

Insurance Times: Industry-Supported NY Claims Reg. 68 Again Rejected By Court
February 20, 2001, Vol. XX No. 4

by Mark Hollmer
InsuranceTimes

New York's proposed reform of the state's no-fault regulations - which was intended to reduce fraud -- have now been rejected twice by the courts. The state's Appellate Division, First Department upheld a New York State Supreme Court decision last June that threw out reforms to auto insurance Regulation 68 because of errors in the way they were launched.

Joanna Rose, the state's Insurance Department spokesperson, said that the latest legal decision was "made again on procedural grounds and it didn't go to the merits of the regulations" themselves.

"So we are currently reviewing the decisions of both courts and trying to decide the best way to proceed."

The department proposed a number of changes, including reducing the time an insured has to report an accident to an insurer from 90 days to 30; the deadline for medical providers to file claims for auto insurance policy-related medical serviced was also initially slashed from 180 days to 45.

Not surprisingly, insurance lobbyists condemned the Feb. 6 Appellate Division decision, and the state Trial Lawyers Association applauded it.

"This ruling will do nothing but hamper insurers' efforts to fight fraud and lower costs," David Snyder, American Insurance Association general counsel, said in a written statement.

Joseph Termini, associate counsel with the National Association of Independent Insurers, said in a written statement that the court's decision hurts consumers and insurers alike.

"There is no reasonable or legitimate reason to allow insurance claims to be submitted up to six months after an accident, which is the case now," he said.

"Anyone seeking payment for a legitimate claim would want to proceed speedily" Suzanne Mattei, public policy director and associate counsel with the New York State Trial Lawyers Association, said the unanimous higher-court judicial decision was a good one.

The decision, she added, was arguably based on more than just technical reasons as the AIA suggested.

"It depends on how you want to read the decision," she said. "The regulations were tossed out because the Insurance Department didn't consider their impact on claimants, on health providers and also attorneys.

"That can be seen as a procedural defect but it's also a substantive defect the (Insurance Department) was supposed to analyze those impacts and consider alternatives that would reduce those impacts," she said.

Rose said the Appellate Division decision "contains very good language about the importance of the no-fault law and its purpose, which is to protect the right of an injured party to prompt and full compensation...

"the Insurance Department will need to look carefully at this set of rules it has re-proposed, and consider whether it can accomplish its goals in a better way."

But Michael Murphy, the AIA's assistant vice president, northeast region, said the proposed reforms would benefit consumers by expediting compensation payments, and also reducing costs "because unnecessary treatment costs (would be) discovered early and minimized."

AIA officials want the Insurance Department to solve the technical problems with the regulation it originally submitted and then reissue it.

Insurance Times: IIAA Selects New Slogan And Logo For Consumer Branding Effort
February 20, 2001, Vol. XX No. 4

IIAA branding campaign is 'going to be huge'

by Mark Hollmer
InsuranceTimes

Take a new name, a modern twist on an old slogan and a soaring eagle with a stylistic "swoosh" in place of its tail.

All of those elements are part of "Trusted Choice," - the new brand name the Independent Insurance Agents of America plans to roll out late in 2001.

The IIAA's board of state directors approved the eagle logo, "Trusted Choice" and the "We serve you first" tagline during its January meeting in Miami, as part of the association's new consumer branding package months in the making. "It's going to be huge," said Maureen Wall, the IIAA's vice president of communications.

"Trusted Choice" rose to the top over 1,200 suggested marketing brand names, Wall said. IIAA officials, working with Addison - a San Francisco-based branding and communications firm - whittled the number down over several months of research and focus groups.

"Choice" is meant to show consumers that independent agents are unique in their ability to customize products to fit their needs, she said. And "Trust" won out because "there is a desire to place business with a firm that is trustworthy, that is secure" and "going to be there tomorrow."

Agents, of course, will continue to see the "Big I" logo in advertisements and business-to-business promotions.

The "Trusted Choice" campaign, however, will be targeted to consumers. Member independent agents can participate in the voluntary program after they sign a "pledge of performance" - an outgrowth of the focus group research.

"Consumers (want) agents to commit to a certain level of customer service," Wall said. They "want to be treated like people, not like policy numbers," and "to feel respected (like) agents are taking time with them and are helping them..."

Agent fees haven't been determined yet, but IIAA board members will likely vote on the matter during the association's May meeting, Wall said.

"We serve you first" may seem familiar to some long-time agents. It turns out the tag line is an adaptation of "Independent Agents serve you first" - a longer version used by the IIAA in the 1980s.

Wall, in explaining the update, said "independent agents" as a term "didn't have resonance in the marketplace."

IIAA is trying to modernize consumer perception of its members as "financial service professionals" instead, she said.

Leaders of state independent agencies were involved in the process by the time of the January vote, and they're now offering some details to members, Wall said.

After this May, IIAA hopes to have a more detailed timeline on when it will officially launch its branding campaign, through television, print and other advertising.

The final cost will be "sizeable," Wall said, alongside the significant nature of the project.

"It's probably the most important initiative for the association," she said.

"It's a major investment and a major program."

Insurance Times: Consumer Groups Raise Concerns Over Anthem Demutualization Plan
February 20, 2001, Vol. XX No. 4

by Penny Williams
InsuranceTimes

New England insurance regulators and consumer advocacy groups are raising questions about the recent announcement from Anthem Insurance Cos., Inc. that it plans to demutualize in the eight states where its health plans operate. But it's not clear they have much power to stop or influence Anthem's plans. The Indianapolis-based insurer is hoping to launch an initial public offering of stock by the end of the year. The conversion plan will first be considered by Anthem's board of directors and then is subject to approval from the Indiana Department of Insurance. Final approval would be subject to a vote by Anthem's mutual company members.

"This industry is consolidating, and we want to be sure we have the financial resources to create a larger company," said Larry C. Glasscock, Anthem's president and chief executive.

"We believe that conversion to a stock company structure is in the best interests of our members and our associates. In addition to distributing the value of the company to eligible members, it would provide Anthem with enhanced financial flexibility and access to capital markets; better enable us to continue to provide our members with high quality health care benefits and services; enhance our market leadership and facilitate opportunities for growth."

Anthem, formerly Blue Cross/Blue Shield of Indiana, has acquired Blue Cross plans in Kentucky, Ohio, Connecticut, New Hampshire, Colorado, Nevada and Maine over the past decade. I

The demutualization plan will call for payment of the company's entire value to mutual insurance company members eligible under Indiana law, the company said. That likely would include more than 1 million members - mostly in Indiana, Kentucky, Ohio and Connecticut - who are covered under Anthem health plans. However, not all of the members in those states would be eligible for payments. Anthem said the conversion would not affect premiums and other terms of health care plans.

But consumers groups and regulators are not so sure.

Consumer advocacy groups are expressing concern that the reorganization could mean higher premiums and would create two unequal policyholder classes. Higher premiums will reduce access to health care, warns the Community Catalyst/Consumers Union in Boston.

"As a for-profit stock insurer, Anthem will owe its allegiance to its shareholders and not to policyholders and the community or state where it does business. We're concerned that insurance premiums will inevitably rise, making it more difficult for families to afford the coverage they need, and that Anthem would have the market share to force other changes to the detriment of consumers," said Laurie Sobel, an attorney with Consumers Union.

Others are concerned that not all policyholders will be treated equally under the plan.

"Policyholders in some states will receive a share of the value of the company under the reorganization, while other policyholders in other states will not," according to Consumers Union attorney Renee Markus Hodin.

Policyholders in four states (New Hampshire and Maine among them) will have no vote in the reorganization and no share in the company assets. In the other states (including Connecticut), some policyholders will not be eligible to receive shares of common stock because of the type of policy they have. The process for determination of eligibility hasn't been set as yet.

Consumer groups in Maine and New Hampshire are worried about losing what little local decision making still exists if Anthem goes public.

Speaking for the New Hampshire Citizens Alliance, Dawn Touzin, counsel, said, "Our policyholders don't have the same rights as those in other states.

Consequently, we don't have a voice and we have no voting rights."

In Maine, John Diefflenbach-Krall, executive director, Maine Peoples Alliance, said his group was not surprised by the Anthem announcement. "This is a further acceleration of the corporate takeover of health care. This is bad

New Hampshire Insurance Commissioner Paula Rogers said she plans to look very closely at the proposed Anthem demutualization plan.

Under the terms of its takeover of New Hampshire Blue Cross, Anthem must submit a "detailed analysis" of the impact of the demutualization on policyholders, employers and contract providers, according to Rogers.

When that report is available, Rogers said the department will review it to determine whether the reorganization will result in "treatment of New Hampshire policyholders that is prejudicial or unfair" as specified by state insurance law.

In Maine, Insurance Superintendent Alessandro Iuppa is also waiting to hear details before taking any position. "We are reviewing our law and Indiana law to see if there's a role for us, if any. We are just taking it one step at a time," he said.

However, Iuppa noted that since Anthem has "pumped \$30 million into the state's Blue Cross Blue Shield plan, I don't lose any sleep over it any more."

Connecticut Insurance Department officials had planned to meet with Anthem last week but those plans were thwarted by a snowstorm. Until the rescheduled meeting takes place, the department states it has "no position on the proposed reorganization."

Insurance Times: SBLI Of Mass. Upheld In First Round Over Surplus Fund
February 20, 2001, Vol. XX No. 4

But Superior Court seeks Appeals Court review of decision

by Mark Hollmer
InsuranceTimes

BOSTON - In a potential setback for consumer-rights attorney Jason Adkins, a judge ruled in favor of the Savings Bank Life Insurance Company of Massachusetts regarding how the company calculates its safety fund.

Adkins was the lead attorney in a 1998 class-action suit against SBLI filed on behalf of a number of policyholders.

Judge Allan van Gestel, handling the case in the new Suffolk Superior Court business session, sided with SBLI in his summary judgment. He decided the

company followed the law by calculating a deduction for shareholder equity and a deduction for special dividends. The second calculation is required by law to be paid to policyholders, since SBLI converted to a full stock company in 1992. But in an unusual move, van Gestel ordered an appeal of the case with the Appeals Court to determine if the two deductions were appropriate under the circumstances.

After that action, van Gestel expects the case to come back to him for trial, where the court hopes to determine what specific amounts could be deducted in both scenarios, and if the specific numbers the SBLI used in its calculations were accurate.

"Without guidance from (the Appeals Court) the efforts of counsel in litigating the correct calculations, coupled with the necessary evidentiary proceedings underlying those calculations, could be enormously expensive and wasteful," van Gestel wrote in his Jan. 31 decision.

"This ruling makes no determination as to the accuracy of any of the actual numbers for the original assumed surplus, the value of the shareholder equity or the present value of the remaining special dividend through the period from" (the company's conversion).

Peter Lyons, SBLI senior vice president and general counsel, said SBLI was "pleased by the ruling."

"We think the logic the judge used to examine this is unassailable certainly the judge took a long time and gave a very intelligent and reasoned decision," he said.

Adkins, similarly, said he was not unhappy with the outcome.

"We're pleased that the court says the case goes forward to trial on factual issues and dispute even under this ruling there are damages in the millions of dollars," he said.

Adkins said the case has revealed "appealable" issues down the line, including the court's definition of what liability is and its use of SBLI financial numbers later deemed to be "in error."

Adkins said the case is in behalf of SBLI's 520,000 policyholders, though only four are named in the lawsuit itself.

A couple of complex business practices were at issue in the case.

The state legislature reorganized SBLI into a privately held domestic stock life insurance company in the early 1990s. The law prevented stock dividends from being paid to the company's bank stockholders without approval of a Policyholders Protective Board and the Division of Insurance. In addition, policyholders were entitled to a special dividend paid without interest over 12 years if they owned policies issued under the old SBLI system.

The law made the new SBLI subject to general insurance laws, which restrict domestic life insurers to keeping a safety fund no larger than 12 percent. SBLI claims it has kept to the 12 percent safety fund limit, but the class action suit (Richard Goldstein et al vs. Savings Bank Life Insurance Company of Massachusetts) argued the safety fund surpassed 18 percent of surplus, exceeding the allowed limit by \$56.9 million in 1998.

But SBLI argued that number the plaintiffs used was wrong, because the plaintiffs' calculation includes the 12-year mandated additional dividend being paid to SBLI policyholders (worth \$98 million), who predated the company's single stock conversion.

"This money set aside seemed to make the surplus higher, but it's a liability," Lyons said, which means the added dividend should be taken into account to adjust surplus numbers downward.

Insurance Times: CAR Stymies Bank Attempt To Assume ERP Status

BOSTON - A Massachusetts bank's push to take over ERP status from an insurance agency it is purchasing was rejected recently by a CAR subcommittee. The case is believed to be the first of its kind to come before Commonwealth Auto Reinsurers - the state's auto residual market insurer - since state law began allowing banks to buy insurance companies a few years ago. The CAR Market Review Subcommittee voted unanimously on Feb. 5 to deny exclusive representative producer status to The Savings Bank of Wakefield, which is purchasing the Thibodeau Insurance Agency, also of Wakefield. Subcommittee members rejected the transfer because the bank would apparently be required to offer ERP services at all of its branches rather than just one, which would violate CAR's ERP moratorium.

Banking OK

The Division of Banks has already signed off on the deal; Division of Insurance approval is pending and expected by mid-March.

