Insurance Times: Believes those seeking federal regulation may be surprised to be facing more, not less, regulation

June 26, 2001, Vol. XX No. 13

by Mark Hollmer
InsuranceTimes

NEW YORK — New York Insurance Superintendent Gregory Serio has heard predictions that increased federal regulation is all but certain, but he's optimistic that states will rise to the occasion and head off the trend.

"I am fully confident that the state-based system can do the job, and with improvements underway I think we're going to get the state-based system where we want it to be."

Serio, in a recent InsuranceTimes phone interview held to discuss various industry issues, said he understands the complaints of some industry groups about the limitations of state regulation.

"The various groups…will say they…want a federal charter because they're dissatisfied with the state based (regulatory) system…

"If it's because the state-based system is failing them to some degree, then we haven't been doing our jobs…. (but) I'm confident we'll get it to the level of efficiency so they won't need that alternative."

What's more, Serio said, companies expecting "one-stop shopping" from a federal regulator will be in for a sobering surprise.

"They may well get that, but who knows?" Serio said.

"I don't see the (federal government) doing any less regulation than the states are. If (companies) go to the federal government asking for regulation because something has failed on the state level I think they will end up with more regulation and not less."

So how will states make their insurance regulations more efficient?

Serio said the move would come not just from more uniform laws between states "but more unified laws within states."

Still, Serio said, the federal government is developing an increasing interest in insurance regulation regardless of whether or not states develop a more uniform system between them. Congress, he said, will be the driving force.

"It's inevitable that we're going to see more federal involvement in this issue anyway," he said, "more from the policymaking side in Congress than the creation of new bureaucracy.

"Congress is getting more and more into the policymaking area for insurance issues," he said, particularly on the health side.

Serio also sounded off on a number of other issues.

Among them:

• Producer licensing. Serio said he expects New York will have some sort of reciprocal producer licensing reform legislation passed by next year. At least 29 states must pass uniform producer licensing reform legislation by Nov. 1, 2002, or else federal regulators will do it for them as outlined in the Gramm-Leach-Bliley financial services reform act.

In the meantime, Serio said, the state has made its agent licensing process more efficient, most recently on the Internet through an electronic license application renewal process now in it's "final stages.

"It will roll out soon (and) should help immeasurably the amount of time it takes to get licensed in New York," Serio said.

The department, he added, is committed in general to the uniform licensing process. Serio said he also sits on the board of the National Insurance Producer Registry and is active with NAIC and "its efforts to really grab a hold of the uniform licensing producer reciprocity issue."

• Fraud reform. Serio supports a far-reaching reform bill submitted to the New York Legislature on May 9, that "not only deals with fraud in a very serious fashion," but also modernizes the state's no-fault statute.

Among the bill's provisions: an alternative fee schedule paid to doctors involved in insurance cases, and a "no pay no play" provision where an uninsured driver could be compensated for first-party injuries but they couldn't sue for damages.

"The trick here," Serio said, "is to not allow people to drive without insurance and still sue people."

• Regulation 68. The state's Insurance Department already tried to reform this no-fault regulation to reduce fraud, but the courts twice rejected the original submission.

This time, Serio said, the state once again wants to reduce the time an insured has to report a claim from 90 to 30 days,

but add a “reasonable justification” exception where a customer would notify the insurer about any problems.
As well, the state is again proposing reducing the deadline medical providers have to file claims for auto insurance policy medical services from 180 days to 45.
A proposal to establish “truly independent” medical examinations --- made by a neutral body of doctors” in an auto insurance claim is one new addition to the proposed reform, as well as an executive order to create a special prosecutor for no-fault insurance fraud.
• Race-based life insurance underwriting. Serio’s predecessor, Neil Levin, launched an investigation last year to look into allegations that insurers writing in New York State engaged in the practice.
Serio said the investigation is continuing but no deadline has been set yet.
New York has had a law on the books banning race-based life insurance underwriting since the 1930s.

