaching the subject with your corporate clients. And then you need either to be prepared to work the case yourself or have someone already lined up to whom can refer the client - perhaps a LTC specialist who you have confidence in and someone with whom you have negotiated a commission sharing arrangement.

Why will this be such a good market? I see three major reasons.

Viable Targets
1. This market consists of thousands and thousands of smaller companies which are viable targets. I am defining the smaller employer as those companies with 1500 employees or less, less being even 25 people. Huge companies, with thousands of employees, have already been approached by the carriers themselves - such as the divisions specializing in true group at, for example, Hancock and CNA. I will shortly explain the differences between true group and what we call affinity group. For many of these mammoth companies, LTC plans have already been put in place. But that leaves a virtually untapped market for the smaller companies. These smaller companies are going to be turning to brokers either with whom they already have an existing business relationship or someone they

know through networking or socially. I learned this the hard way. Several years ago, I did a direct mail campaign to the 900 companies that were members of the Maryland Chamber of Commerce. I received only two responses. Talk about a poor response from direct mail - this was it! Subsequent investigation revealed that - when it comes to insurance - companies do not want to hear from somebody they didn't know. They rather talk to someone they already know and trust.

More Efficient

2. This is a good market to focus on in that selling LTC in the worksite is definitely a more efficient use of time. Why pursue just individual sales when a group can provide a fertile marketplace generating many more qualified leads - particularly if the employer is promoting the program and a discount is available for employees and their families.

3. Why worksite LTC will be hot is the tax incentives provided to employers by the HIPAA legislation (Health Insurance Portability and Accountability Act) passed several years ago. This legislation sent a clear message to consumers that if you have assets to protect, you should do so with private LTC insurance. It's clearly the individual's responsibility - and not the government's - to pay for LTC expenses. To encourage individual sales, the legislation specified that:

• Benefits are received tax-free. This is the most important benefit.

• LTC premiums are eligible for medical expense deduction to the extent that they exceed 7.5 percent of an individual's annual gross income.

The legislation encouraged worksite sales by providing that if the employer pays the premium, then:

• Premium contributions on behalf of an employee can be deducted as a business expense.

• The value of premiums paid by the employer is not taxable as income to employee.

Employees paying the premiums themselves can treat their payments in the same way as unreimbursed medical expenses. And regardless of who pays the premium, benefits are received tax free by the employee.

However, you need to be aware that LTC cannot be part of a Section 125 (Cafeteria) Plan or a Flexible Spending Account.

Self-Employed

For the self employed, owners may deduct a percentage of the LTC premium based on a schedule. For example, for this year and next year, 60 percent may be deducted. The rest of the expense can be itemized on the individual tax return. And in the year 2002 that increases to 70 percent and to 100 percent in year 2003.

These incentives are provided only for Tax Qualified Policies. I don't want to get into the debate of Tax Qualified vs Non-tax Qualified policies. But I will say that I only recommend Tax Qualified policies. If you sell a non-TQ policy, I hope you have a lot of paid-up E & O Insurance.

What is really significant about the HIPAA legislation is the opportunity for doing an "executive carve out." Businesses may discriminate by class, so owners can purchase LTC policies for themselves and other key executives and deduct the full premium. If your business owner clients are looking for ways to get dollars out of their corporations without paying taxes, the executive carve-out approach is an ideal way to accomplish that.

How am I defining group or multilife LTC? There are two types of programs - "True Group" and "Affinity Group." How do they differ?

"True Group" is an actual group product designed for the employer market. The "Affinity Group" product is an individual LTC policy with a discounted rate structure for use within the group environment, either by a company or association. For true group, minimum company size is usually 1000 employees, and provides guarantee issue for employees. The plan has pre-selected benefits that do not allow employees to customize the policies for their individual needs. Commission levels are low; at some companies, the agent receives only a finder's fee. There is a higher chance of rate increases because the risk is spread only over the employer's block of policies. (Employees who leave the group and take the policy with them are placed in a special pool which is even smaller - thus further increasing their chance of rate increases.)

Affinity Group Plan

With the affinity group plan - using the individual policy at a group discount - employees are offered the full array of choices in designing a policy that best suits their individual needs. A group discount - usually 5 percent or 10 percent is offered to employees, their spouses and, depending upon the policy, their families. This is in addition to the other available discounts, such as spousal and preferred rating (when offered by the carrier). The combination of discounts usually results in lower premiums than the true group policy.

Affinity group policies provide higher commission levels - the agent receives the regular commission levels minus a slight cut to offset the group discount. The number of participants needed will be fewer than required with true group - some companies require only three applications.

The disadvantage with affinity plans is underwriting. Although some policies do offer a modified guaranteed issue, most applications are fully underwritten; therefore, some declines may occur.