CAR approval is needed to transfer the ERP status, because the agency doesn't represent a company writing auto insurance on a voluntary basis.

Subcommittee members gave members of the audience a chance to speak, but no one did, and no bank officials appeared to be present.

CAR's Market Review Committee took the vote under advisement at its Feb. 8 meeting. But no final decision has been made yet to affirm or reject the subcommittee vote, according to Sumner Gilman, the ERP representative on the Governing Committee.

CAR officials, in part, are waiting for the bank's attorneys to file legal arguments before making any decision.

An ad hoc subcommittee was to be formed after Feb. 19 to review a number of issues facing ERP servicing carriers. Governing Committee Chairman Charles Boynton announced the news at the start of the board's Feb. 14 meeting.

The subcommittee is expected to look at ERP issues such as servicing carrier relationships, the moratorium, voluntarily giving up ERP status and bank eligibility for ERP appointments.

A rule that would prevent banks from ever becoming ERPs is one potential outcome.

The Governing Committee was also to discuss the bank/ERP issue in executive session later in the meeting, because of the chance that The Savings Bank could sue if denied ERP status.

Interviewed recently, Gilman said he believes that banks don't qualify for ERP status because "they are not, by definition, insurance agents.

"They are not serving the purposes that an ERP exists for, which is to provide auto insurance when there is not voluntary availability."

"CAR is supposed to be a market of last resort," he said.

Industry attorney Peter Robertson said the unanimous subcommittee vote was a good move for the industry.

"It would be wholly inconsistent with what the ERP system was designed to accomplish," he said, "which was to ensure the availability of auto insurance in areas where" market failure took place.

The ERP system grew "out of control" in the mid-to-late 1980s, and both CAR and the DOI spent significant efforts to reduce the size of the ERP market, he said. Banks entering the ERP system "would threaten to undo all those efforts to bring the size of the ERP market back under control," Robertson said.

MAIA Executive Vice President Frank Mancini wrote a letter to the subcommittee opposing the approval because he said the bank would have gained an unfair exemption over the moratorium.

CAR's Jan. 22 meeting agenda pointed out that the Wakefield branch of The

Savings bank would be the only one of five branches involved with the insurance agency.

Mancini said the move would conflict with the law, because a bank must sell insurance in all of its branches. But if The Savings Bank sold insurance at all five of its branches, the result would expand ERP numbers and violate the CAR moratorium, he said.

Brookline Insurance agent Leonard Fisher, speaking at the Feb. 14 CAR Governing Committee meeting, questioned why a moratorium was even an issue. He argued that it has been unfairly in place for too long and that ERP matters are continually shunted aside without much action.

Boynton said that ERP issues are now being tackled more quickly.

Gary Hennessy, senior vice president of The Savings Bank, said the CAR denial would not affect the bank's purchase of Thibodeau Insurance.

He wouldn't comment further because the deal is still "a pending application" waiting for DOI approval.

The Savings Bank has the right to appeal any CAR decision.

Insurance Times: Insurer For Victims Wants Reimbursement From Killer
February 20, 2001, Vol. XX No. 4

NEW BRITAIN, Conn. (AP) - A convicted killer who was awarded \$375,000 in a federal civil rights case is back in court fighting a lawsuit from an insurance company.

Kevin King was convicted of breaking into his neighbors' New Britain home in 1992 and raping, beating and stabbing 15-year-old Patricia Urbanski who was baby-sitting her then 2-year-old sister, Justyna.

Reliance Insurance Co. of Philadelphia insured the Stonegate complex in New Britain, where the family of Patricia Urbanski lived at the time of the murder. The company settled a wrongful death lawsuit filed by Urbanski's family for an undisclosed amount of money.

In a trial scheduled to begin last week in New Britain Superior Court, the company was to ask to be reimbursed by King, with some of the money King received as a result of a federal lawsuit he filed against the state after a failed escape attempt.

Insurance Times: Vermont Fund Prepared For Credit General Claims
February 20, 2001, Vol. XX No. 4

MONTPELIER - Beachwood, Ohio-based Credit General Insurance Co. which is licensed to do business in Vermont has been declared insolvent and placed in liquidation by the state of Ohio.

In Vermont, Credit General wrote coverage for approximately 30 to 35 policyholders and businesses representing over \$100,000 in total premium. The accounts were "small employers with generally less than five employees, the typical 'Mom and Pop' shop," said Kenneth McGuckin, director of Insurance Examinations at the Vermont Department of Banking, Insurance, Securities and Health Care Administration.

Workers compensation coverages accounted for something less than half of the accounts, according to McGuckin. Under Vermont insurance law, these policyholders must be immediately covered by other licensed workers compensation

insurers. "We have been working with the Labor Department to ensure this," McGuckin said.

Many of the Vermont insureds covered by Credit General were part of the Reliance related flight only to end up with Credit General and its problems, McGuckin said.

The Vermont Property & Casualty Insurance Guaranty Association has been notified and will be responsible for making arrangements for all claims to be processed according to Vermont law. Approved claims will be fully covered by the solvency fund.

A toll-free line has been established to answer consumer questions regarding Credit General - 800-288-6045.

Insurance Times: Son Not Covered Under Mom's Rental Car Contract
February 20, 2001, Vol. XX No. 4

BOSTON - The son of a rental-car customer can't collect for injuries he suffered after driving the vehicle, because he wasn't covered under his mother's rental agreement.

That's the outcome of a recent Appeals Court decision, affirming a lower court ruling that sided with Commercial Union rather than the plaintiff, Mark Vergato. Vergato had taken the Enterprise rental car out to a party, drank alcohol and then had a third party who hadn't been drinking drive him home.

The car struck a tree and he was injured, according to the court documents.

"Neither (Vergato) nor (the driver) had the permission of Enterprise, the owner of the rental car, to use the vehicle. Consequently, as a matter of law, (Vergato) is not entitled under (his mother's policy) to insurance coverage for bodily injuries sustained in the accident," the judge concluded in the Feb. 6 decision.

The case began in 1994 when Vergato's mother, Gail Vergato, reported her Ford Mustang stolen. Commercial Union covered her automobile, with her husband and their three children named as additional operators under the policy.

Gail Vergato rented a temporary replacement car from Enterprise and wrote in the rental agreement that she was the car's operator, according to the Appeals Court decision.

But she didn't add any other drivers to the agreement or purchase extra insurance from Enterprise.

"Commercial denied coverage on the ground that (the third party) did not have Enterprise's consent to operate the rental car," according to the Appeals Court decision.

Vergato sued and his case was heard in Superior Court beginning in 1996.

Insurance Times: Conn. Jury Sides With Killer Over Insurer
February 20, 2001, Vol. XX No. 4

NEW BRITAIN, Conn. (AP) - A Superior Court jury has sided with a convicted killer who was being sued by an insurance company for payments it made to the family of the girl he raped and killed.

The jury took less than three hours to decide in favor of Kevin King, a convicted killer who was awarded \$375,000 in a federal civil rights case.

King was convicted of breaking into his neighbors' New Britain home in 1992 and

raping, beating and stabbing 15-year-old Patricia Urbanski who was baby-sitting her then 2-year-old sister, Justyna.

Reliance Insurance Co. of Philadelphia insured the Stonegate complex in New Britain, where the family of Patricia Urbanski lived at the time of the murder. The company settled a wrongful death lawsuit filed by Urbanski's family for an undisclosed amount of money.

Reliance, in its lawsuit, sought to be reimbursed by King, with some of the money King received as a result of a federal lawsuit he filed against the state after a failed escape attempt. In 1996, just days before he was sentenced for Urbanski's murder, King beat and stabbed prison guard Elizabeth Prete, before donning her clothing in an escape attempt.

King claimed that after he was caught, he was abused by other guards who violated his civil rights and in his federal suit he was originally awarded \$2.07 million, but a judge later reduced that to \$375,000.

Since then, King, who is serving a life sentence, has been sued by the state for the cost of his own incarceration; by the family of his victim; and by Prete. King has yet to see a penny of the award. Under a previous court order, the money has been frozen until the state's restitution case is resolved.

Insurance Times: Mass. Mutual Holding Company Law Comes Under Fresh Attack
February 20, 2001, Vol. XX No. 4

by Mark Hollmer
InsuranceTimes

BOSTON - A local consumer group and some Massachusetts state legislators have filed bills targeted at delaying and ultimately changing the state's 1998 mutual holding company law.

If successful, the legislation could directly affect Liberty Mutual's drive to reconstitute itself under the fledgling law.

One bill would place a one-year moratorium on mutual insurance company conversions to allow for a study on their impact. The other would change the demutualization law so property casualty and life insurers could convert to stock companies, and policyholders could participate more in the conversion process.

The bills are part of a large package of legislation filed by the coalition that would reform the Division of Insurance, in part, by increasing public access and adding more funding.

The Center and legislators announced their push at a Feb. 5 State House press conference.

Rep. James Marzilli and State Sen. Dianne Wilkerson are sponsors of both mutual holding company bills. Wilkerson is the new Senate vice chair for the Committee on Insurance.

"Although Massachusetts agreed to allow these conversions, most large mutual insurers have abandoned the (mutual holding company) structure," Marzilli said in a written statement. "It's time to ask why companies, industry experts and consumer advocates alike have concluded that mutual holding company conversions are a bad idea."

Liberty Mutual's application is pending at the DOI, spokesman Christopher Goetcheus said, and officials are "reviewing the plan accordingly" under the law.

Frank O'Brien, regional manager with the Alliance of American Insurers, said he

sees hypocrisy in the consumer advocates' complaints against Liberty Mutual's holding company application.

"Here they are two years out from the John Hancock demutualization, which when it was under consideration they were criticizing at least as heavily as they are criticizing Liberty's now.

"It struck me as odd that here we are two years hence, where demutualization is being held up as the Holy Grail when not that long ago it was being attacked as the worst thing..."

"It seems to me the consumer advocates have never met an insurance company restructuring they did like." p

Peter Robertson, Massachusetts counsel to the NAI, said an expansion of the statute to give property casualty companies the right to fully convert to stock companies "may make some sense," but stopping the mutual holding company law isn't the way to do it.

"The appropriate forum now is the DOI process," he said. "The people who don't like Liberty's conversion plan, they can show up and object to it and say it ought to be done differently."

In all, the legislative/consumer group coalition filed more than 12 insurance-related bills - most of which would reform how the DOI does business.

The bills would promote a number of changes, including a larger insurance department regulatory budget, consumer protection reform and improvements in how insurance complaints are collected, made public and resolved.

Reps. Anne Paulsen and Ruth Balser are among the other legislators who submitted legislation.

Goetcheus, in response, pointed out that the legislator already gave the DOI another \$1.2 million in last year's supplemental budget that will bring up to 24 new employees, many of which will run the new Bureau of Managed Care and help the state comply with new federal standards.

The DOI, he said, continues to try to help consumers solve complaints - having recovered \$2.7 million for consumers in 2000.

O'Brien said the DOI reform bills are old news because "most of them have been previously proposed and rejected."

Insurance Times: 'Unique' Time In Workers Comp, Says NCCI Official
February 20, 2001, Vol. XX No. 4

by Mark Hollmer
InsuranceTimes

ROCKY HILL, Conn. - We're entering a period of some of the greatest "potential for substantial change ever," Helen Westervelt says.

No, she's not referring to the scientific possibilities of the 21st century, or George W. Bush's fledgling U.S. presidency.

She's talking about workers compensation insurance.

Westervelt is president of the regulatory services division of the National Council on Compensation Insurance, which recommends rates in Connecticut and other states.

Looking at the industry right now, she sees plunging claim frequency, an expected increase in severity and declining premium, among other phenomenon. This, combined with anticipated legislative action on a number of fronts makes for interesting times for the industry, according to Westervelt.

"There are some unique things happening right now."

Westervelt spoke about industry trends recently at a Connecticut Chapter CPCU luncheon, held at The Marriott in Rocky Hill, Conn.

According to Westervelt, a number of potentially conflicting trends will affect workers compensation in the months and years to come, and it will be up to legislators to establish sound policy to keep things running smoothly.

Westervelt said the market right now is dominated by a number of mixed trends.

Declining premium. Westervelt said premiums have declined sharply over the last several years, particularly made worse by "the growing use of large deductibles." Premiums between 1999 and 1990 would almost be at the same level without the deductibles.

Discretionary discounts and falling loss costs, she said, have also impacted premium.

Performance gap. The residual market is experiencing "a large performance gap between its best and worst performers," she said. For workers compensation, that means "the best companies are writing (with) an 18 percent return on surplus.

... (and) the worst are writing a (negative) 27 percent return on surplus."

This is a big difference from the crises in the 1980s when every company was rated inadequate, she said, adding that results vary widely from state to state.

Reserve deficiencies. This phenomenon is increasing again, with \$18 billion in reserve deficiencies as of 1999, Westervelt said, versus \$.5 billion in 1994.

Loss costs. These are stable because of declining claims frequency, Westervelt said. She added: "frequency continues to decline at levels that boggle the mind."

Severity. Severity of claims, Westervelt said, "is starting to up-tick." And the result, she said, is "accident year combined ratios are at near record levels despite stable loss costs." Accident year combined ratios reached 134 in 1999 - a level that hasn't been reached since the mid-1980s, she said.

The future of workers compensation will depend largely on outside actions taking by officials and legislators in the coming months, Westervelt said.