Insurance Times: Hartford’s insurance position under seige in new age of financial services

June 26, 2001, Vol. XX No. 13

Regional study cites technology, deregulation and globalization as threats

by Mark Hollmer
InsuranceTimes

The former position of Hartford, Conn. as the insurance capital of the world continues to be undermined by technology, globalization and deregulation, according to a regional economics expert.
James Moor, an associate professor in resident at the University of Connecticut School of Business, touches on the issue in the Spring 2001 edition of “The Connecticut Economy; A University of Connecticut Quarterly Review.”
According to Moor, one of 12 Connecticut employees works in financial services but the city of Hartford has a 41 percent concentration of financial, insurance and real estate jobs.
But Metro Hartford is facing increased competition for those jobs from the Metro New York area, according to Moor.
In light of this trend, Moor wrote, “it is no wonder that Hartford’s number one position of prior decades has eroded somewhat.”
Improved communications technology, globalization and deregulation is helping to decentralize the financial services marketplace even further, Moor wrote.
The later two elements, in particular, Moor said are leading to larger multinational firms, “the spread of foreign-owned affiliates” and the growth of “mega-firms” that offer a wide variety of financial services products within the same company.
The sale of Travelers to New York’s Citigroup and Aetna’s sale of its life insurance business to Dutch-based ING are just two examples of how those trends have affected Hartford, Moor said.
Moor said Hartford could still maintain its edge, as long as the city and Central Connecticut region focus on reassessing tax rates, improving infrastructure and working to “enhance the area’s attractiveness for existing and prospective businesses.”

Insurance Times: Eastern Casualty plays hardball in effort to gain WC rate hike approval

June 26, 2001, Vol. XX No. 13

State’s largest writer imposes moratorium on writing new accounts

by Mark Hollmer
InsuranceTimes

BOSTON — Eastern Casualty’s fight for a Massachusetts workers compensation rate increase already got messy earlier this month when the company – blaming inadequate rates – announced it would cut its losses by refusing new business.
Company President James Moran has upped the ante by hinting the decision could be reversed if Commissioner Linda Ruthardt grants a rate increase.

“The ball is back in the commissioner’s court at this point,” Moran said in a recent InsuranceTimes interview.
“What we will do in the future, if anything, with respect to this moratorium, will depend on what the commissioner decides on a rate increase.”
What Eastern Casualty does in the future could cause quite a ripple in the Massachusetts workers compensation market.
The company has a 10 percent market share of the state’s workers compensation business and is the largest single company writing the line in the Bay State.
The move also follows a decision by Travelers to non-renew some types of workers-compensation-related construction business in the state. But Eastern’s action arguably could have more impact because of its share of the Massachusetts market, and also its choice to go its own way in seeking workers compensation rates.

Mass. WCRB Filing
Until last year, Eastern was part of the Workers Compensation Rating and Inspection Bureau, which has already negotiated a 1 percent workers compensation rate increase for its members versus the 7.7 percent average rate it initially recommended.
Eastern, by contrast, is seeking an 11.6 percent rate increase, based on calendar data and business and future business projections. The State Rating Bureau said the company was wrong not to use actuarial statistics and previous experience, and recommended a 17.6 percent rate decrease.
The rate case is ongoing, with legal briefs from both sides due June 29.
Christopher Goetcheus, the Division of Insurance spokesman, said Eastern’s decision to stop writing new business was its own to make.
He added, “the timing is curious,” regarding Eastern Casualty’s decision to stop writing new workers compensation business during the middle of the rate case hearing.
Goetcheus said its unclear how Eastern’s decision will affect the market because the company’s rate case hearing is still ongoing.
“We don’t know what Eastern may settle for, what they may get in relationship to what the industry took” he said. “A lot hinges on the outcome of the rate case.”