At this time, my preference is the individual policy with the affinity group discount, rather than "true group" since it provides greater flexibility for the client and is usually less expensive.

Don't think that LTC insurance is just for the elderly! When I started working in this field over 10 years ago, it was perceived as only a senior product. But that's not not the case now. First of all, contrary to popular perception, the elderly are not the only ones receiving LTC services. It's important to know that 39.6 percent of the people receiving LTC are working age adults, meaning they are between the ages of 18 to 64. Certainly, Christopher Reeves is a pertinent example.

And second, the elderly are not the only ones buying this product. Although you have probably read that the average age in the industry of buyers is 64 or 65, the average age at BISYS was 57. And the companies doing true group plans in the work place are reporting even younger average ages - from 43 to 47.

Why are seeing such an interest in LTC as an employee benefit? Well, as the oldest baby boomers approach their 50's, managers can expect to see elder care replace child care as the number one dependent issue for employees. Another interesting fact is that today's woman can expect to spend more years taking care of aging parents than she spent raising her own children - and for more parents than children.

The problems caused by caregiving will become of major concern to employers.

Dollar Perspective on Caregiving

From a dollars and cents perspective, the annual cost to companies for lost productivity from caregiving responsibilities is already $17 billion a year or $3,142 per employee. (Wall Street Journal, 7/19/95). The American Medical Association estimates that long term care can cost a company with 1000 employees as much as $400,000 a year.

Chances are almost half of a firm's employees will have to care for an older relative at some point in their careers (The Work and Family Institute, Business Insurance, 11/12/90).

This is really more of a women's issue than a man's. Women make up whopping 72 percent of the caregiver force. Fifty-two percent of these caregivers are employed full time, and 41 percent still have children under age 18 living at home.

It's not easy being a caregiver. It is even harder having to do it while working. A recent study showed that 92 percent of employees responsible for eldercare experienced negative changes in their work habits.

10 percent took leaves of absence
33 percent missed work
45 percent used vacations/sick days
33 percent came in late or left early
12.5 percent give up jobs

Employer Benefits

So you can see that this caregiving situation is going to become a major headache for employers. Besides helping employees better cope with being caregivers, and thus stay productive, how else do employers benefit?

- The plans are easy to implement and administer - it requires writing one check for payroll deduction.
- There can be no cost to the company - it can be all employee paid.
- It's portable, so if the employee leaves, it becomes an individual policy.
- It helps to attract and retain quality employees - which is particularly important since many areas are experiencing full employment.

Why do employees appreciate this benefit? Besides helping them meet caregiving demands, it:

- Protects their pension, assets and savings.
- Saves them time researching products on their own.
- Provides the means to afford quality home health care, adult day care or facility care.
- Can include spouses, parents and parents-in-law.

***Insurance Times:*** Understanding LTC Underwriting As An Agent's Best Sales Aid

October 24, 2000, Vol. XIX  No. 22

Seminar Secrets
by Marilee Driscoll

Have you ever spent hours in meetings with a prospect, not to mention running illustrations, only to find out from the insurance company that the case has been declined for medical reasons?  Organizations report to me that 20-30 percent of long term care applications are eventually declined by underwriting. Not only is this outcome upsetting for the proposed insured, but it adversely impacts the agent's wallet!

Part of my business involves long term care (LTC):  as a speaker and trainer. I'd like to share with you some state-of-the-art information and strategies on LTC underwriting.  This information was compiled after interviewing home office employees, MGAs and insurance agents.

Different from Life

Most insurance agents understand that the medical underwriting process is dramatically different for LTC insurance versus life insurance.  At the heart of this matter is the fact that long term care usage is not related to mortality, or lifespan, but morbidity: illness or injury that results in the insured needing assistance. So, for example, someone who had triple bypass heart surgery or a cancer history may be uninsurable for life insurance purposes (or very highly rated), but insurable at standard rates for LTC insurance. Most LTC applicants are familiar with morbidity underwriting - they've bought life insurance in the past. They are not usually familiar with the type of underwriting a LTC application goes through. This presents both a problem and an opportunity for the LTC agent. By educating the people and advisors in your town or region about LTC underwriting, you provide a public service and generate goodwill.

They need to know that, not only are medical underwriting guidelines different between insurance companies (sometimes dramatically), but the natural inclination to wait to buy is illogical. By purchasing LTC insurance today, the insured transfers the future risk to the insurance company. Any delay keeps this catastrophic risk on the individual's (uninsured) shoulders. Since every year of waiting increases the LTC insurance purchase price, waiting to buy cannot (even) be cost justified!

Many potential LTC clients consider themselves healthy because their medical problems will not shorten their lifespans; in reality, they are wrecks from a morbidity point of view!