Among the factors Westervelt said to look out for: the degree of federal control established over benefits and eligibility, economic and political assessments made by politicians, the extent and cost of medical privacy legislation and frequency trends.

Insurance Times: A Plea For Industry To Close The Perception Gap With The Public

February 20, 2001, Vol. XX No. 4

Alliance's O'Brien calls for industry to be more aggressive in handling critics

by Mark Hollmer

InsuranceTimes

Talking about "fair discrimination" is common among insurance industry insiders. But if you ask Frank O'Brien, he'll tell you the bureaucratic term sets off alarm bells in the outside world.

Of course, insurance professionals know what the term refers to; it's another word for underwriting, where a risk is assessed and a fair price is ideally determined based on that risk.

To an outsider, however, what discrimination is fair?

Call it "fair assessment of risk" instead, urges O'Brien, regional manager and counsel for the Alliance of American Insurers.

"It is important for all of us to use plain English. We may understand but there may be others who do not."

O'Brien spoke about insurers and how they're perceived by the public at the latest meeting of the New England 1752 Club, held Feb. 2 at Ken's Steakhouse on Route 9 in Framingham, Mass.

For much of his speech, O'Brien focused on an idea that may not be new but is still no less important to the industry: There's a big gap between how the insurance industry conducts itself and how industry perceives itself to be. O'Brien cited his neighbor as an example of the continued divide between consumers and the insurance industry. One day, both O'Brien and the neighbor were out shoveling snow, when, according to O'Brien, the neighbor began to complain why placing his teenage son on his auto policy raised the premium so much.

"He just couldn't understand why his premium had to go up as much as it did," O'Brien said.

"They don't understand what we do."

O'Brien cited national statistics gathered by the Alliance, a property/casualty insurance trade association -- that he said illustrates the gap: a majority of homeowners and property casualty insureds are satisfied with their coverage, but that same majority feel they pay too much.

A "significant minority" of Americans in the survey also believe insurance in general should be more regulated, with a similar minority feeling the same way about the pharmaceutical and oil industries.

On the other hand, only a small amount of people felt banks should be more regulated, O'Brien said.

The national statistics also reflect what's going on in Massachusetts, O'Brien said.

"It's safe to say that here in the Commonwealth the consumer (and legislative) perception of the industry is not wholly favorable," he said.

"The industry is frequently blamed and seldom praised," O'Brien said.

The perception-gap is re-enforced, O'Brien said, by the media, regulators and legislators.

O'Brien cited a recent editorial that noted positive coverage of Division of Insurance Commissioner Linda Ruthardt's decision to cut auto insurance rates for next year. But the same editorial noted negative news coverage after most companies reduced or eliminated their safe driver discounts as a result.

Unfair Perceptions

The public is left with unfair perceptions of high insurance costs, and press imagery O'Brien termed as "skullduggery."

Instead, O'Brien said, community members should be reminded that the insurance industry produces jobs, community investment, social stability and the selling of products "that protect against bad things happening.

"We're here to manage and prevent and control risk," he said.

O'Brien said insurance professionals, naturally conservative about public promotion, should take on criticism more aggressively.

"What we need to do is be less reticent about getting our message out," he said.

And as part of a more aggressive marketing effort, O'Brien said he'd like to see the industry "change the way we talk" so industry benefits and successes are successfully communicated to the public.

"I urge you all to consider our industry, and how folks outside the industry view us, to both advance and improve our industry's image," he said.

Insurance Times: Industry Hails Ruling Upholding Safety Standards For Mexican Trucks
February 20, 2001, Vol. XX No. 4

WASHINGTON D.C. - A final report issued by the NAFTA Arbitration Panel supported the insurance industry position that the United States has the right to require all Mexican trucks entering the country to meet U. S. safety standards.

The NAFTA panel, comprised of government representatives of Mexico and the United States, concludes that the United States violated the North American Free Trade Agreement (NAFTA) by barring Mexican trucks from free travel under the Agreement.

The panel said that the U. S. violated the Treaty by its blanket refusal to consider any Mexican-owned carrier applications for travel within the U.S. According to the National Association of Independent insurers, which welcomed the decision on behalf of its 690 member insurers, the ruling makes it clear that the U.S. must consider each trucking application on a case by case basis and that the ultimate responsibility for the safety of all commercial vehicles traveling on U. S. highways, whether owned by Canada, Mexico or the U. S., remains with the United States.

Speculation by sources in both countries is that this ruling will precipitate a quick end to the moratorium, particularly now that President George W. Bush, a proponent of free trade as Texas governor, sits in the Oval Office.

Lift Moratorium

"Although the NAII is a staunch supporter of free trade, our members have asked us to caution President Bush against a hasty decision to lift the moratorium because of the report released today," said NAII director of commercial lines David Golden.

"NAII hopes the President, though a strong advocate for free trade, will muster the resources necessary to provide for quality inspections at each and every border so that only safe trucks meeting U.S. standards will be allowed entry. There is no question that the free exchange of goods and products will benefit both countries, but this goal should not be given higher priority than the safety of American lives."

The dispute began five years ago when Mexico accused the United States of breaching the NAFTA agreement by prohibiting Mexican trucks from venturing more than 20 miles into the United States. While the Arbitration Panel report ruled against the U. S., negotiations between the Mexican and U. S. governments are expected over the next several months to resolve the issue.

The issue of the NAFTA ruling is expected to be discussed when President Bush visits Mexican President Vincente Fox later this month.

Since the moratorium was established five years ago, Mexican trucks have had only limited access inside the U. S. because of concerns about the safety standards of the Mexican vehicles.

Golden explained that Mexican drayage vehicles, now commonly used to take products to sites within the 20 mile U. S. commercial zone at the borders, are often in very poor mechanical shape.

"The Mexican government and other sources have told us that the long-haul vehicle fleets that would be deployed when the borders are opened have newer trucks in much better condition," said Golden. "However, at this time we do not have confirmation regarding the safety of long-haul Mexican fleets."

Many of the Mexican drayage vehicles have been put out of service at U. S. borders for such safety concerns as exceeding U.S. commercial vehicle weight and length limits (80,000 pounds and 53 feet in length), having only rear axle

brakes, or having unlicensed drivers or drivers without insurance.

Industry Not Alone

According to Golden, the insurance industry is not alone in its concerns about truck safety.

"A recent public opinion survey conducted by Roper Starch Worldwide, Inc., and commissioned by the Insurance Research Council (IRC) confirmed that the American public supports safety initiatives for large trucks traveling on U. S. highways," Golden said. "Of those surveyed, 85 percent said they oppose an increase in the size or weight of large commercial vehicles because they believe it would increase the numbers of accidents and deaths. Insurers and consumers alike view truck safety concerns with the same seriousness.

"We are in agreement that the border should be opened so that the trade benefits promised under NAFTA can become a reality," Golden said.

"But NAAI members, who insure one-third of all the commercial vehicles in this country and almost half of the private passenger automobiles, believe that the U. S. does not yet have the appropriate number of inspectors and tracking systems to effectively handle the increased volume of traffic expected when border crossings are opened. NAAI urges the Administration to take its responsibility very seriously on this matter because otherwise the result could be unnecessary injuries and loss of human lives. "

Insurance Times: Court Rules State Entity Not Exempt From Subrogation
February 20, 2001, Vol. XX No. 4

by Mark Hollmer
InsuranceTimes

BOSTON- Safety Insurance Co. recently won the right to receive PIP reimbursement from the MBTA for coverage the company paid to a passenger after a car/bus accident.

In his decision, Suffolk Superior Court judge Gordon Doerfer also rejected the Massachusetts Bay Transportation Authority's motion for summary judgment. The MBTA had argued -- citing a prior legal case -- it was exempt from subrogation because it's a state entity.

The case began in January 1997 after a Safety customer, whose coverage also included Personal Injury Protection, was involved in an auto accident with an MBTA bus.

A passenger in the Safety client's car was injured in the accident and the MBTA was at fault, according to court documents.

PIP Benefits

Safety covered more than \$2,000 in PIP benefits for the passenger, and subsequently filed a complaint in Municipal Court seeking subrogation from the MBTA to cover the PIP benefits.

But the lower court dismissed Safety's motion in 1999, accepting the MBTA's argument that it was exempt. Safety brought its case to Superior Court on appeal.

In his Jan. 10 decision, Doerfer said that the prior judicial decision cited by the MBTA to claim exemption from subrogation "incorrectly extended the MBTA's exemption from procuring PIP coverage to exemption from subrogation." Doerfer also noted that Safety reserved its right of subrogation in its insurance policy and was legally able to exercise its right with the MBTA under

common law.

Attorneys Thomas O'Keefe III and Charles Gale represented Safety, and James Condon represented the MBTA.

O'Keefe said that this decision could affect millions of dollars in future cases against municipal agencies across the state seeking the same exemptions the MBTA did.

The MBTA is appealing, O'Keefe said.

Condon could not be reached.

Insurance Times: OpinionExchange
February 20, 2001, Vol. XX No. 4

In what may be the ultimate example of style over substance, a new survey by Progressive Insurance finds that people place a premium on the look and the amenities offered in a new car rather than its safety features. The survey found that the top five considerations when purchasing a new car were overall purchase price, practicality (i.e. gas mileage, insurance, etc.), monthly payment amount, look/style of the car, followed by safety features (i.e. air bags, anti-lock brakes, etc.).

The survey of consumers' new car buying attitudes on progressive.com found that 47 percent of respondents think that the color of the car was more important than side air bags in their decision to purchase a new car while 22 percent of respondents said that a CD player was more important than anti-lock brakes in their new car purchase decision.

Other interesting findings: 24 percent of respondents said that leather seats were more important than four-wheel drive in their decision to purchase a new car, while respondents with children were nearly twice as likely to say that the monthly payment amount for a new car was more important than its safety features.

Men were more likely than women to report safety features as the primary consideration when buying a new car.

Safety continued to take a back seat when asked how driving behavior would change after purchasing a new car. Three times more respondents said they would give up eating and drinking when driving a new car than those who would curtail speeding or tailgating.

The survey also found that 27 percent of respondents think that auto insurance premiums do not vary significantly by vehicle type, and 19 percent said that their premium would be the same regardless of their insurer. In fact, auto insurance rates vary widely depending on vehicle and insurance company. And, vehicles with more safety features often receive lower auto insurance rates.

"While consumers are kicking the tires or checking the price of the leather package when shopping for a new car, they rarely take the time to compare auto insurance premium," said Alex Ho, progressive.com marketing manager. "Some safety features can slightly increase the overall cost of a new car, but this doesn't necessarily translate to higher premium rates. In fact, safer cars often have lower rates. Since auto insurance rates vary widely from company to company, it's important for consumers to shop around and compare rates. Who knows, they might save enough to pay for that CD changer!"

While that safety news may be disappointing, there is also some good safety news to report.

Reported use of seat belts or child restraints among bodily injury auto accident claimants has nearly doubled in the past decade (from 43 percent in 1987 to 87

percent in 1997), according to a recent Insurance Research Council (IRC) study. The study found that usage is highest among women and older adults and lowest among children seven to sixteen years old. Not surprisingly, accident victims who reported wearing seat belts were much less likely to be seriously injured, disabled, or killed in an accident than those not wearing seat belts.

Elizabeth A. Sprinkel, senior vice president who heads the IRC, said, "It is clear that increased public education on the effectiveness of seat belt use in saving lives and the enactment of seat belt laws have been successful in encouraging Americans to buckle up. However, more work needs to be done to increase use among all Americans -- especially children and teens."

By vehicle type, reported usage is highest among occupants of passenger cars and SUVs and lowest among occupants of pickup trucks. This is of concern because pickup trucks, like SUVs, have a greater propensity than other vehicles to roll over in an accident. Rollover accidents occurring in pickup trucks result in higher disability and fatality rates, perhaps in part because of lower seat belt usage among these vehicle occupants.

The study also suggests that SUVs might not be the best choice of vehicle for teen drivers, since these inexperienced drivers tend to overcorrect when turning, resulting in an even greater likelihood of rolling the vehicle. The data show that teenage SUV drivers (age 20 or younger) are more likely than older SUV drivers to roll over the vehicle. This, coupled with the fact that teens are less likely than older drivers to buckle up, can mean greater risk of injury for these drivers.

These findings are contained in IRC's new study, *Characteristics of Auto Accidents: An Analysis of Auto Injury Claims*. Visit IRC's Web site at www.ircweb.org for more information.

Insurance Times: Chubb Covers Lenders' Environmental Liability
February 20, 2001, Vol. XX No. 4

WARREN, N.J. - The Chubb Group of Insurance Cos. has introduced Collateral Impairment and Environmental Liability Insurance for financial institutions that lend to commercial real estate lenders. The coverage is available through Environmental Warranty, Inc. (EWI), a national insurance brokerage specializing in environmental risk protection.

The insurance, underwritten by Chubb's Department of Financial Institutions, helps protect lenders from financial loss resulting when a loan is in default and its collateral is contaminated. The policy reimburses the insured for the outstanding loan balance or cleanup costs, depending on the coverage the insured chooses. The policy also reimburses the insured for damages or cleanup costs it becomes legally obligated to pay to third parties during the policy period. Without insurance, commercial lenders rely on due diligence to identify environmental risks on real estate collateral prior to making loans. The most common form of due diligence is a Phase I site assessment.