Agent Reaction
Regardless, agents are noticing Eastern Casualty’s provocative move.
“Eastern is a very important market to us,” said Fall River insurance agent Joseph Feitelberg.
“The inability to write new business with them absolutely has an effect on us,” he said. More importantly it isn’t just Eastern. There is a…high level of concern among every company we represent, about Massachusetts workers compensation insurance.”
Moran said the SRB’s recommended rate reduction, at least in part, affected the company’s decision to stop writing any new workers compensation business in the state as of June 15.
The company announced its decision in a form letter signed by Fred Hansberry, Eastern’s vice president of marketing, and sent to 537 Massachusetts agents and some members of the press. Hansberry blamed inadequate rates and a sharp growth in the Massachusetts Workers Compensation Assigned Risk Pool for the company’s decision.
Moran also confirmed that “the action that Eastern Casualty is taking in announcing this letter is directly tied to our pending request for an 11.6 percent increase in our manual rates.
“Current rates,” he said, “are now an absurd 41 percent of 1993 rate levels as a result of five successive double digit rate increases.”
Hansberry, in his letter, specifically targets Ruthardt’s one-percent rate increase as an inadequate move in a market starving for more balanced rates.
“It is generally agreed by those knowledgeable in the field,” he said, “that Massachusetts Workers’ Compensation rates are inadequate … and a one percent increase will do nothing to change that.”
Feitelberg agreed and said rates are “inadequately priced.”
“The rate level is below where it needs to be based on current loss activity,” Feitelberg said. A 1 percent increase doesn’t not cover what’s going on in the day-to-day practice.”
Hansberry wrote that reform legislation passed in the early 1990s “stopped producing savings years ago” but “virtually all of the usual expenses of doing business have increased.”
Eastern is also worried, Hansberry said, because the assigned risk pool jumped 50 percent in 2000 and is facing an accelerated increase this year.
WCRB numbers technically back up Eastern’s claim.
The assigned risk pool represented 4 percent of the state’s total workers compensation premium in 1999 but climbed to 6 percent in 2000, a 50 percent increase according to Donald Bashline, WCRB vice president and actuary.

This year, Bashline said, pool numbers could climb up to 9 percent of the total workers compensation.

Pool Applications

What's more, the WCRB received 3,737 pool applications from January through April 2000, but that number jumped to 4,824 applications during the same period this year – a 29 percent increase.

But Goetchus, of the DOI, said the pool faced much greater numbers before workers compensation reforms took effect in the early 1990s, reaching up to 70 percent of overall written premium.

"In the last year it's grown from 4 to 6 percent," he said. "Does a two percent increase set off bells and whistles? I don't believe so. You will find our assigned risk pool is much healthier than in other states."

Moran said the SRB's agreement to a one percent overall rate increase for the industry versus its recommended rate cut for Eastern Casualty shows the organization doesn't understand what the industry needs to survive.

Criticizes Mass. WCRB

"The SRB doesn't appreciate that the expenses of operating an insurance business in Massachusetts have certainly increased substantially since 1993 and that the loss ratio is only one component of underwriting profitability," Moran said.

"As a result, it makes no sense to us to increase our voluntary market share in an unprofitable line, in this highly regulated Massachusetts workers compensation market," he said.

"Inadequate rates make it impossible to generate an underwriting profit on voluntary policies," he said, adding that the increasing pool deficit only makes things worse.

"The lessons of a decade ago," he said, "are that carriers interested in making money cannot afford to write Massachusetts workers compensation insurance as the pool repopulates.

"It makes absolutely no sense for Eastern Casualty to continue underwriting new Massachusetts workers compensation business under those circumstances."

Of course, the WCRB filed for a much higher average rate increase than the one for which it ultimately settled.

But is it enough?

Bashline offered a diplomatic answer.

"We filed for 7.7," he said. "It was an honest filing. We filed it because we thought we needed it."

With a one percent increase, Bashline said, the "proof is going to be in the experience" as to whether the industry will function well with the increase it received.

Insurance Times: Senior managers to buy Mass. auto writer, Safety Insurance

June 26, 2001, Vol. XX No. 13

by Mark Hollmer
InsuranceTimes

BOSTON — Quincy Mutual, Commerce and Liberty Mutual were among the rumored suitors.

But in the end, after months of gossip and speculation, the new owners of Massachusetts-based Safety Insurance will come from within; seven senior corporate managers at the company, their purchase funded by a New York-based private equity firm.

Safety – the state's third largest writer of automobile insurance -- announced the agreement on June 12.

The announcement ends months of speculation that began last fall when Richard Simches, 68, a former insurance agent who founded the company in 1979 with other family members, announced Safety was for sale for personal reasons.

Simches, in a written statement, said he was pleased the company would remain independently owned, "managed by the same individuals who have helped to build the company and who share my commitment to growing the business in Massachusetts."

Charles Robins, an attorney with Hutchins, Wheeler & Dittmar, represented Safety and the company's selling shareholder group for the sale.

He would not disclose Safety's sale price, but reiterated that Simches is selling the company because he "has had some illness and I guess I would say he's of an age where people normally think of retirement.