Imagine the 75-year-old who suffers from osteoporosis and arthritis. She has suffered two fractures because of the one disease and needs help getting dressed because of swollen arm and hand joints. These horrible diseases will likely not shorten her life - however, she is likely to require substantial assistance for years. She's a great life insurance risk and a clear decline for long term care insurance. If you called on her for LTC insurance, she would probably describe herself as healthy.

Probing Questions

How does an agent ferret out medical problems before investing a lot of time in a case? Through probing questions. Proper probing allows you to minimize surprises and allows you to match the prospect with the company most likely to approve their application.

The three leading causes of underwriting surprises involve:

CANCER - The extent of cancer or grade of tumor was more serious than reported by proposed insured. Or the tumor had metastasized to another site, or the proposed insurance has had a recurrence on the same site. Agents can avoid this type of surprise by asking for a lot of details for anyone with a cancer history.

FAILING FACE-TO-FACE -Most older (age 75+) applicants for LTC insurance must pass a face-to-face assessment. Field examiners look for the obvious (such as stability, use of devices, etc.) and assess cognitive ability. If a child is present at the meeting or has initiated the sales process, or one spouse "does ALL the talking," a red flag goes up for the experienced agent. It may be that the family member is trying to get insurance after noticing a serious decline in cognitive capacity (a dementia like, Alzheimer's, for example).

SERIOUS DISPARITY BETWEEN MEDICAL HISTORY ON APPLICATION and DOCTOR'S REPORTS - One of the most disturbing trends in LTC underwriting is the "APS surprise." Most LA&H agents have had the experience of a proposed insured concealing a condition from them, and not disclosing it on the application. The "secret" is in the doctor's records and the application is declined. This is a typical problem which afflicts neophyte agents, who are not yet adept at field underwriting. I am talking about something different. There is a growing and disturbing trend of doctors to not disclose their findings to their patients. Doctors have an ongoing relationship with their patients, while underwriters have only a snapshot with which to view a future lifetime of risk. A doctor may choose to "keep an eye on" a problem, without ever communicating it to the patient. However, the APS lists this potential, unresolved, problem. Savvy agents ask questions such as, "When the insurance company reads your doctor's records, will there be anything in those records that you haven't told me? How many doctors have you seen in the last three months, and why?"

Other Reasons for Declinations

Other foreseeable causes of ratings and declinations include: not enough time has elapsed since a medical event; surgery pending; weight exceeds company limits for height; use of medical device; on current disability; activity coupled with a condition (i.e. asthmatic with COPD who smokes).

Agents should ask their LTC carrier for a list of pre-screening medical questions, such as:

Have you been hospitalized in the last five years? For what?

Do you take any medications? Please read for me right off your prescription bottles what you are taking. What is it for?

Do you use any medical devices such as walkers or canes?

Do you have any medical appointments scheduled for the future? Why?

Are you scheduled for any procedures or surgery?

Forge Relationship

Proper probing before an appointment or at the beginning of a long term care insurance sales can help you forge a relationship with your client.

It should also reduce surprises in underwriting. You can advise a prospect up front if they don't qualify for your carrier's best rates.

Finally, it can help you identify shoppers vs. buyers. Someone who is unwilling to give you personal medical information is not allowing you to do your job and is unlikely to ever become a valued client.

For more practical information on long term care underwriting, visit www.marileedriscoll.com, click on long term care, click on subscribe for the FREE long term care newsletter.

Marilee Driscoll is a professional speaker on LTC and an expert on seminar marketing and LTC planning. Based in Plymouth, Mass., she speaks to audiences across the country who want a never-ending stream of highly-qualified leads. Her new book is Seminar Secrets: A Hands-on Guide to Marketing to Baby Boomers and Their Parents. Marilee can be contacted at (508)830-9975, or at her new web site www.marileedirscoll.com.

## ***Insurance Times:*** Long-Term Care Insurance: Another Cross Marketing Door For Property Casualty Agencies

October 24, 2000, Vol. XIX No. 22

by Dave Goodwin

This is another in the Insurance Times series on cross-marketing opportunities for property casualty agencies. Previous articles discussed Critical Illness, Life Settlements and cross-marketing in general.

The Long-Term Care family of products includes coverages for nursing home, adult day care, home health care, assisted living facility and other related benefits.

There are many variations among the carriers.
LTC has unique qualities. Unlike critical Illness and Life Settlements, LTC is not a new concept; it has been around (mostly very quietly) for decades. Only recently has the coverage been widely discussed. The new wave, roughly the past five years, has seen sales take off slowly, then build up, then level off. All of which adds up to this picture: LTC's prospects have heard about the product but in large part have not yet bought it. Reasons include:

Why Slow Sales
A. Unfamiliarity with the coverages. Despite consumer articles about it, LTC has not yet been widely seem in action. The typical consumer doesn't have many friends -- perhaps none-- who have been through the claim/benefit/satisfaction cycle. And despite statistics which predict that he may well need coverage, the consumer does not see its use as inevitable as the life policy.