"Since Phase I assessments are historical and lack certainty, we envision that Chubb's Collateral Impairment and Environmental Liability Insurance will become the new standard in environmental risk transfer for all commercial real estate lenders," said EWI's CEO Charlie Perry. "We anticipate that the market, especially larger commercial lenders, will convert rapidly to this type of risk management approach over the next two years."

In addition to typically costing between \$1,500 and \$2,500, Perry said, a Phase I assessment may fail to discover all contamination when an engineer surveys the property. Furthermore, the Phase I cannot protect the lender against future

events, nor provide financial protection.

It normally takes one to three days to receive approval for scheduling a loan under an insurance program, versus three to four weeks to complete a Phase I report, but "it's the new 'certainty' for lenders that is expected to drive this product," Perry added.

Policies are available for terms up to 20 years on individual loan limits ranging from \$1 million to \$5 million, subject to an aggregate limit applicable to a portfolio of loans. This aggregate limit ranges from \$10 million to \$50 million. A one time per loan premium, typically ranging from \$250 to \$1,500, is paid at loan closing.

Insurance Times: First Capital Offers Middle Market Property Program
February 20, 2001, Vol. XX No. 4

ROSLYN HEIGHTS, N.Y. - First Capital Group has teamed up with GE Employers Reinsurance Corp. to offer a national middle market property program. Serving as the program manager, First Capital's middle market property program will cover all forms of real estate, personal property and business income individually, but not limited to apartments, mercantile, buildings, hotels/motels, banks condominiums, industrial buildings, theaters, light manufacturing, office buildings, shopping centers and nursing homes.

According to Alvin Moss, president and CEO of First Capital, First Capital has the ability to offer this middle market property program on an admitted and non-admitted basis through ERC's Westport Insurance Corp. and First Specialty Insurance Corp., both rated A+XV by the A.M. Best Co.

The program offers limits of insurance of \$75,000,000 per risk, with additional limits available, subject to underwriting criteria.

Insurance Times: Amica Moves To Online Bill Payment
February 20, 2001, Vol. XX No. 4

LINCOLN, R.I. - Amica Mutual Insurance Co.'s 500,000 property and casualty insurance customers can now receive and pay bills at their choice of nearly 275 financial services Web sites.

Amica has implemented integrated software and services from CheckFree i-Solutions of Atlanta to make these transactions possible.

Amica is utilizing CheckFree i-Insurance to turn legacy data into interactive bills and statements designed to strengthen and enhance customer relationships. The company is also leveraging CheckFree i-Processing, a service that offers electronic bill distribution and payment capabilities through nearly 275 financial services Web sites including banks, brokerages, credit unions, personal financial management software and portals such as the United States Postal Service and Yahoo!

Using CheckFree i-Processing, Amica customers can view and pay their insurance premium statements online. With a simple mouse click, customers can also approve premium payments and have funds deducted electronically from their designated bank, credit union or brokerage account. Amica consumers can also access event tracking information online to view the payment process, from bill delivery and bill payment to the ultimate posting of the payment.

Insurance Times: Calif. Court Saves Insurers Cleanup Costs Ordered By
State Regulators
February 20, 2001, Vol. XX No. 4

by David Kravets
Associated Press

SAN FRANCISCO - Insurance companies do not have to pay their clients' environmental cleanup costs ordered by regulatory agencies, the California Supreme Court ruled Feb. 1 in a closely followed case. The high court, on a 5-2 vote, said insurance companies are only liable for cleanup costs arising from court orders. The decision is likely to produce delays in cleanups and potentially straddle hundreds of companies with millions in costs that, until this ruling, were covered under so-called ``comprehensive general liability insurance policies.'' Insurance companies hailed the ruling, the nation's third on this issue following Maine in 1990 and Illinois in 1997. In dissent, Justice Joyce L. Kennard said the ``big losers in today's decision are public health and the environment.'

Since 1994, the state's water and toxic control agencies have issued some 600 administrative orders to businesses to cleanup contaminated soil or fouled groundwater. The state has taken that course for 30 years to avoid costly litigation and delays.

Most of the orders to oil, gas, chemical and manufacturing companies are obeyed, and insurance companies have paid the costs.

But in 1998, in a precursor to the California ruling, the high court said insurance companies are not required to defend their clients' challenges to administrative cleanup orders. The court, in agreeing with a state appeals panel, has now taken that a step further and said the insurance companies do not have to pay to cover the costs of administrative cleanup orders.

The reason, Justice Stanley Mosk wrote for the majority, is that the language in these types of policies, although vague, do not expressly demand it. It was only assumed to be true all these years, Mosk said.

Patrick A. Cathcart, who represented Lloyd's of London in the case, said the decision was a huge victory for the insurance industry.

"You shouldn't be able to layoff uncovered property damage on an insurance company," said Cathcart, who represented Lloyd's after it refused to pay \$10 million in cleanup costs at a Santa Fe Springs refinery the state ordered against Powerine Oil Co.

A host of small-to-large-sized companies and the California attorney general urged the court to rule otherwise. They argued that businesses would fight instead of comply with the orders from the state's Regional Water Quality Control Board or the Department of Toxic Substances Control.

Those fights would prolong environmental cleanups and cost taxpayers in litigation expenses, they said. Ironically, they said, the insurance companies ultimately may be liable for the cleanup once the order moved from the administrative arena to the courtroom.

Deputy Attorney General Thomas R. Patterson said the ``decision will result in a major step backward for environmental law enforcement and will generate a great deal of additional, time-consuming and potentially complex litigation in courts throughout California.'

Powerine said the decision would make it difficult to carry out state orders to cleanup soil and groundwater contamination at its former refinery in Santa Fe

Springs.

"This is going to present a big challenge for us to continue to comply with our cleanup and abatement orders," company attorney David Isola said.

Powerine's quest for coverage from its insurer has twisted through the courts. A Los Angeles Superior Court judge ruled in favor of Powerine. An appeals court overturned the ruling in 1999.

The case is Certain Underwriters of Lloyd's of London vs. Superior Court, S084057.

Insurance Times: Insurers Urge NAIC Model On Capital Markets
February 20, 2001, Vol. XX No. 4

DES PLAINES, Ill. - Two insurance trade associations are urging a subgroup of the National Association of Insurance Commissioners to adopt a model act that will enable insurers to use onshore securitization of insurance risk to access the capital markets.

In a letter to the NAIC's Insurance Securitization Working Group, the National Association of Independent Insurers (NAII) and the Alliance of American Insurers pointed out the advantages of allowing insurers to use U.S. "special purpose reinsurance vehicles," or SPRVs, and urged the working group to adopt the model act at its February meeting.

Allowing insurers to use SPRVs located in the U.S. "will encourage competition, reduce tax and regulatory complexity, diversify capital sources, and allow smaller insurers to access the capital market on reasonable terms," said Steve Broadie, NAII's assistant vice president for financial legislation and regulation. "In addition, it will provide another tool for insurers to use to manage their exposure to natural catastrophes. These benefits will accrue to insurers, reinsurers and consumers alike."

"Banks, auto lenders, mortgage originators and credit card companies have long had the ability to fund their operations in the capital markets through securitization using special purpose entities similar to SPRVs," the letter stated.

"Insurers need the same options to effectively employ the common currency of the financial services sector - their capital."

Although larger insurers have completed more than 50 transactions using SPRVs outside the U.S. totaling more than \$6 billion over the past six years, the current process is complex and costly, insurers say.

Onshore securitization will also bring economic development opportunities to the states as well, proponents argue.

Insurance Times: Businesses Found Unprepared To Identify And Manage Cyberisks
February 20, 2001, Vol. XX No. 4

Survey ranks high-tech risks second only to employment-related risks as most important

NEW YORK - Businesses do not adequately understand the risks posed by technology, have difficulty identifying potential risks and lack the tools to manage them effectively, according to a survey of executives at 1,500 companies

in the U.S. and Europe.

The study of executives responsible for their companies' insurance coverages also indicated that, although companies take pains to protect computer security, they are less prepared for new liability risks associated with information technology and "e-commerce."

The study was released by The St. Paul Companies.

"The survey indicates that companies rely chiefly on systems-based protection, such as anti-virus software and computer firewalls, to prevent losses from technology risks," said Kae Lovaas, vice president-technology, The St. Paul Companies, at a news conference. "But that's not enough. Exposures involving intellectual property, privacy and first-party risks from computer fraud, business disruption and denial of service pose significant financial risk to companies doing business on the Internet.

"Compared to more traditional property-casualty risks, companies are poorly prepared for the risks posed by technology and e-commerce," Lovaas said. "Not only are companies unsure of the risks presented by their business operations, they also have substantial difficulty understanding what types and levels of insurance coverage they need."

The independent New York-based opinion research firm of Schulman, Ronca, & Bucuvalas, Inc. (SRBI) conducted the survey. The companies surveyed included a broad range of industries, as well as additional samplings of financial services companies and high-tech firms. In the U.S., insurance agents and brokers also were surveyed.

"The purpose of this survey was to learn how well company risk managers understand and identify technology exposures, how effectively they manage risk, and the tools they employ in doing so," added Dr. Mark Schulman, president of SRBI. "This is the first such survey to gauge the preparedness of companies for the emerging risks of e-technology."

Key Findings

Highlights and key findings of the survey included:

- Computer, Internet and e-commerce risks are considered among the most important risks companies will be facing in the next few years. Among U.S. corporate risk managers and their insurance agents and brokers, such issues rank second only to employment-related risks. In Europe, risk managers consider technology risks to be the No. 1 concern.
- Only 25 percent of U.S. companies and 30 percent of European companies surveyed had risk management committees or other formal structures to identify and monitor technology risk. Of those companies with such a committee or structure, only half -- or about 13 percent of total respondents -- felt it was effective. Only about three in 10 risk managers surveyed had reviewed the potential technological risks posed by a merger or acquisition involving their company.

"In essence, there is a leadership opportunity on this issue in many companies," Lovaas said. "Senior management has the responsibility to take the lead and foster a partnership approach between their IT departments and risk management functions."

-- Nearly all U.S. and European companies have taken similar steps to protect themselves from technology-related risks, such as installing anti-virus software and firewalls, establishing standard security procedures, and auditing the security of their systems. But only six in 10 companies have implemented employee-training programs to lower their technology risk.

-- U.S. and European corporate risk managers' understanding of technology risk is less than adequate, according to the managers themselves. About four in 10 risk managers say they have only a "fair" to "poor" understanding of

technology risk. Very few (about 10 percent overall) say their understanding is "excellent." Only 52 percent of U.S. corporate risk managers have inventoried and quantified the technology risks their companies face, compared to 67 percent among European risk managers. Corporate risk managers both in the United States and Europe (65 percent and 57 percent, respectively) defer to their information technology (IT) departments as having primary responsibility for identifying and monitoring technology risks.

"As businesses rely increasingly on technology, employees and customers have increased access to company data and information in an environment with untested legal liabilities," Lovaas said. "The global nature of e-commerce, varying legal systems and the speed with which new innovations are brought to market further complicate the challenges facing companies today, leading many firms into uncharted waters of liability risks as well as those which affect their revenue streams."

-- Corporate risk managers consider their current insurance coverage for technology risk as "somewhat adequate" at best. European risk managers are slightly more confident in general of their current coverage than U.S. risk managers.

-- The "Y2K" issue, which required companies to prepare their computer systems for the rollover to 2000, sensitized many companies to technology risks, but 42 percent of U.S. corporations and 38 percent of European corporations said the rollover had little impact on their firms' approach to technology risk.

A model: financial services companies

"For a model of how to prepare for technology risk, companies should study financial services," Lovaas said. Risk managers at more than 350 banks, thrifts and other financial services institutions were surveyed.

"Banks and other financial services firms have begun to address the problem effectively, particularly in the United States," Lovaas explained. "Of the types of companies surveyed, financial services firms scored high in awareness, identification and management of technology risks." Risk managers at 75 percent of U.S. financial services companies surveyed, for example, said their firms were good or excellent at identifying and managing e-risks, compared with the broader cross-section of U.S. companies, where about two-thirds of the companies were rated as good or excellent.

"And, not surprisingly, they reported fewer losses due to technology problems," she said. U.S. financial services risk managers were half as likely (13 percent) as risk managers in general (27 percent) to report losses from computer viruses, and malicious acts to computer systems (4 percent and 8 percent, respectively). By comparison, European financial services risk managers were more likely to report losses for viruses (23 percent) than their U.S. counterparts (13 percent).

High-technology firms

Researchers polled a specific sampling of risk managers in more than 300 high-tech firms in the United States and Europe. This segment included such firms as high-tech product manufacturers, software developers, communications companies and computer services firms. This additional sample showed that:

-- Risk managers for high-tech companies ranked technology risks as their second-most significant concern (29 percent in the United States and 26 percent in Europe). The No. 1 concerns were product liability (among the European respondents) and employment issues (among the U.S. respondents).

-- High-tech risk managers in Europe and the United States rate their current coverage of technology risk as only "somewhat adequate" overall.

-- Risk managers for high-tech companies in Europe and the United States have each taken steps to review their exposure to and coverage of technology risk, but with striking differences. U.S. high-tech risk managers were more likely to have reviewed existing insurance coverages (82 percent vs. 72 percent for Europe), worked with insurers and brokers to identify risks (76 percent vs. 68 percent), and reviewed the technological risks posed by a merger or acquisition (44 percent vs. 36 percent). European risk managers were more likely to have inventoried and quantified the types of technology risk they faced than their U.S. counterparts (68 percent vs. 48 percent).