"He is selling … because of his age, and having been confronted with serious illness it makes people recognize that they don't live forever," Robins said.

"He concluded he would like to be able to spend the remaining years of his life, which he hopes aren't just a few" in retirement.
Safety retained the Tucker Anthony investment-banking firm to sound out potential buyers last fall.
Robins confirmed that the company looked at a lot of options, including a full employee stock option plan because the company is already 30 percent owned by an ESOP.
But he said an ESOP was never seriously considered.
Right now, Simches and his family own the remaining 70 percent of the company. With sale approval however, management and employees would hold 70 percent of the company, and 30 percent would still be owned by Simches and his family, according to A.M. Best financial analyst John Laubach.
Laubach, who handles analysis for Safety and other Massachusetts automobile insurance writers, said management has met with Best over the last few months and that he doesn't see the sale changing the marketplace that much.
"We don't have any concerns at this point," he said, "but we would still need to see their plan in full. You still have the same management in charge that has been in charge."
A.M. Best currently rates Safety as "A," or "excellent."
Safety employs about 500 people and works with about the same many agents. All were notified of the sale by e-mail or fax on June 11, Robins said.
Simches still has an office at the company but Safety President David Brussard has handled day-to-day operations.
Brussard, who is also CEO, said in a written statement that the sale is "a unique opportunity to take a great company and make it even greater in the 21st Century.
A sale closing is anticipated by the end of the year, Robins said.
He added that a formal filing with the Division of Insurance should take place soon, when "the parties have it ready."
The Jordan Company, a New York private investment firm, is arranging financing for the sale, according to Safety.

Insurance Times: NY weighs rental car liability change

June 26, 2001, Vol. XX No. 13

New York legislators are contemplating a bill that would overturn a 1988 law making auto-rental car companies responsible for the principal costs of damaged cars.
The bill, according to the National Association of Independent Insurers, would remove a $100 cap on consumer liability for damage to a rented vehicle and the subsequent loss of business to the rental company.
In addition, the NAII said, the bill would let rental companies offer customers optional vehicle protection to include any loss of a vehicle as well as storage, towing or administrative charges.p

NH imposes mental stress limits

CONCROD, N.H. — New Hampshire has a new law that imposes severe limits on workers compensation claims for mental stress caused by a bad job performance review.
Gov. Jeanne Shaheen signed the bill into law on June 12. The measure reverses a recent State Supreme Court decision permitting such claims, according to the American Insurance Association.
Donald Baldini, AIA's northeast region assistant vice president, said the new law "is needed to prevent a flood of workers compensation claims simply because employers perform routine job evaluations."

Insurance Times: Old Lyme museum beneficiary of Hartford Steam Boiler art

June 26, 2001, Vol. XX No. 13

OLD LYME, Conn. (AP) — The Florence Griswold Museum is acquiring the only major private collection of Connecticut artwork dating from the late 1700s to the 1920s.
The Hartford Steam Boiler Inspection and Insurance Co. is donating its set of 188 paintings and other works of art to the Old Lyme museum next year.
The collection includes landscapes by Frederick Childe Hassam and still lifes by Charles Ethan Porter, a Hartford artist whose pieces recently re-emerged from obscurity.

Portraits of 18th Century citizens are among the earliest artworks in the collection.
The museum's holding will increase by 20 percent. Its focus will widen from the Lyme Art Colony of 100 years ago to a statewide scope of many styles and eras.
Jeffrey W. Andersen, director of the museum, described the donation as ``a visionary example of philanthropy."
“While it is coming to Old Lyme and the Florence Griswold Museum, to me the real story is that it is becoming a permanent public asset for the state," said Andersen. ”`It has a public profile, but they realized it needed a much greater public profile."
Hartford Steam Boiler has been allowing the public to view the collection by appointment at its Hartford offices. Several paintings have been loaned to museums.
Andersen said the collection will become a major focus for the museum, and it may be used to help the Department of Education establish a statewide art and history curriculum.
The Griswold museum has helped Hartford Steam Boiler with its art collection in the past.