B. Limited range of carriers offering LTC. The number of LTC carriers can be counted in the scores in most states, rather than the hundreds.

C. Limited acceptance by agents. LTC is a product which calls for a specialized expertise for agents who want to scan the marketplace of products. In addition, many have found that it is often a two-call sale. So agents tend to prefer to call in LTC specialists, splitting commissions but gaining a comfort level.
D. Difficulty in prospecting. While seminars, lead programs and advertising produce business -- sometimes very handsomely-- most LTC specialists (like most life/health agents in all categories) spend too much time prospecting.

Cross-Marketing Minded
In sum, there is a need for this product, a large market to be seen and sold, and a need for the prospect and the agent to be brought together efficiently on a professional level. This is the scenario best satisfied by the cross-marketing minded property casualty agency.
The property casualty agency has (or can easily build) a volume of prospects for LTC on its books. It already has a good-- sometimes very close-- relationship with those LTC prospects, having provided other coverages and built a base of trust with them. And the property casualty agency may already know many of the family factors which play on LTC: where the prospects' family members are, what the financial pictures are, and other kinds of "feeling" factors which are more important in LTC than in other forms of insurance.
To the property casualty agency management, the challenging questions may not be whether to mount a serious campaign to sell LTC but rather how to do it. If there is already an in-house life and health staff of one or more, developing leads may be all that's necessary (provided, of course, that the staff's expertise and time permit the added line to be handled properly).

Outside Expert
Unless the agency is large enough to support an in-house LTC specialist, I believe that most would be well served to consider working with an outside source specializing in LTC is one is available. That source could be a PPGA, an MGA or perhaps a "circuit-rider," a trusted agents serving more than one agency. Group cases should also be developed, now that group LTC is available.
I stress the specialization in LTC because I feel that the product demands a professional sale, and anything less could lead to problems. It's important not only to develop LTC expertise but also to keep current with its developments. The rewards are ample: rounding-out of client coverages thus reducing errors and omissions exposure ("my agent never offered me this coverage!"), greater client retention, referrals (which can lead to entire accounts) and, of course, profit. The time is ripe, I'm convinced, for property and casualty to develop full-blown

life and health marketing operations, LTC should be an important part. p

Goodwin, a veteran contributor to InsuranceTimes and other publications, is a cross-marketing consultant who distributes Critical Illness and other products nationwide through property casualty agencies and other channels. He may be reached at 800 622-0576.

## ***Insurance Times:*** Providence Mutual

October 24, 2000, Vol. XIX  No. 22

Parillo elected president at Providence Mutual, CEO at Grange Mutual; Jenness heads IIANH; Starkweather & Shepley promotes 3; Anctil joins Protector Group; Kemper names 2

Providence Mutual
Sandra G. Parillo, senior vice president and secretary, has been elected president of The Providence Mutual Fire Insurance Co., based in Warwick, R.I., and vice chairman and chief executive officer of Grange Mutual Insurance Co. of Rochester, N.H.
Richard L. Allen will continue as chairman of the board of both companies.
Parillo began her career with Providence in 1977 as a college intern. She became senior underwriter in 1982 and was appointed senior vice president and secretary in 1999.
Providence is New England's oldest fire insurance company, founded in Providence in 1800. Grange was founded in 1888. The companies write throughout New England, New York and New Jersey.

The Protector Group
The Protector Group recently hired Michelle A. Anctil as client services manager for personal lines, commercial lines and employee benefits/financial services departments in its three offices in Millbury, Leominster and Wellesley and its home office in Worcester. She joins Protector Group from Worcester Insurance Co.

IIANH
George B. Jenness was recently elected president of the Independent Insurance Agents of New Hampshire at the association's 101st annual meeting in North Conway. Jenness is president of Jenness & Jenness Agency in Rochester, N.H.  He is the third generation in the family to head his agency.
Zurich Kemper Life
Ken Olson has been named vice president of national accounts for Zurich Kemper Life's brokerage unit. Olson will enhance the life brokerage division's product portfolio, technology, marketing and service delivery as it aims to extend its sales in variable universal life and related cash-value products. Prior to joining Zurich Kemper, Olson served as field vice president at The Midland.

MetLife
James M. Benson, president of individual business for MetLife, announced the appointment of Gary Schulte as senior vice president of distribution strategies. Schulte will be responsible for evaluating and expanding distribution systems across the company's individual business franchises. This will include MetLife Financial services and affiliates, Boston-based New England Financial and St. Louis-based GenAmerica Financial. He comes to MetLife from Milliman & Robertson

Consultants.