The skeptical broker audience

Those with perhaps the most critical view of the issue were U.S. insurance agents and brokers (intermediaries were surveyed only in the United States). Brokers said they themselves have only a "fair" understanding of the technology risks facing their clients, and felt their clients are not much better.

"Brokers indicated that their clients' top management has only a 'fair' understanding of technology risk, and that and front-line employees have the worst understanding," Lovaas said.

The results indicated that brokers feel their clients have not created sufficient safeguards against technology risks. While the vast majority reports that their clients have installed anti-virus software (91 percent), far fewer have trained employees (64 percent) or installed firewalls (61 percent). Fewer still (55 percent) say their clients have audited the security of their systems.

About the survey

Schulman, Ronca, & Bucuvalas, Inc. (SRBI) conducted telephone surveys with 1,350 risk managers in large corporations in the United States and Europe between August 25 and November 15, 2000. The U.S. and European cross-section samples combined totaled more than 800 companies in all industries (excluding insurance companies and government organizations), with annual revenue of \$250 million or more. Interviews were conducted with the senior executive in each company who has primary responsibility for managing his or her company's exposure to all classes of risk including technology risk. In the United States a nationwide sample of 150 insurance agents and brokers also was surveyed.

The financial services company samples represent cross sections of financial services companies with annual revenue of \$100 million or more. The high-technology company samples represent cross sections of high-technology companies with annual revenue of \$100 million or more. In the European samples companies were selected from thirteen countries: Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The St. Paul Companies is headquartered in Saint Paul, Minn., USA, and provides commercial property-liability insurance and non-life reinsurance worldwide. The St. Paul reported 2000 revenue of more than \$8.6 billion, total assets of \$41 billion, and is ranked No. 204 on the Fortune 500 list of largest U.S. companies. For more information about The St. Paul and its products and services, visit the company's web site, <http://www.stpaul.com>

For complete results of the survey, "The E-Frontier: New Challenges to Corporate Risk Management," log on to <http://www.stpaul.com/cyberrisk-survey>

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SOURCE The St. Paul Companies

Insurance Times: Comptroller McAll speaks to PIANY group
February 20, 2001, Vol. XX No. 4

NEW YORK - Close to 400 insurance professionals crowded Manhattans New York Marriott World Trade Center last month to be part of the PIANYs ninth annual Metropolitan Regional Awareness Program sponsored by the Professional Insurance Agents of New York.

How did it go?

"Its a greater success each year," claimed Harvey Leff, chairman of the MetroRAP Committee.

Attendees explored new markets, networked with colleagues, earned continuing education credits and caught up on PIANYs latest agenda.

McCall's Comments

They also heard New York State Comptroller H. Carl McCall's thoughts on the new year and on the industry's future.

McCall, who has been chief fiscal officer of the state since May 1993, noted that he is looking forward to working with PIANY and its members in the coming year.

"As an industry, you're doing very well," McCall noted, "but there's no question, everyone in the insurance business and all sectors are facing a lot of uncertainty about the future. I look forward to meeting with your lobbyists and representatives of the industry in Albany so I can be more aware of your concerns."

McCall is expected to run for the Democratic nomination for governor.

Federal Act

McCall also touched on the industry and its changes, from mergers to e-commerce.

"The federal Gramm-Leach-Bliley Act is a reflection of how quickly things are changing in the financial services sector," McCall said. "There's no question, government is having a hard time keeping up with the massive social, economic

and technological transformation that's happening all around us. We need new rules for the new economy."

McCall noted that everyone needs to work together to be successful in the future. "If our leaders want to get public support for their initiatives, they need to formulate those initiatives in public and include all of the stakeholders."

Insurance Times: Dunlap Acquired By Hilb, Rogal Hamilton
February 20, 2001, Vol. XX No. 4

RICHMOND, Va. - Hilb, Rogal and Hamilton Co. (NYSE:HRH) has acquired all of the outstanding stock of The Dunlap Corp., a full-service insurance agency system with four locations in Maine and New Hampshire.

Terms of the transaction were not disclosed.

Generating in excess of \$13 million in revenues annually, The Dunlap Corp., one of the largest independent insurance agencies in New England, was formed more than 130 years ago. It is headquartered in Auburn, Maine.

Dunlap's staff of approximately 150 will continue operating from their current locations under the leadership of Stephen F. Dunlap, chairman and president of this subsidiary, and the direction of Robert B. Lockhart, HRH's Northeast regional director.

Andrew L. Rogal, HRH's Chairman and Chief Executive Officer stated, Hilb, Rogal and Hamilton Company has about 80 offices in the U.S. and is ranked as the country's seventh largest insurance intermediary. p

Bertholon-Rowland buys D.C. area broker

Bertholon-Rowland Corp. (BR Corp.) has purchased the assets of the professional liability business from Administration Associates, Inc. This purchase solidifies BR Corp.'s position as the leading broker of lawyer's professional liability insurance on the East Coast.

BR Corp.'s professional liability coverage for lawyers is underwritten by Chicago Insurance Co., a member of the Interstate Insurance Group, which is wholly-owned by the Fireman's Fund/Allianz Insurance Group.

Since 1956, BR Corp. has been the exclusive administrator for the New York Bar Association's liability program. Among its other clients are the Association of the Bar of the City of New York, the Boston Bar Association, and the Nassau County Bar Association.

The employee-owned company is headquartered in Manhattan, with branches in the Boston, Chicago and Washington, D.C. areas.

AAI has been in business 25 years and is one of the largest brokers of malpractice coverage in the Washington, D.C. area, Maryland and Virginia. p

Management buys out Frenkel & Co.

NEW YORK - Frenkel & Co., Inc., an international insurance brokerage firm, has been acquired through a management buyout lead by Robert Shunk and John Kelly. Shunk will continue to serve as chairman of Frenkel, while Kelly will serve as president and chief executive officer.

Other senior appointments include Gary Smith as executive vice president and chief operating officer, Michael Feinstein as executive vice president and R.P. Wolf as executive vice president, general counsel and secretary.

Founded in 1878, the company had been employee-owned since 1985. Frenkel has 225 employees and offices in New York, Los Angeles and New Jersey.

Amwest undertakes restructuring

CALABASAS, Calif. - Amwest Insurance Group Inc. has begun a reorganization plan to focus on the smaller, more specialized surety accounts that have been its historical strength. The company said that it will concentrate its business activities in five regional offices located in California, Illinois, Texas and New York. Historically, the company operated through 29 branches located nationwide. The company also announced that its work force, which currently stands at 347 employees, will be cut to 255 employees following completion of the branch closings.

The company is working on a resolution of its outstanding loan with Union Bank of California and on restructuring its reinsurance program to address its present needs. p

RI broker, Boston Special Risk venture

EAST PROVIDENCE, R.I. - As of January 1, 2001, Starkweather & Shepley Insurance Corp of Mass. has formed a joint venture with Boston Special Risk Insurance Agency of Canton, Mass., in an effort to expand services and product offerings in Massachusetts.

Peter W. Northrup, senior vice president, Starkweather & Shepley Insurance Brokerage, Inc. said, "We didn't acquire any ownership in Boston Special Risks Insurance Agency. Rather, it is like an engagement - we are sharing joint office space and have three of our people up there and we are paying a share of the office space rent."

To this Fred R. Tripp, president of Starkweather & Shepley Insurance Brokerage, Inc., added, "The joint venture between Starkweather & Shepley Insurance Corp. of Mass and Boston Special Risks Insurance will provide greater convenience to our existing customers in Massachusetts, while giving us a strategic opportunity to expand our customer base in the region." p

Starkweather & Shepley Insurance Brokerage, Inc. employs more than 100 professionals that service New England with emphasis on Rhode Island, Massachusetts and Connecticut.

Insurance Times: Comptroller McAll speaks to PIANY
February 20, 2001, Vol. XX No. 4

NEW YORK - Close to 400 insurance professionals crowded Manhattans New York Marriott World Trade Center last month to be part of the PIANYS ninth annual Metropolitan Regional Awareness Program sponsored by the Professional Insurance Agents of New York.

How did it go?

"Its a greater success each year," claimed Harvey Leff, chairman of the MetroRAP Committee.

Attendees explored new markets, networked with colleagues, earned continuing education credits and caught up on PIANYS latest agenda.

They also heard New York State Comptroller H. Carl McCall's thoughts on the new year and on the industry's future.

McCall, who has been chief fiscal officer of the state since May 1993, noted that he is looking forward to working with PIANY and its members in the coming year.

"As an industry, you're doing very well," McCall noted, "but there's no question, everyone in the insurance business and all sectors are facing a lot of uncertainty about the future. I look forward to meeting with your lobbyists and

representatives of the industry in Albany so I can be more aware of your concerns."

McCall is expected to run for the Democratic nomination for governor.

McCall also touched on the industry and its changes, from mergers to e-commerce.

"The federal Gramm-Leach-Bliley Act is a reflection of how quickly things are changing in the financial services sector," McCall said. "There's no question, government is having a hard time keeping up with the massive social, economic and technological transformation that's happening all around us. We need new rules for the new economy."

McCall noted that everyone needs to work together to be successful in the future. "If our leaders want to get public support for their initiatives, they need to formulate those initiatives in public and include all of the stakeholders."

Insurance Times: Florida Shuts Down Viatical Company
February 20, 2001, Vol. XX No. 4

TALLAHASSEE, Fla. (AP) - An Orlando company lost its license on Feb. 5 to buy and resell life insurance policies owned by terminally ill people.

Insurance department regulators said Accelerated Benefits Corporation purchased 11 fraudulent policies from brokers who in some cases helped hide the fact from insurance companies they were purchased by men who lied about their HIV status. In six of the cases, an employee of Accelerated Benefits Corporation paid the premium from a personal checking account to hide the fact a sale had already been completed prior to the expiration of the contestability period.

"The pattern of viatical fraud puts both consumers and investors at risk, many of whom are senior citizens who invest their life savings in these policies," Insurance Commissioner Tom Gallagher said.

Viatical brokers buy the policies at a discount, in most cases, from someone who is terminally ill and resell them to investors who make money upon the insured's death. It gives the dying person money to pay living and medical expenses, instead of the higher amount that would be paid at death.

Insurance Times: Sun Life Of Canada Rated #1 By DALBAR
February 20, 2001, Vol. XX No. 4

WELLESLEY, Mass., - Sun Life Assurance Co. of Canada (U.S.), a member of the Sun Life Financial group of companies, has been rated #1 for overall Operations Support among mid-size variable annuity firms in the DALBAR 2000 Financial Professional Survey. The survey was conducted among investment firms' main office operations managers. The company will receive the prestigious Crystal Pyramid Award for operational excellence from DALBAR in recognition of this achievement.

Formerly known as the Broker/Dealer Survey, the survey requested operations managers to rate financial services organizations on a variety of categories, including "Ease of Doing Business," "Problem Resolution," "Service Relationship Management," "Transaction Processing," "Response to Inquiries," "Commission Processing" and others. Thirty-three broker/dealer firms responded to the survey.

Insurance Times: Limra's New Career Test Debuts
February 20, 2001, Vol. XX No. 4

WINDSOR, Conn. - Limra International's Career Profile+ employment test, featuring 50 personality questions, recently made its debut when a New England Financial sales candidate completed the questionnaire at www.exseltoolkit.com, the site of Limra's Internet-based ExSel selection system.

The new Career Profile+ combines biographical and personality testing into one questionnaire that reduces turnover, increases productivity and cuts training and management costs by helping managers hire the best sales representatives. The personality questions measure four key differentiators, personality dimensions that differentiate high and low performers: Persuasiveness, Energy, Achievement Drive, and Initiative and Persistence.

The test helps managers learn whether candidates are likely to effectively change the opinions or perspectives of others; work quickly and effectively in a fast-paced environment; set and achieve challenging personal goals, and take on new challenges and overcome obstacles.

The Career Profile+ also provides ratings of candidates' overall success potential, probability of becoming Million Dollar Round Table members, and how well they match an office's unique profile. Managers also discover each candidate's personal motivators, job concerns, expectations and work style.

Insurance Times: Quotesmith.Com Adds Online LTC Quotes
February 20, 2001, Vol. XX No. 4

DARIEN, Ill. - Quotesmith.com, the buyer-driven insurance information exchange which provides instant auto, life, health, dental and disability insurance quotes from more than 300 companies, has now introduced LTCCompare, a new Web-based long-term care insurance price comparison and purchasing service.

Launched with an initial lineup of several household-name insurers, LTCCompare is a free long-term care insurance policy search tool and is now immediately available to residents of all 50 states at www.quotesmith.com.

With the goal of seeking to slash research, underwriting and policy delivery times, LTCCompare offers: user-controlled, user-defined search parameters; unbiased information, freedom to purchase from any company shown; instant quotes for residents of all 50 states; financial and claims-paying ratings from major rating agencies along with each quote; ability to view actual underwriting guidelines and personal service from a licensed customer care representative.