Previous Relationship
Wilson Wilde, the company's former president and chief executive officer, began collecting with advice from Andersen and others. That relationship began after the museum loaned paintings for the company's celebration of its new headquarters in 1983.
Neither the company nor the museum would say how much the collection is worth.
Dennis Milewski, a company spokesman, said that Sotheby's is appraising the collection.
“It's almost irrelevant from our standpoint," Andersen said. ``The collection is not going to be sold. It will be kept in the public trust in perpetuity."
Andersen said the gift was a surprise. The museum had asked to borrow the collection for the opening of a new gallery next year.
“That may have helped in some way for them to see how compatible it would be," Andersen said. ``Much of the collection focuses on works done in Old Lyme or by Old Lyme artists."
Judith Lefebvre Schiffer, the collection's curator, said the Griswold museum is one of the best places for the collection.
“I couldn't be happier about its new home and the fact that it will be seen and viewed by more people than ever, and will have its own gallery," Schiffer said.

The museum has had to change its expansion plans because of the collection. Construction was underway for a 7,500-square-foot building, but the structure will now be 9,200 square feet.
Andersen said the museum is getting new cost estimates for the extra work.
“We are taking a bit of a leap here, but we feel confident our supporters will see the tremendous value for southeastern Connecticut and the whole state," he said.

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Insurance Times: NY orders livery policies’ reinstatement

June 26, 2001, Vol. XX No. 13

NEW YORK — Sureco National Insurance must reinstate more than 2000 New York livery driver’s insurance policies previously non-renewed by the company.
New York Insurance Superintendent Gregory Serio issued the order recently and announced the decision on June 14.
“Reinstating these policies is the first step in making certain that drivers who were covered last year and who pay their premiums remain fully covered,” Serio said in a written statement.
“We are committed to ensuring that New York’s livery drivers, who provide a crucial service to the people of this state, have access to proper and comprehensive auto insurance coverage.”
Affected drivers will see their insurance reinstated at the Black Car rate. They’ll then have to submit documents that support that rate within 20 days.
New York’s Insurance Department has a five-year old livery task force that deals with livery insurance issues. Members of the insurance industry, producers, livery drivers, the Department of Motor Vehicles and the Taxi and Limousine Commission are among the task force members.

Insurance Times: Vermont disappoints industry on privacy

June 26, 2001, Vol. XX No. 13

MONTPELIER — Vermont ended its legislative session earlier in June without passing privacy or producer licensing bills mandated by the federal Gramm-Leach-Bliley Act.
A producer licensing bill would have established reciprocal licensing with other states, in time for Vermont to meet a late 2002 deadline, where 29 states must have similar legislation passed or federal regulators would step in.
Agents, brokers, companies and financial institutions must comply with Gramm-Leach-Bliley Act privacy disclosure requirements by July 1. Vermont, however, has had banking laws that conflict with and are tougher than federal

requirements.
The privacy bill would bring regulations in line with Gramm-Leach-Bliley, replacing the state's opt-in requirement for sharing information with an opt-out provision.
Gerald Zimmerman, counsel for the National Association of Independent Insurers, said Vermont legislators "failed insurance companies and consumers" by not adopting either bill.

Insurance Times: Maine Gov. King vetoes disability measure

June 26, 2001, Vol. XX No. 13

AUGUSTA — A Maine bill that would have guaranteed injured workers disability benefits during full-time rehabilitation died last week with a veto by Gov. Angus King.
King said the bill conflicted with the principle of determining benefits by the employee's earning capacity after the injury, and that, he said, is better done case by case, according to the National Association of Independent Insurers, which applauded the veto in a written statement.
As of June 18, several workers compensation bills were still pending:
• A bill to let the state Workers Compensation Board spend $700,000 from cash reserves for operating expenses and $125,000 to study its overall administration. King, the NAII said, was expected to sign it.
• A bill to give the Workers Compensation Board enough extra funding to pay for $40,000 in technology improvements and $300,000 for workers advocates. The bill passed and King will likely sign it.
• A bill that lets people who were injured before 1987 receive cost of living adjustments in certain situations. Insurance and business lobbyists oppose the measure though the bill awaiting King's signature.

Insurance Times: Banknorth Group buys two Mass. Banks

June 26, 2001, Vol. XX No. 13

Banknorth Group of Maine plans to buy Massachusetts-based Andover Bancorp and MetroWest Bank.
The deals are worth $333 million in stock and $166 million in cash, respectively, according to a Banknorth Group press release.
Banknorth owns a number of New England insurance agencies, including Morse, Payson & Noyes Insurance; as well as The Stratevest Group, Bancnorth Investment Planning Group and Banknorth Leasing.
Banknorth, based in Portland, Maine, owns banks in Maine, New Hampshire, Vermont, New York and Connecticut.