Kemper Insurance
David Smolensky and Andrea S. Forman have joined the Corporate Communications Department at Kemper Insurance Companies.
Smolensky joins Kemper as Senior Integrated Communications Manager for Kemper's Business Customer Group (BCG). His responsibilities include overall communications strategy for BCG, in addition to various other corporate communications activities.
Smolensky comes from the National Association of Independent Insurers, where he handled public affairs activities for a number of major states in addition to running the association's grassroots program.
Andrea S. Forman joins Kemper Insurance as the new Integrated Communications Manager for the Kemper Casualty Company (KCC) based in New York City's World Trade Center. Her responsibilities at KCC will include handling all internal and external communications for the unit as well as other corporate duties. Formerly, public relations manager for the Risk and Insurance Management Society, Inc. (RIMS), she has also worked as a news producer/writer for CBS, ABC, NBC and FOX local news stations in New York City, Rochester, New York and Cleveland, Ohio.

Starkweather & Shepley
Starkweather & Shepley Insurance Brokerage in East Providence, R.I., announced several key promotions.
Steven E. Deware has been promoted to senior vice president. He is responsible for sales, servicing and marketing of commercial lines and risk management services. Deware joined the firm in 1997 as vice president. He has nearly 25 years of experience in the industry, including 15 years with Insurance Underwriters, Inc., a Providence agency acquired by Starkweather & Shepley in 1997.
A.J. Rockwell has been promoted to vice president and will be responsible for sales, servicing and marketing of commercial property and casualty insurance. Rockwell, a former underwriter at Providence Mutual from 1985 to 1988, has been assistant vice president.
David B. Soforenko has also been promoted to vice president responsible for commercial insurance sales. He rejoined Starkweather & Shepley in 1997 and was promoted to assistant vice president in 1998.

Sun Life Financial
Sun Life Financial in Wellesley, Mass. has appointed Janet Whitehouse to the position of vice president for strategic initiatives. In this position, she will report to James McNulty, III, executive vice president for U.S. operations and will assist senior management executives with initiatives planned for 2001 and beyond. Whitehorse most recently as with Duncanson & Holt, a subsidiary of Unum Corp.
Sun Life Financial also named Ruby E. Koveleski as assistant vice president for human resources. She will be responsible for human resources functions of the retirement products and services division of Sun Life of Canada (U.S.) Distributors, Inc.
And Thomas L. Cahill has been appointed assistant vice president and controller in the Individual Insurance Division. He spent the last 23 years at John Hancock Life Insurance Co., most recently as director of financial analysis and planning for broker/dealer life insurance distribution.

Young Insurance Professionals Network
The Young Insurance Professionals Network elected Michael A. Loguerico Jr. of New Providence, as president at the Professional Insurance Agents of New York

annual meeting recently. Loguerico is a national sales representative for Life Instructors Inc.

Frank K. Daniberg of Lagrangeville, a senior marine underwriter for Great American Insurance Co., was elected vice president; Richard Wercholuk of Schenectady, who works for Preferred Coverage, was named secretary; and Leslie Bullis of New York City, who works for Lee & Hawthorne Credit Insurance, was elected treasurer.

1752 Club

The Robert C. Dwelly Scholarship award from the 1752 Club has been awarded to Mary L. Gibbs of the Oceanside Insurance Agency in Hyannis, Mass. and Rachel Joy Granger of the Avery Agency in Wolfeboro, N.H. The award goes toward tuition for enrollment in the Certified Insurance Counselor (CIC) designation program.

IIANJ

Gary S. Newborn of G.S. Newborn & Associates of Flemington, N.J. has been elected president of the Independent Insurance Agents of New Jersey. Kenneth Hagerman of Laurel Coe & Associates in Stratford will serve as president-elect. Denise M. Ronan of the Ronan Agency in Brock was elected vice president and Jeanne Heisler, also of the Ronan Agency, will continue as State National Director.

Middlesex Mutual

Middlesex Mutual Assurance Co.'s Bruce Anderson, right, presents the Estelle Gawlak CIC Memorial Scholarship to Christine Gionfriddo, left, recipient of the scholarship for 2000. The scholarship is awarded annually by the Connecticut Certified Insurance Counselors (CIC) to a woman and pays the full tuition to each of the five classes comprising the CIC designation.

The scholarship was present during the Professional Insurance Agents of Conn. annual meeting. The scholarship is in memory of Gawlak, a Middlesex Mutual employee in 1960.