Insurance Times: Baby Boomers Not Planning Ahead To Care For Parents
February 20, 2001, Vol. XX No. 4

They are not alone in facing decisions about aging parents

by Lisa Lipman
Associated Press

BOSTON- Clara John's ability to do many of life's routine tasks started to drift away 10 years ago as Alzheimer's disease took hold. Her husband, James, now 84, could not bring himself to admit that she needed more care than he could give. That left Clara's two adult sons to ponder the difficult questions about their mother's future - questions that had never before occurred to either of them. "We were two guys who didn't really know anything about caring for their elderly parents," said Greg John, now 43, who co-owns a marketing and advertising firm. "Our parents were always healthy. It seemed like a few weeks earlier, they were doing great - and then we were at this point where we thought, 'How did this happen so quickly?'"

The Johns eventually sought the help of an elder care consultant and in 1997 got their mother, now 77, into a nursing home in Lawrence where she still lives. Their father visits frequently from his home less than 3 miles away in Methuen. They are not alone in facing tough decisions about aging parents. A survey by AARP of seniors 65 and older with children 35 or older revealed that 67 percent had not talked with their children about what their future needs might be.

The San Francisco-based Family Caregiver Alliance estimates that the number of older persons needing long-term care may double over the next 25 years to over 14 million.

Many of them have no plan for their end-of-life care.

"We don't look at death as a natural part of life. We fear it," said Suzanne Mintz, president and co-founder of the Kensington, Md.-based National Family Caregivers Association. "So we don't want to go there. I think that's one of the primary reasons that people don't talk about end-of-life of issues with their parents. Some don't even want to talk about it with their spouse."

Mintz knows firsthand what delaying an end-of-life discussion can do.

When her own father had a stroke, her mother became his primary caregiver.

Though Mintz urged her mother to straighten out her father's finances and figure out a long-term plan, it took a while before her mother gave in. Just as the family was about to jointly decide what to do, Mintz's father had a medical emergency that required him to be admitted to a constant-care facility immediately.

"Instead of being a proactive meeting, it became, 'Wow, we have to find a nursing home this weekend,'" Mintz said. "You never know when that major problem is going to occur, and it pays to put in order, what you can, as soon as you can."

The costs of a parent's care can be astronomical even in the best of situations. Before the Johns put their mother in a nursing home, they had in-house care for her to help with her bouts of dementia. When the period covered by insurance ran out, the Johns paid \$30,000 of their own money for a year's worth of home health aides.

Greg John said his costs would have been even higher had he not used an elder care consultant to help him.

"You can waste a lot of money if you don't know what's going on," said Margaret Shaheen, president of Elder Care Coordinators in North Andover. "We're not brain surgeons, but we have the information."

Even informed people can spend a lot of money on care. A year of nursing home care will cost, on average, \$56,000, according to Elinor Ginzler, AARP's Manager of Long-Term Care and Independent Living. The average stay at a nursing home is roughly two and a half years.

Ginzler said that Medicare only covers nursing home costs under very specific conditions for a very short period of time - and eventually, doesn't pay anything.

For wealthy people who want to protect their assets, there is a solution: long term care insurance. Most people don't know this specialized kind of insurance exists. Only 5 percent of nursing home costs are paid for by long term care

insurance. But it is available in every state (each state's insurance commissioner has a list of the companies that sell it).

"Here's the most important factor about long term care insurance: You're best off if you purchase it way, way, way ahead of when you need it," Ginzler said. "Because annual and monthly premiums increase with age. It's also not inexpensive. It's important to remember this is not an option for everyone."

Insurance Times: LOMA Forecasts Slight Increase In Sales; Continuing Industry Mergers
February 20, 2001, Vol. XX No. 4

Sales and profits for the financial services industry are expected to be up slightly in 2001, especially for equity-based products, such as variable life products and variable annuities.

These and other findings are part of the 2001 Industry Forecast published in the January issue of LOMA's Resource magazine. Each year, Resource conducts an opinion survey of LOMA's board of directors who are senior executives at major insurance companies in North America.

"Sales and premiums will be slightly up in the year 2001. The equity-oriented products should have good, sound, solid growth-in the 10 to 12 percent compounded annually range over the next five years," said Howard Fricke, chairman and chief executive officer for Security Benefit Life Insurance Co. and chairman of LOMA's board of directors.

Demographic trends are expected to influence the sales of certain products., noted David Holland, president and CEO, Munich American Reassurance Co.

"The first members of the baby boom generation will turn 55 in 2001, and over the next decade there will be a tidal wave of people concerned about funding their retirement years. Similarly, this generation will focus more intensely on the issue of long term care as the decade progresses," Holland said.

The trend in mergers and acquisitions is also expected to continue, according to LOMA's board of directors, who see passage of the Gramm-Leach-Bliley Act in the United States paving the way for future consolidation.

The structure of the overall financial services industry is expected to change. Lawrence Arth, chairman and CEO, Ameritas Life Insurance Corp. said, "The ultimate result of continued consolidation will be fewer independent insurance companies and few, but stronger, competitors in the financial services industry."

Other Key Findings

- To increase profitability, companies need to continue to move away from a product-driven orientation to customer-focused business objectives. Meeting the "real" needs of customers is key.
- The U. S. Gramm-Leach-Bliley legislation is generally viewed as "good" for the industry, but will lead to more change through continued consolidation. Traditional insurers will tend to be the "acquirees", rather than "acquirers". It is possible the U. S. may see increased international acquisition activity.
- While the trend in mergers and acquisitions is expected to continue, demutualizations are expected to slow. There will always be room for successful niche players.
- E-commerce will have a "profound" influence on the industry in the coming years; specifically in the areas of support for distributors, customer/company relationships, and cost savings.
- The major technology challenge for 2001 will be safeguarding against the

implementation of technology merely for "technology's sake."

- Key challenges in the area of human resources include outsourcing non-value-added skills, more distribution for products, and confronting change management. The survey may be read in its entirety at the Resource section of the LOMA web site at www.loma.org.

Insurance Times: CFP Associate Advises On Life Settlements
February 20, 2001, Vol. XX No. 4

DENVER (AP) - Increasingly, seniors are taking cash out of the death benefits of their life insurance policies before they die, but this isn't always the best financial move, an insurance expert cautions.

"I've not been a big fan of selling a life insurance policy for cash or otherwise consuming some of the death benefits before death," says Michael Snowdon, an academic associate at the College for Financial Planning.

"Part of the problem is abuses in the viatical settlement industry. It's been wild and wooly, though states are beginning to enact statutes in this area," he said. "However, often of greater concern is that heirs may need the life insurance death benefits more than the insured needs the immediate cash. Still, sometimes using death benefits before death is a wise move."

Policyholders tap the death benefits early for a variety of reasons, says Snowdon. People who are dying may need the cash to pay for medical expenses. Older policyholders may find they cannot afford the premiums any longer and can sell the policy for cash, or they may no longer need the policy. Some may even sell a policy early in order to reduce estate planning taxes.

Using the death benefits from a life insurance policy before the insured dies is loosely called "life settlements." These come in four basic forms, says Snowdon, and all types of life insurance policies may be used, including term and cash-value.

Viatical settlements started it all back in the 1980s. People dying of AIDS sold their life insurance policies before their death to a third party, normally through a broker. The buyer paid cash for the policy, but at a discount from the policy's face value.

As medical therapies extended the life expectancies of AIDS patients, viatical settlement firms began to broker policies for people with cancer or other terminal diseases.

Insurance companies responded by offering accelerated benefits. In this case, the insurance carrier pays out a portion of the death benefits in cash to the insured, minus a discount, and pays any remaining death benefits to the beneficiary when the insured dies. Typically the insured must have a life expectancy of one year or less.

A newer twist on viaticals, says Snowdon, is the emergence of senior settlements. Here, policy holders, usually 65 and older with a life expectancy of six to 12 years or more, sell their life insurance policies for cash. Often they sell policies they no longer need, that are outdated, or whose premiums they no longer can afford to pay.

Another reason the insured might sell the policy instead of keeping it and letting the heirs collect the death benefits is to move the policy out of the estate, says Snowdon.

The fourth variation of life settlements is a viatical loan. A viatical settlement firm issues a line of credit based on a percentage of the face value of the policy. It charges interest on whatever amount of cash is borrowed. When

the insured dies, the principal and interest is paid back, and the beneficiaries collect the remaining death benefits. With viatical loans, the insured must continue to pay premiums.

One advantage of a viatical loan over a viatical settlement is that loans are not treated as taxable income, whereas senior settlements, or viatical settlements involving life expectancies over two years, generally are treated as taxable income.

Despite all these variations of life settlements, Snowdon advises people to thoroughly review their options with a professional financial adviser. A key issue is to analyze how badly heirs may need the death proceeds. It may be better to find alternative sources for cash and allow the heirs to receive all the death benefits.

Insurance Times: Gulf Pacific And Metlife Form Strategic Alliance
February 20, 2001, Vol. XX No. 4

EL DORADO HILLS, Calif. - Gulf Pacific, Inc. a business consulting firm specializing in assisting small to medium size businesses, and MetLife, announced a broad strategic marketing agreement that will provide Gulf Pacific's web site members with a wide range of insurance and retirement services.

The alliance is a result of the Gulf Pacific Marketplace (www.gulfpacificmarketplace.com), a B2B e-commerce engine that helps its 6,000 clients to buy, sell and trade goods or services on the web.

MetLife will have access to Gulf Pacific's current and future clients to market its services. Simultaneously, Gulf Pacific will promote the MetLife alliance in order to provide its clients with insurance and retirement services at Marketplace pricing.

Gulf Pacific.'s clientele includes companies from a range of industries including manufacturers, contractors, distributors, retail, engineering and architectural firms, service businesses, agricultural operations and companies in the health care field.

Insurance Times: Colonial's Term Life Provides Choice Of 3 Rates
February 20, 2001, Vol. XX No. 4

COLUMBIA, S.C. - A new level term life insurance product, a supplemental, payroll-deduction individual term life insurance plan with cost of insurance rate guarantees to age 95 and guaranteed renewability, is now available in 46 states from Colonial Life & Accident Insurance Co..

Premiums are in three rate bands: \$10,000 to \$100,000; \$100,001 to \$150,000; and \$150,001 to \$500,000.

The new policy also offers true guaranteed issue at initial enrollment for groups with more than 100 employees with participation, and modified guaranteed issue for groups without participation up to applicable limits.

"This is an ideal product for employers who don't want to deal with the on-going administration of a group term life plan that may require a census, with rates driven by participation and group experience at renewal," said Colonial Director of Life Products Melody Bouknight.

For face amounts from \$10,000 to \$150,000, 10/10/YRT provides two consecutive

10-year level premium paying periods (past age 60, one level premium period) before moving to yearly renewable term rates. For face amounts from \$150,001 to \$500,000, the more competitively priced 10YRT provides one 10-year level premium paying period before moving to yearly renewable term rates.

Other key features include a \$2,500 cash draft and Living Benefit Provision.

The \$2,500 cash draft pays the beneficiary immediately while the remainder of the claim is being processed. Offered at no additional premium, the Living Benefit Provision (Accelerated Death Benefit in some states) provides a one-time advance of up to 75 percent of the death benefit not to exceed \$150,000, if the insured is diagnosed with a terminal illness.

Insurance Times: Employees Can Plan Retirement Online

February 20, 2001, Vol. XX No. 4

LINCOLNSHIRE, Ill- More than one million employees are expected to retire this year and Hewitt Associates, an employee benefits delivery and management consulting firm, recently launched an online tool to help them manage the complicated process.

Hewitt's "Retire Online" tool allows employees to manage the entire retirement process online, including pension benefit estimates, beneficiary choices and plan payment choices. Self-paced, the tool enables employees to move through the process as quickly or as leisurely as they'd like.

"Once an employee decides to retire, there are several important decisions that need to be carefully considered," said Leslie Pontello, global practice leader at Hewitt Associates. "By providing personalized information and step-by-step instructions in an easy-to-digest format, we're helping employees manage what can be a very overwhelming process."

Available to Hewitt's clients, the service went live first for Wachovia Corp., a financial holding company and with more than 19,500 employees.

Employees considering retirement gain access to the tool via the Internet and can click on different categories to learn about the preparations needed to retire, such as retirement income, expenses and retiree health benefits. They can also calculate their pension benefit estimates, choose the best pension payment option for their situation and learn about Social Security benefits.

Once employees are ready to retire, they click on various categories to complete the process, including verifying personal information and beneficiaries.

Insurance Times: Bush To Support Patient's Right To Sue Hmos With Limits

February 20, 2001, Vol. XX No. 4

by Laura Meckler
Associated Press

WASHINGTON, D.C. - President Bush says he can support popular new patient rights, including new lawsuits against HMOs and other health insurance companies, but he is worried about allowing massive jury awards.

Reflecting those concerns, White House officials said last week that the administration would insist on limiting any damage awards these lawsuits might produce.

Moving Forward

The politically potent issue moved forward in Congress as the White House worked to slow momentum, peeling off a key House Republican as the Bush administration tries to take control of the debate.

But in the Senate, supporters picked up Republican John McCain, giving the man who challenged Bush for president a fresh issue where he can play the gnat in Bush's agenda.

Last week, lawmakers introduced the latest version of the patients' bill of rights, arguing the time has come to send the measure to the president's desk. "This legislation has been debated. It's been discussed - on and on and on," said Sen. Edward Kennedy, D-Mass. "Every day we fail to pass this legislation, families are being hurt."

But a sign of just how much progress Democrats and their GOP allies have made is that the debate is now over how to structure lawsuits, rather than whether lawsuits or even a new law is needed.