Insurance Times: Hancock buying Canada's Royal Sun & Alliance

June 26, 2001, Vol. XX No. 13

BOSTON — A John Hancock subsidiary has agreed to purchase Royal & Sun Alliance Financial for about $235 million (Canadian).
Marine Life announced the deal on June 19.
The purchase is expected to add $133 million to Maritime Life's premium revenue and $2.1 billion to assets under administration.
Royal & Sun Alliance Financial, also known as Royal & Sun Alliance Life Insurance Company of Canada, is owned by parent company Royal & Sun Alliance Insurance Group in London, UK.
Bill Black, president and CEO of Maritime Life, said the purchase "significantly strengthens" his company's retail life insurance and investment products businesses, "and brings additional talented employees to help us support customers."

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In addition, the NAII said, the bill would let rental companies offer customers optional vehicle protection to include any loss of a vehicle as well as storage, towing or administrative charges.
Joseph Termini, NAII associated counsel, said the bill illogically imposes "additional costs on policyholders."

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Gov. Jeanne Shaheen signed the bill into law on June 12. The measure reverses a recent State Supreme Court decision permitting such claims, according to the American Insurance Association.
Donald Baldini, AIA's northeast region assistant vice president, said the new law "is needed to prevent a flood of workers compensation claims simply because employers perform routine job evaluations."

Insurance Times: Conn. session ends with licensing bill but little else in insurance reform
June 26, 2001, Vol. XX No. 13

by Mark Hollmer
InsuranceTimes

HARTFORD — Other than the passage of a producer-licensing bill, the Connecticut legislative session that ended in early June was noteworthy more for what didn't pass than what did, industry insiders say.
Among the bills that died this session: a provision that would ban insurers from using credit scoring in auto insurance underwriting and a bill that would have restricted the use of competitive repair parts for auto rebuilding.
Proposed legislation to let pet owners seek punitive damages for the killing of their pet also didn't make the cut.
"It was an interesting session," said Warren Ruppar, executive vice president of the Independent Insurance Agents of Connecticut.
"The core issues were really on the licensing side," he said, "as far as a substantial licensing (bill) that was passed."
Tom Regan, government affairs counsel for the Professional Insurance Agents of Connecticut, agreed.
"Other than (producer) licensing," he said, "it was a little uneventful on the legislative side…this was somewhat of a light year."
The National Association of Independent Insurers and the American Insurance Association agreed, issuing statements that supported passage of the producer-licensing bill.
The NAII supported the bill despite its lack of a licensing exemption for customer service representatives.
Gerald Zimmerman, NAII counsel, said in a written statement that the bill is "a good first step toward regulatory modernization."
Connecticut's producer licensing bill follows the model established by the National Association of Insurance Commissioners, and it meets requirements of federal Gramm-Leach-Bliley Act that eliminates barriers between banking, insurance and financial services.
Twenty-nine states must pass reciprocal/uniform producer licensing bills by Nov. 1, 2002 or the federal government will step in and regulate those licenses nationally.
Ruppar said the bill is a "victory" because it helps hold off federal regulation, and "preserves, most importantly, the state regulation of insurance."
Among other insurance industry-related legislative accomplishments:

• A bill affecting bonding on municipal construction projects. The bill, sponsored by IIAC, gives contractors the freedom of choice to obtain a bond from whatever surety company, agency, producer or broker they choose. There was never any prohibition as such, Ruppar said, but contractors on some projects were told they had to buy bonds from a specific person or company.

"It's proactive initiative on our behalf to make sure that agents and contractors and the relationship they have is protected," Ruppar said.

• The industry lobbied successfully to remove a provision from $750 education bond bill, which would have required all school building projects that receive bonding for construction to be insured through a state-controlled insurance program.

IIAC, AIA, PIACT and the Insurance Association of Connecticut were among the groups who worked for the change.

"This would have taken the insurance agent and contractor right out of the marketplace," Ruppar said.

Added Regan, of PIACT: "we thought it was anti-competitive."

But all was not safe as of last week, because the Connecticut legislature hadn't approved the state budget yet. The bond package is part of the overall state budget and there was some chance that lawmakers would revisit the issue.