Arbella

Arbella Mutual Insurance Co. recently honored its top personal lines agencies at a Cotton Club-style evening complete with a swing band and gaming tables at the Westin Hotel in Waltham, Mass. The insurer recognized agents who have attained a combination of premium volume, long term profitability and sales growth with Arbella. Sixty-two agencies were honored as Admiral Agents and another 91 as Captain Agents.

In addition to the Admiral and captain awards, 12 agencies were selected to receive the Territory Excellence Award for achieving the highest level of growth and profitability in their respective marketing territories. These award winners were Albert G. Brock Co.; Campbell, Flaherty & Ring; Chisholm Insurance Agency; Arthur L. Cushman & Son; Dowling Insurance Agency; Jensen-Sheehan Insurance Agency; Mone, Lawrence & Carlin Insurance Agency; Norcross & Leighton; Norris Insurance Agency; O'Connor and Company Insurance Agency; Parent Prakop & Associates, and Partridge-Zschau Insurance Agency.

Photo: Arbella Mutual President and CEO Richard Brewer (left) and Arbella, Inc, Chairman John Donohue (right) present one of 12 Arbella Territory Excellence Awards to Ted Lane (left) of the Arthur L. Cushman & Son Agency.

## ***Insurance Times:*** U.S. Sun Life Rewards LTC For Return To Work

October 24, 2000, Vol. XIX  No. 22

Employers carrying U.S. Sun Life Assurance Co.'s group long-term care coverage can earn financial benefits when they take an active role in helping disabled employees return to work.

The program, Return to Work Rewards,  is being offered at no additional cost to all U.S. Sun Life Group LTD policyholders.

To receive a reward, an employer must modify the employee's job duties, change the physical location of the position, or create a new position that accommodates the injured employee's physical limitations. If the employee returns to work full-time within 24 months of his or her data of disability and stays on the job for six months, the employer will receive a premium credit worth up to three months of the employee's net monthly LTD benefit to a maximum of $10,000.

In addition, employers may also qualify for Sun Life's Reasonable Accommodation Benefit of up t $2,000 if special equipment is needed such as an ergonomic keyboard or chair.

## ***Insurance Times:*** Cobraquarterly.Com Includes Alert E-Mail

October 24, 2000, Vol. XIX  No. 22

BKC&G Inc. has launched COBRAQuarterly.com, an online version of the company's publication that contains more than 600 pages of COBRA-related information, including all required forms and notices and a full search feature. The site helps insurers, employers, and insurance agents comply with COBRA requirements. COBRAQuarterly.com also has an alert feature that e-mails topical COBRA news directly to a subscriber's e-mail account.

## ***Insurance Times:*** Low Cost, Reduced Fee Health Plan Available

October 24, 2000, Vol. XIX  No. 22

Affordable Health & Benefits LLC is offering a low cost, reduced-fee-for-service health package that it says often reduces premiums and increases benefits. The company has contracted with several major nationwide provider networks, enabling members to take advantage of lower negotiated rates for medical, dental, prescriptions, vision, alternative medicine and other plans. A choice of three plans is available, starting a slow as $9 per month for an individual and $15 for a family. The memberships plans' rates are guaranteed for two years, according to the company.

The company is looking for agents to market the plans. For more information, call 970 613-0392 or fax, 970 461-0820.

## ***Insurance Times:*** Ameritas Offers ASO Dental Plan Option
October 24, 2000, Vol. XIX No. 22

Ameritas Life Insurance Corp. of Lincoln, Nebraska, now offers an Administrative Service Only (ASO) dental plan option for businesses that self-insure dental coverage for their employees. The plan also comes with a unconditional guarantee on the quality of services provided to businesses.
The program does not require any advance deposit for dental claim processing services, unlike many others. The Ameritas ASO is a Pay-as-you-go" plan under which the company deposits money when notified of the amount of a claims.

## ***Insurance Times:*** Ebdirect.Com Selling 40 Insurers' Products
October 24, 2000, Vol. XIX No. 22

Greenwich, Conn.-based ebDirect.com is a Web-enabled employee benefits service now offering group health, life, dental, disability life, and vision coverage from more than 40 major insurance carriers, as well as human resource administrative tools.
Employers can purchase and manage their benefit plans independently online or with help from licensed insurance representatives and account managers offline through ebDirect's six regional offices.
The company has partnered with several other firms-- Staples.com, VerticalNet, BizBuyer and BuyerZone.com-- to extend its program to employers.
Among the carriers participating are Oxford Health Plans, Blues Cross and Blue Shield Plans, PacifiCare and Kaiser Permanente. ebDirect is licensed in 40 states.

## ***Insurance Times:*** Hartford Life Added To CBIA Group Program
October 24, 2000, Vol. XIX No. 22

SIMSBURY, Conn. - Hartford Life has been chosen to provide group life insurance, accidental death and dismemberment, short-term disability, and long-term disability plans to Connecticut business that participate in the Connecticut Business & Industry Association's Health Connections employee group program.
CBIA is the state's largest business organization, with 10,000 member companies.
Hartford Life becomes the fifth insurer participating in the group program.