The latest bill would send some types of lawsuits to state courts, where jury awards can be substantial, and others to federal court, where patients could win no more than \$5 million in punitive damages.

White House aides said they would prefer that most if not all cases be directed to federal court and would insist on lower caps on damages.

"We can't have a patients' bill of rights that encourages and invites all kind of lawsuits," Bush said. "The ultimate effect would be to run up the cost of business."

He added: "I'm a little concerned about the size of the cap on punitive damages." Aides pointed to a Texas law, which Bush signed as governor, that limits damages to \$750,000.

Behind the Scenes

Behind the scenes, the White House worked feverishly to slow down the measure - both because Bush worries about runaway lawsuits and because aides fear he won't get credit for improvements that move forward without his stamp of approval. They succeeded in removing Rep. Charlie Norwood, a Georgia Republican who has led the House fight for strong protections. Norwood pulled his name from the bill following a three-hour meeting with White House aides.

"I want him (Bush) to get all the credit," Norwood said in an interview Tuesday. "This is going to be a George Walker Bush initiative that finally puts us together, and he's going to be the one to sign it, so he ought to get all the credit."

Another concern, Bush aides said, is that employers themselves could be held liable for decisions made by health insurance companies. Backers say the bill is careful to hold employers responsible only if they participate in a coverage decision; that's tricky language to write.

Bush Principles

The White House plans to outline its principles and make clear that Bush supports reforms that apply to all Americans. Senate Republicans, by contrast, have pushed legislation that would affect only a part of patients who are not protected by a patchwork of state laws.

Bush is unlikely to put out a fully developed plan of his own, planning to work with legislators on their plan instead, a White House official said.

With all 50 Democrats and a handful of Republicans on board, the legislation is likely to pass if it comes to a vote in the Senate. Backers contend they have the quiet support of 60 senators, enough to force a vote, but White House aides say they doubt it.

House Bill

The House has already approved an even broader patients' rights bill and

probably will do so again if the matter comes to a vote there.

An aide to House Speaker Dennis Hastert, R-Ill., said the speaker wants to move ahead but will take his cues from the White House.

Under legislation proposed Tuesday, a federal court would deal with questions about how to interpret a contract, such as whether a particular benefit is covered under the health plan. State courts would get medical questions, such as whether a particular test was medically necessary, or whether a treatment was experimental.

The legislation also gives patients easier access to emergency room care and specialists and the right to take disputes with insurance companies to independent appeals panels.

Insurance Times: IBM Retirees Balk At Paying For Medical Benefits
February 20, 2001, Vol. XX No. 4

ENDICOTT, N.Y. (AP) - Retirees from IBM are angry that the company soon will start to charge them for medical benefits.

"It was a good outfit," Charles Aswad told the Binghamton Press & Sun-Bulletin. The 75-year-old Aswad retired in 1987 after 22 years at the business machines giant. "All of sudden, they're not loyal to us anymore."

What was free for Aswad and his wife will now start to cost \$130 a month to fill the gaps left by Medicare.

The company acknowledges it will begin having its retirees pay for medical benefits starting in March but says it must to stay competitive and that it has warned retirees about the change for years.

The issue was discussed in newsletters six months ago and some retirees were mailed videos to explain the upcoming change, spokesman Todd Martin told the newspaper.

"Health care costs are on the rise," Martin said. "It's growing faster than inflation. IBM knew - and has continually discussed with retirees - that continuing to provide health care coverage would one day mean retirees would have to share in the costs."

Statistics show a quarter of businesses paid for supplemental insurance for Medicare eligible retirees in 2000, down from 40 percent in 1993.

At IBM, free health care coverage is being eliminated for those who retired before 1993. The company is offering all retirees, regardless of when they stopped working, five health care options, each with a different cost. p

IBM had nearly 11,000 people at its Endicott plant, near Binghamton, until it started reducing the work force in the mid 1980s. It currently employs about 5,500.

Insurance Times: Average 401(K) Grew 18% To \$55,500 In 1999 But Balances Varied Widely
February 20, 2001, Vol. XX No. 4

WASHINGTON, D.C. - The average account balance for active 401(k) participants grew by 18 percent in 1999, due to contributions and strong equity market performance, according to the latest analysis by the nonpartisan Employee Benefit Research Institute (EBRI) and the Investment Company Institute(ICI).

However, the EBRI/ICI database- the largest of its type in the nation - also

shows wide variation around the \$55,502 average balance at year-end 1999.

Forty-two percent of the participants had account balances of less than \$10,000, while 15 percent had account balances greater than \$100,000. This variation can be attributed to factors such as the age of 401(k) participants, how long they have been at the current job, and their contribution behavior. The median (mid-point) account balance among active 401(k) participants was \$15,246 at year-end 1999. These figures represent the balances with the employee's current employer and do not include amounts left with previous employers or rolled over into individual retirement accounts (IRAs).

Key findings from the analysis include:

- For all 401(k) participants in the 1999 EBRI/ICI database, three-quarters of plan balances are invested directly or indirectly in equity securities. Specifically, 53 percent of plan balances are invested in equity funds, 19 percent in company stock, 10 percent in guaranteed investment contracts (GICs), 7 percent in balanced funds, 5 percent in bond funds, 4 percent in money funds, and 1 percent in other stable value funds.

- The average account balance (net of plan loans) for all participants was \$55,502 at year-end 1999, which is 18 percent higher than the average account balance at year-end 1998. The median account balance was \$15,246 at year-end 1999, which is 17 percent higher than the median account balance at year-end 1998. The reported account balance represents retirement assets in the 401(k) plan at the participant's current employer. Retirement savings held in plans at previous employers or rolled over into individual retirement accounts (IRAs) are not included in this analysis.

- Investment options offered by plan sponsors influence participants' asset allocation. Participants in plans not offering GICs or company stock tend to have the highest allocations to equity funds.

Participants in plans offering GICs but not company stock have lower allocations to bond, money, and equity funds.

- The asset allocation of participants' account balances varies with age. Younger participants tend to concentrate their assets in equity fund investments, while older participants invest more in fixed-income securities.

- The ratio of account balance to 1999 salary varies with salary, increasing slightly as salary rises from \$20,000 to \$80,000. The ratio tends to fall a bit for salaries greater than \$80,000, largely because of contribution and nondiscrimination rule constraints.

Insurance Times: Disability Management Technology Tracking Employee Absences
February 20, 2001, Vol. XX No. 4

By Mark Hollmer
InsuranceTimes

The Web will revolutionize how employers keep track of absences - known formally as "withdrawals from the marketplace" - and minimize their occurrence in the future.

So says Michael Scofield, a Web-technology workplace consultant.

But Scofield, senior vice president of Nucleus LLP, quickly added that employers haven't made the complete technological leap just yet.

"Our interest has evolved from just determining what's happening (regarding

absences) to how it impacts the business," he said.

"But the leap really hasn't been done yet."

Scofield spoke to more than 30 people at the Jan. 24 gathering of the Disability Management Employer Coalition, Boston chapter, held at Watson Wyatt & Company's Wellesley Hills offices.

The forum -- the first 2001 meeting of the group -- was sponsored by Synchrony, an integrated disability management division jointly sponsored by MetLife and Travelers.

Scofield's discussions about managing workplace disabilities and absences among staff ties into the integrated disability management trend - which involves managing both occupational or non-occupational injuries under the same, streamlined set of rules.

According to Scofield, Web-based technology will help supervisors share all kinds of data about employee absences, from the kind of absence to how long it lasts, and the outcome will increase efficiency all around.

"The most effective way to manage absences and return(s) to work is to enable supervisors to have more tools to manage (situations as to) why people aren't showing up."

Supervisors can answer those questions by gathering that information and placing it in a central Web-based repository, Scofield said, including information such as absences by department, employee reasons for missing work and total hours missed over a certain period.

Scofield suggested that a supervisor could gather details on absences in his or her department over a period of time and compare them to other internal departments - a process known as "internal benchmarking."

This is better than comparing absentee data with other companies, Scofield said, because different labor contracts and office rules can skewer that data.

With internal benchmarking, a manager can see quickly where absences are a problem "and drill into this group and see (about beginning) to isolate what the real problems are," Scofield said.

Different departments in a large company will always experience a wide range of absences. According to Scofield, this happens for a number of reasons including geography, different attitudes toward workers compensation, the job market, staffing levels and different hiring practices in a division.

Other comparisons that would help a company group determine why absences take place, according to Scofield, include types of absences, how long absences last, managed care plans per department versus access to care, and accident rates versus short term disability rates.

Web-based technology makes these comparisons possible and they can help drive change and improvement in how companies are run, Scofield said.

In the end, managing absences due to short or long-term disability or for any other reason can be important parts of integrated disability management.

And the use of metrics - standardized statistics to create comparisons over time - is also important to the practice, Scofield said, such as working with vendors (insurers) who manage a company's workers compensation or disability claims.

"The thing lacking in the past is effective metrics for vendor management," he said. "Managing vendors need information in just as timely a fashion" as workplace supervisors do.

Companies can even go further in their disability data collection by compiling disability/absences alongside business results, Scofield said.

Looking at both sets of data together can reveal many details, Scofield said, including the relationship between employee satisfaction and productivity.

After all, he said, issues that affect employee productivity could also affect absences.

In many cases, he said, people who like working have the shortest levels of disability or absences, and the reverse can be true for people dissatisfied with their work environments.

"All of this seems intuitive," he said, "but unless you can show supervisors the data" it can be hard to communicate that point. Scofield reminds people that these comparisons weren't possible in the past. But times, he said, are changing. "The technology to do this hasn't existed in a cost-effective way until now," he said.

Insurance Times: Getting Management Involved Early In Return-To-Work Efforts
February 20, 2001, Vol. XX No. 4

When employees claim short- or long-term disability, their bosses often stay out of the effort to bring the individual back to work - leaving the insurance company and others to fill the void.

A far better approach can involve something as simple as taking an employee aside to listen privately to a problem or concern, says a local expert.

That's part of a newer concept involving early intervention and collaboration between labor and management to return an employee to work.

William Shaw, a researcher for Liberty Mutual Group's Center for Disability Research in Hopkinton, Mass., spoke about early intervention during a Jan. 24 gathering of the Disability Management Employer Coalition, Boston chapter, held at Watson Wyatt & Co.'s Wellesley, Mass. offices.

In short, employers may be more successful working closely with their employees early on, Shaw said, in finding out why they're out of work and what would create a better environment receptive to their speedy return.

His presentation, "The Role of Occupational Health Psychology in Return to Work Initiatives," summarized some various approaches being tested that would involve active involvement by management and hopefully reduce short- and long-term disability.

Traditionally, Shaw said, employers give up control of the process, and don't communicate directly with employees about their injuries - the other parts of the bureaucracy including physicians, case managers and insurance companies tend to handle the load.

To cut through this barrier, Shaw said, it's important to learn the psychology of why employees return or don't return to work.

About 624 million work days were lost in 1994, Shaw said, with workers compensation issues filling up half of the lost days.

And about half of those who return to work feel limited in what they're capable of doing, he said.

Based on various studies, Shaw said a new model of approaching disability should involve collaboration between injured workers and management, as well as medical personnel involved in the employee's case.

Shaw argues that this method addresses a major issue: that workers don't necessarily go back to work because they "feel separated" from their own recovery process.

"Employers tend to blame workers for (the problem), on psychological issues," or other matters, Shaw said.

The solution, Shaw said, is to take a problem-solving role in helping an employee recover and return to work.

Shaw called the concept "integrated case management," where you put workers in the driver's seat and help them develop their own solutions, whether its treatment for depression or anxiety or another medical issue.

Long-term disability can also be minimized, Shaw said, if supervisors respond

early to an employee's injury or problem.

Managers who listen and respond better to employees' concerns can be a good step toward preventing or improving how disability claims are handled, Shaw said.

Mark Hollmer

Insurance Times: NY Court Denies Insurer's Bid For \$74.6M From Blues
February 20, 2001, Vol. XX No. 4

ALBANY, N.Y. (AP) - A state judge recently rejected an attempt to get Blue Cross and Blue Shield plans in New York to pay an extra \$74.6 million for medical malpractice insurance coverage for some doctors and dentists.

State Supreme Court Justice Bernard Malone Jr. decided in Albany that several malpractice insurers failed to show that they had legal standing to bring the claim against the Blue Cross plans.

Even if the insurers did, Malone said they had not demonstrated how forcing the extra payments from the Blue Cross plans would further the purpose of the law which created the assessments for the insurance coverage: to lower the cost of health care in New York state.

"Those payments would in some manner be passed along to health care consumers," Malone said.

The dispute concerns a system the state Legislature and former Gov. Mario Cuomo set up in 1985 and 1986, when there were fears that rising medical malpractice insurance premiums would drive some doctors and dentists out of the state.

A pool of money was developed through a \$170 million-a-year charge on health insurance providers. Eventually, about \$2 billion was accumulated in the "excess medical malpractice" fund, even though Malone noted that by the end of 1996, only \$1 million had been paid out from the fund to cover claims from underinsured doctors and dentists.

Twice, however, the governor and state Legislature raided the fund for a total of \$1 billion to help balance the state budget.

Assessments for the fund were stopped in July 1, 1997, and it has become self-sustaining.

Malpractice insurers argued in the case before Malone that the Blue Cross and Blue Shield plans had failed to make all their required contributions to the fund, a charge the health provider denied.