## ***Insurance Times:*** NH Insurers Forecast Double-Digit Hikes In Health Plan Premiums
October 24, 2000, Vol. XIX No. 22

Employers in tight job market forced to absorb costs

CONCORD, N.H. (AP) - For the third straight year, the price of health insurance in New Hampshire will rise by double-digits.
That's leaving some employers scrambling to find cheaper ways to insure their employees.
The higher premiums under review are worrying employers who cannot easily pass the increases on to employees. The booming economy has companies scrambling for workers, and most employers can't afford to risk giving their employees incentive to find other places to work.

Tight Labor Market
"One of the things I hear a lot when I speak to small businesses is that it is very difficult to keep up but at the same time, it is very difficult to lose an employee over not having insurance in this tight labor market,'' said Katharine Eneguess, the vice president who oversees health care matters for the Business and Industry Association of New Hampshire. ``Most employers are saying that they are doing their best to try to absorb these costs.''
Rising insurance costs have employers are scrambling to find new ways control costs, including by using the Internet to find cheaper coverage for workers.
``We really believe e-commerce and the Internet are going to play an extremely powerful role, first in allowing employers to find the right plans to offer and then in allowing their people to find the plan that is best for them,'' said Jack Bruner, a health care specialist for Hewitt Associates.
Hewitt has conducted two Internet auctions that allow participating insurers to bid for the business of large employers.
Eneguess said she knows of three groups of employers who are trying to form a purchasing alliance, which would allow them to bypass insurers and negotiate directly with doctors and hospitals for the care of their employees. She expects at least one of them to succeed by early next year.

Few Employer Options
An insurance industry shakeout has left employers few options. Five companies are licensed to sell managed care insurance in New Hampshire, but three cover relatively few people. Between them, Anthem Blue Cross Blue Shield of New Hampshire and Cigna Healthcare of New Hampshire control about 90 percent of the state's managed care market.

Cigna Rates
Premium increases, which fell just beneath double digits three years ago at Cigna, will average between 15 percent and 20 percent for the second year in a row, said Brian Wells, president and general manager of Cigna New Hampshire.
``We will continue to work diligently to ensure that quality care is affordable, but ultimately these costs are passed on to employers and employees through higher premiums. We worry about how long employers in New Hampshire will be able to afford them,'' Wells said.
The hikes have also raised fears that the rolls of the uninsured, which fell last year, will begin growing again.
``For uninsured adults who cannot afford to buy into the individual market but who don't qualify for Medicaid - I don't know what to say,'' said David Sky, a life and health insurance actuary with the state's insurance department.

Individual Premiums
Insurance premiums in the nongroup market serving individuals will probably rise by an average of 20 percent, Sky said.About 850,000 New Hampshire residents have health insurance, but only some 20,000 people are in the more expensive, nongroup fully-insured category.

Frustrated Buyers
The double-digit hikes have frustrated buyers and health care providers alike. Doctors fear that renewed efforts to curb costs will mean less control and more battles over patient care.
``When you have two companies controlling 90 percent of the patients, it is hard for the provider community and physicians to have any kind of bargaining power or say yes or no,'' said Palmer Jones, executive director of the New Hampshire medical society.
Hospitals, too, fear that they will suffer as a result of rapidly escalating prices.

Access Concern
``We are incredibly concerned about access,'' said Mike Hill, director of the New Hampshire Hospital Association. ``You would like to be able to blame somebody and go get them, and it is really hard to do that
Nationally, experts estimate that with every one percent increase in the price of health insurance, 300,000 people will lose coverage.

## ***Insurance Times:*** Vermont Health Premiums To Rise But Less Than This Year

October 24, 2000, Vol. XIX  No. 22

MONTPELIER, Vt. (AP) - Health insurance rates in Vermont will rise once again in 2001, although they are not expected to do so at the 16 percent clip seen this year.
The actual figures won't be known until later this year, when health insurers will have to file their new rates with the state.
Leigh Tofferi, a spokesman for Blue Cross and Blue Shield of Vermont said his company's rates likely will climb by a percentage ``from the high single digits to the low teens.''
Tofferi said the higher rates were being driven by increases in the use and cost of medical care, and even faster increases in the price and use of prescription drugs.