A spokesman for the state Conference of Blue Cross and Blue Shield Plans, Geoffrey Taylor, called Malone's ruling a "great victory" for New Yorkers insured through Blue Cross plans.

The intent of the excess medical malpractice fund was to prevent qualified doctors and lawyers from leaving New York because they could not get malpractice insurance, Taylor said, "not to create profits for excess malpractice carriers."

A spokesman for the lead plaintiff in the case, the HANYS Insurance Co., was not available to comment.

Insurance Times: D'Alessandro To Assume Chairmanship When Brown Retires
In May At John Hancock; ISO Names Two For International Markets; Van Aartrijk
Elected NCEF Chairman
February 20, 2001, Vol. XX No. 4

John Hancock

Stephen L. Brown will retire as chairman of John Hancock Financial Services, Inc. in May. David F. D'Alessandro, current president and chief executive officer, will become chairman upon Brown's retirement.

Brown has been with John Hancock for 43 years. He became president in 1987 and subsequently served as chief executive officer and chairman.

Since 1987, when Brown became president, John Hancock's assets under management have grown more than 270 percent. During that same time, the company's operating income grew from near break-even point to a record \$570 million as of September 30, 2000. The company also exited a number of non-core businesses, focused on its more profitable and growth-oriented life insurance and investment lines, and enhanced its investment management expertise.

Perhaps the greatest challenge was the company's recent demutualization and initial public offering.

"The IPO was the greatest challenge faced by our company in its 139-year history," said D'Alessandro. "Steve agreed to lead us through that challenge and see through our first year as a stock company. We've come through that transition with high grades and a solid stock performance."

Insurance Services Office

Insurance Services Office, Inc. (ISO) has named two new vice presidents to advance strategic acquisitions and strengthen the company's expansion into international markets.

Mark Anquillare has been promoted to the new position of vice president - strategic finance. Christopher J. Cron has joined ISO as vice president - international.

Anquillare will focus on strategic acquisitions and investments for ISO's expansion.

Cron, most recently managing director - Asia for Reliance National Insurance Co., will be responsible for developing international market opportunities for ISO.

Until his promotion, Anquillare served as assistant vice president - financial systems and management reporting.

Cron managed Reliance's operations in Australia, Japan, India and China. He has more than 25 years of international experience.

MassMutual

MassMutual Financial Group's community relations executive in Hartford has been presented with a distinguished leadership award by the National Eagle Leadership Institute, a nationwide executive development organization for African-American and Hispanic-Latino professionals. Ronald A. Copes, vice president of community relations, was selected to receive the 2000 Eagle Award from among more than 100 business leaders throughout the U.S.

Distinguished Programs

Carla Vel and Judy Sigel have been named co-chief executive officers and co-presidents of Distinguished Programs Insurance Brokerage and Distinguished Programs Risk Management in New York. Sigel and Vel will report to Andrew Potash, who is relinquishing his role as president and CEO to focus on acquisitions and the running of the company's reinsurer, Saranac Insurance Co.. Distinguished Programs develops group programs for small business.

Sage Life

Nancy F. Brunetti has been appointed by Sage Insurance Group, Inc. of Stamford, Conn., as executive vice president and chief administrative officer. Brunetti will oversee the systems and operations for U.S. and offshore variable annuities and variable life products.

Chubb Executive Risk

Debra A. Palermino has joined Simsbury, Conn.-based Chubb Executive Risk, Inc., a subsidiary of The Chubb Corp., as director of human resources and a member of the executive committee, reporting directly to Ralph E. Jones III, chief executive officer. Prior to joining Chubb, Palermino was with Aetna, Inc., where she held a wide variety of domestic and international positions over a 20-year career.

NCEF

Peter van Aartrijk Jr., CIC, a 20-year veteran of insurance industry communications, has been elected chairman of the board of directors of the National Consumer Education Foundation (NCEF), based in Chelsea, Mass. NCEF supports communication efforts to improve consumer understanding of insurance issues. A major focus is supporting a nationally syndicated radio program; the program is hosted by NCEF President William E. Bailey, CPCU, J.D. The program, "It's Your Money," is carried live on 700 stations.

The NCEF Board also elected two new members: Paul Barrios, president of the Latin American Association of Insurance Agencies, and president of Cloverleaf Insurance Brokers, Miami; Edward S. Rice, Jr., president and CEO of Sable Insurance Co., San Francisco.

van Aartrijk is CEO and managing director of The van Aartrijk Group LLC, a Springfield, Virginia-based insurance branding and marketing communications firm. He is former vice president of communications of the Independent Insurance Agents of America.

Other members of the NCEF Board include Wallace P. Barlow, Jr., a Dallas attorney who serves as general counsel; Robert Bischoff, former senior vice president of State Farm; William Boone, former vice president of Allstate; Larry Forrester, president of the National Association of Mutual Insurance Companies; Gregory Georgieff, senior vice president and managing director of Chubb Insurance; Eric Hall, vice president, Rough Notes Co.; Jack Roberts, marketing consultant; William Sirola, public affairs manager, State Farm Insurance Co.; Alex Soto, chairman of the Branding Task Force of the Independent Insurance Agents of America, and president of InSource, Inc.; Philip Stichter, president of The Griffith Foundation for Insurance Education; and Thomas Tate, vice president of Advest, Inc. in Boston.

Insurance Times: North American Elite
February 20, 2001, Vol. XX No. 4

February 6, 2001

North American Elite
Insurance Company
650 Elm Street, 6th floor
Manchester, NH 03101-2524

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact 1- Fire. 2A Ocean & Inland Marine, 4 Fidelity & Surety, 5A Boiler, Fly Wheel Machinery Explosion, 6E Workers Comp, 6F Liability other than Auto, 6A Accident -All Kinds, 6B Health All Kinds, 6G Auto Liability, 7 Glass, 8 Water Damage and Sprinkler Leakage, 9 Elevator Property Damage, and Collision, 10 Credit, 12 Burglary. Theft, Robbery, Forgery,

Larceny, 13 Livestock, 17 Repair Replacement, 19 Legal Services, 54C Comprehensive Motor Vehicle, 54D Personal Property Floater, 54E Dwelling, 54F Commercial Property 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 02110 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

Insurance Times: Minnesota Lawyers Mutual Insurance Company
February 20, 2001, Vol. XX No. 4

February 6, 2001

Minnesota Lawyers Mutual Insurance Company
90 South 7th Street, Suite 3850
Minneapolis, MN 55402

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact Liability 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 02110 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

Insurance Times: The Doctors' Company
February 20, 2001, Vol. XX No. 4

February 20, 2001

The Doctors' Company,
an Interinsurance Exchange
185 Greenwood Rd.
Mapa, CA 94558-0900

The above company has made application to the Division of Insurance for a license/Certificate of Authority to transact liability other than auto insurance in the Commonwealth.

Any person having any information regarding the company which relates to its suitability for a license. Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02110 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

Insurance Times: American Risk Funding
February 20, 2001, Vol. XX No. 4

February 20, 2001

American Risk Funding
Insurance Company
12222 Merit Drive, Suite 1660
Dallas, TX 75251

The above company has made application to the Division of Insurance for a license/Certificate of Authority to transact workers compensation insurance in the Commonwealth.

Any person having any information regarding the company which relates to its suitability for a license/ Certificate of Authority is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02110 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

Insurance Times: SAFECO Surplus
February 20, 2001, Vol. XX No. 4

February 6, 2001

SAFECO Surplus
Lines Insurance Company
SAFECO Plaza
Seattle, WA 98185-0001

The above company has made application to the Division of Insurance for authorization as a Surplus Lines Company under section 168, Chapter 175 Massachusetts General Laws.

Any person having any information regarding the company which relates to its suitability for a such authorization is asked to notify the Division by personal letter to the Commissioner of Insurance, One South Station, Boston, Massachusetts 02110 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

Insurance Times: Allstate's Profits On Rise As Court Battle With Agents Looms
February 20, 2001, Vol. XX No. 4

by Dave Carpenter
Associated Press

CHICAGO - Allstate Corp., the nation's No. 2 property-casualty insurer, saw fourth-quarter profits rise 29 percent as it nears the midway point of a cost-saving reorganization shifting it away from agents and toward the Internet. The gains in part reflect early success for Allstate's expansion beyond traditional life insurance into financial and investment products - a strategy pegged to changing U.S. demographics.

The company said growth in both its main auto and home insurance business and its fast-growing financial unit enabled it to offset declining revenues from premiums.

The insurer, however, faces the prospect of a legal battle over the conversion

of its 15,000-member sales force to independent contractors. A breakdown in talks aimed at resolving a discrimination complaint by 6,500 agents and former agents is expected to send the dispute to court.

Net earnings for the quarter were \$547 million, or 74 cents a share, up from \$425 million, or 54 cents a share, a year earlier.

Beat Wall Street

Excluding the impact of significant restructuring and acquisition charges in both years, operating income rose 12 percent to \$589 million or 80 cents a share. That beat Wall Street's estimate of 72 cents a share, as based on a survey by analysts by First Call/Thomson Financial.

Revenues rose 3 percent to \$7.22 billion from \$7.01 billion, although revenue from property-casualty premiums fell 2 percent to \$5.3 billion.

Allstate shares rose 78 cents to close at \$40.82 on the New York Stock Exchange.

The company's stock has more than doubled since hitting a five-year low of \$17.19 last March but is still trading below where it was three years ago.

Analyst Steve Musser said the company's financial unit _ recently renamed Allstate Financial, from Allstate Life Group of Companies _ is driving the company's growth.

"They're attacking the financial planning and financial services areas, and that's working well for them," said Musser, of St. Louis-based A.G. Edwards and Sons. "The market's growing much better than the property-casualty business. The demographics are in favor of it."

Edward Liddy, the Northbrook, Ill.-based insurer's chairman, president and chief executive, said the quarter showed positive results from strategic initiatives to improve the profitability of the property-liability business.

He said the restructuring, which is expected to be completed in early 2002, is "on plan and on budget."

Allstate's goal is to shift 20 percent of its sales to the Internet within five years - challenging direct marketers such as Geico - and cut annual administrative costs by \$600 million.

Under the restructuring, first announced in 1999, 4,000 non-agent positions were eliminated and the sales force was reduced by 2,000 to the current 13,000 independent contractor agents.

Internet Sales

Customers can now buy insurance over the telephone or, in 15 states, through the Internet, eliminating the need to go through agents. But agents claimed in a complaint that Allstate violated federal statutes by requiring those who wished to either become independent agents or receive enhanced severance benefits to pledge not to sue.

Allstate confirmed that talks aimed at settling the complaint have failed - an impasse that could lead the Equal Employment Opportunity Commission to take the insurer to court.

A spokesman for the EEOC, which is barred from talking about cases not in litigation, declined comment.

Allstate spokesman Mike Trevino noted that the complaint was filed by 300 agents and former agents, a small proportion of its work force.

However, it was filed on behalf of all 6,500 ex-Allstate agents who did not become independent contractors.

Allstate is the nation's largest publicly held insurance company and No. 2 overall behind State Farm.

For the year, net income dropped 19 percent to \$2.21 billion, or \$2.95 a share, down from \$2.72 billion, or \$3.38 billion in 1999. Revenues rose 8 percent to \$29.1 billion from \$26.96 billion.

Insurance Times: Pending Federal Regulations Cost Concern For Insurers
February 20, 2001, Vol. XX No. 4

by Mark Hollmer
InsuranceTimes

While some state reforms have been more than welcome, insurers may face unwelcome costs stemming from new and pending federal regulations. So says industry attorney Ed Donahue, who predicts federal consumer privacy regulations and OSHA standards could add unnecessarily to an insurer's price tag.

"The series of changes are going to create a scheme of regulations that will make what we fought to get out from under (look) not so bad," said Donahue, an attorney with Morrison, Mahoney & Miller in Boston. Donahue was the featured speaker at the Feb. 8 meeting of the CPCU Society, held at the Holiday Inn in Randolph.

Donahue, a veteran industry lobbyist, said that many changes over the last several years have been good. The positives, he said, include the focus on deregulation of rate form filings at state and national levels, agent license uniformity and speed-to-market reforms.

But, Donahue said, some legislative or regulatory changes could add unnecessary expense to the industry.

And consumer and medical privacy standards, he said, could be "the greatest cost" to the industry.

The federal Gramm-Leach-Bliley Act, which allowed insurers and banks to get into each others' businesses, requires states to establish uniform privacy policies by July 1. Federal standards will kick in if states don't meet the deadline.

As a result, regulations must be carefully crafted, Donahue said. Privacy regulations could affect commercial lines transactions, for example, depending how any standardized rules and regulations change the administration and payment process.

"Nobody is against privacy," Donahue said. "The issue is how efficient the process is done, and what kind of regulatory burden is placed" on insurers. For example, Donahue said, costs could climb if privacy regulations keep a claims adjuster from getting access to medical records after an accident.

Donahue said he's also concerned by the publishing of new federal standards from the Occupational Safety and Health Administration, signed in the waning days of President Clinton's administration.

Scheduled to kick in this October (but put on hold by President George W. Bush), the new standards are tough enough to "threaten the state-based worker compensation system," Donahue said.

The federal regulations, Donahue said, are far-reaching but general. For example, he said, the new federal injury standard would allow 100 percent disability for three months.

The federal standard, Donahue said, is "vague enough, open enough and expansive enough to be potentially uninsurable."