Blue Cross Drug Cap
In an effort to counter those increases, Blue Cross is planning some changes in the way it covers prescription drug costs.
The non-profit company will cap its drug benefits in some plans, Tofferi said. Basic prescription drug benefit programs that had provided unlimited drug coverage will now be capped at $2,500, with the consumer picking up costs after that amount has been reached.
Tofferi said the organization had determined that fewer than one percent of customers who had prescription drug benefits ever reached the $2,500 level in a year. The company will assign individual case managers, he added, to work out alternatives for customers whose prescription drug bills rise above that amount.
``We would anticipate that for the small number of people that may exceed the cap we will have strategies on how to best treat their illness,'' Tofferi said.
He added that Blue Cross was also planning to offer new prescription drug packages that would provide incentives to encourage people to shop for the least expensive (but still effective) treatment.
Blue Cross is the state's largest single insurer, with more than 170,000 Vermont customers.

Vermont's second largest health insurer is MVP, which assumed many of the customers of Kaiser Permanente when that company left the state.
In 2000, MVP's rates rose an average 25 percent, said MVP Regional Administrator James Hester. As with Blue Cross, he said rate increases will be smaller this year.

## ***Insurance Times:*** Frustrated Doctors Use Comedy To Spoof System

October 24, 2000, Vol. XIX  No. 22

BOSTON (AP) - Doctors frustrated with the endless red tape and bureaucracy associated with managed health care could take a page out of Barry Levy and Greg LaGana's book.
In addition to fighting it, the classmates from Cornell Medical School decided to spoof it.
The pair signed up for a class at the New School for Social Research in New York City called Writing for Musical Theater in 1994. Levy commuted from Sherborn, LaGana from Paterson, N.J.
A year later at their 25th medical school reunion, their classmates witnessed the debut performance of the duo's 45-minute cabaret act, ``Damaged Care.'' The show spoofs the medical community's angst about HMOs and for-profit health care, pinning the blame on insurance and drug companies, hospitals, and doctors.
LaGana and Levy are trying to make a point with their humor. The message is that doctors must lead the way to solve the problems of managed care.
LaGana, with a gray beard and a white coat, plays a disillusioned former hippie turned doctor. Levy, clean-cut in a dark suit, plays his entrepreneurial colleague.
The two muse on medicine losing its soul in one scene, before breaking into a song about drug companies marketing WD-40 as a cure for constipation.
They have performed for more than 30 groups, including those who are the targets of their merriment. They get away with it, they say, because of the anger against managed care, and the movement to control health care costs. Insurers, administrators, and doctors alike consider themselves victims of a flawed system.
``It's the insurance companies who are being lampooned,'' said Judy Glasser, spokeswoman for the Massachusetts Hospital Association, which hired Damaged Care for its June meeting on Cape Cod.
``They brought down the house,'' said Newell Warde, executive director of the Rhode Island Medical Society. ``It's fun to be able to laugh together with your colleagues over something that hurts so much.''
LaGana and Levy, both 56, make up for a few sour notes with charm and enthusiasm.
The doctors shimmy across the stage, belting it out to the Irving Berlin tune from ``Annie Get Your Gun'':

Health care business ain't fair business, we gain when care's denied!
Needless urgent care we have been scorning!
Care without approval's a mistake!
Take two aspirins, call me in the morning!
The less we do now, the more we make!

They scorn online medicine, poke fun at insurance executives with horns and tails, and doctors being replaced by dogs. But the show's emotional peak comes with its only original tune, ``Two Doctors of Medicine,'' composed by accompanist Brad Ross.

The two tell stories about why they became doctors: Levy because when his physician uncle delivered him, he said, ``It's a doctor!''; LaGana because of a doctor who held his hand during an asthma attack when he was 7.

``We cried when we wrote it,'' LaGana said.

The show ends with a call to action, set to the revolutionary finale of ``Les Miserables.''

## ***Insurance Times:*** Yahoo! Turns To Lloyd's For Buyer Protection

October 24, 2000, Vol. XIX  No. 22

NEW YORK (AP) - Yahoo! Inc. is launching new initiatives that protect purchases made on its auction and shopping sites.

The program is backed by insurance obtained from Lloyd's of London.

Yahoo!'s moves are designed to "add another layer of confidence for consumers during the shopping season,'' according to Brian Fitzgerald, producer for Yahoo! auctions. ``Fraud is very low,'' he said, noting that it represents less than one percent of all transactions on the Yahoo! commerce site. For the first three quarters, Yahoo!'s sales totaled $3 billion.

For its auction site, called auctions.yahoo.com, the protection targets transactions, whose closing price is above $25 and below $10,000, and is either paid for and not received, or "materially'' different from what was described by the seller. Consumers will be protected for up to $250 with a $25 deduction. For those using direct payment, coverage goes up to $3,000. with a $25 deduction.

As for its shopping site, shoppers are protected free of charge for the full value of any item up to $750. Protection up to $1,000 is available to consumers who store their billing and shipping information on the site.