Legislators were expected to call a special session as early as Wednesday, June 20.

Other industry-related bills that didn't make the final cut include:

• A bill that would have required insurance companies to pay auto body repair shops directly.
• A bill to lower the legal blood alcohol level for drunken driving
• A bill to extend mandatory insurance to all motor vehicles.

Insurance Times: NY absolute liability law blamed for hardening of contractors market

June 26, 2001, Vol. XX No. 13

by Mark Hollmer
InsuranceTimes

Increased use of New York's absolute liability law is pushing insurers to cut back on their coverage for general contractors, according to a new PIANY member survey.

"Insurers are either limiting their writings, withdrawing from writing or writing more selectively in terms of the classes that they're writing for," said Ellen Kiehl, assistant executive director of government and industry affairs for the Professional Insurance Agents of New York.

New York's absolute liability, or scaffolding law – Section 240 and 241 of the state labor law -- is facing a major legislative challenge this session from both PIANY and the Independent Insurance Agents Association of New York.

The law is supposed to ensure safety protection and reduce deaths of construction workers who operate in dangerously high places, but both trade associations say the law is too expensive for insurers.

PIANY has said the law isn't necessary because the state already has a workers compensation law considered to be a sole remedy in labor injury cases. But the New York State Trial Lawyers Association says the extra law is needed to guarantee worker safety.

The survey looked at 95 agency members who named 56 markets they use for the line. Participating members deal strictly with general liability coverage for contractors, and companies that write members' largest volume of that coverage.

And according to Kiehl, the results weren't encouraging.

"The survey found that there were virtually no insurers that remained as open as they had been 12 months ago," she said.

And the reason, Kiehl said, is "clearly related to increasing claims being brought under (the scaffolding) law.

"When we analyzed the comments, a lot of the restrictions did apply to any contractor that had height exposure … painters, roofers, …etc."

Here are the results: (As listed in the PIANY survey, the number of agencies naming the company comes first, followed by a breakdown of how many agencies said the company has withdrawn, limited, not changed or expanded coverage. Responses are for markets named by eight or more agencies.)

• Travelers, 31 agencies: 11, withdrawn; 20, limited.
• CGU (Now OneBeacon), 30 agencies: 10, withdrawn; 20, limited.
• CNA, 20 agencies: 10, withdrawn; 10, limited.

• Zurich, 14 agencies: 1, withdrawn; 13, limited.
• Merchants, 11 agencies: 2, withdrawn; 9, limited.
• National Grange, 10 agencies: none withdrawn; 3 limited; 6, no change; 1, more or newly open.
• Preferred Mutual, 10 agencies: 9, limited; 1, no change.
• Colonial Indemnity, 9 agencies: 5, withdrawn; 3, limited; 1, no change.
• Selective, 9 agencies: 1, withdrawn; 7, limited; 1, no change.
• Utica First, 9 agencies: none withdrawn; 4, limited; 5, no change (but several agents mentioned significant coverage exclusion).
• Hartford, 8 agencies: 3, withdrawn; 5, limited.
• Inscorp, 8 agencies: 2, limited; 6, no change.
• Kemper, 8 agencies: 8, withdrawn.

Kiehl said the results show what PIANY and others had heard anecdotally, and that the numbers would be used "in our lobbying to support changes in our New York State labor law that would level the playing field between contractors/site owners, when they're sued under this strict liability section."

Joanna Rose, spokesperson for the New York State Insurance Department, said Superintendent Gregory Serio has heard reports on the issue and the department is looking into the matter.

Insurance Times: Mass. gives go-ahead to Fitchburg and Norfolk & Dedham deal

June 26, 2001, Vol. XX No. 13

by Mark Hollmer
InsuranceTimes

Fitchburg Mutual and Norfolk & Dedham Group have Massachusetts regulatory approval to form a strategic affiliation. Insurance Commissioner Linda Ruthardt and Hearing Officer Richard Cody signed off on their application on June 14.

One Condition

There's one condition, however: that both companies' boards of directors approve a revised inter-company reinsurance agreement. Approval is expected.

The reinsurance agreement will involve, in part, Norfolk and members of its insurance group sharing underwriting results with Fitchburg.

Fitchburg is making the move to join forces with the larger Norfolk & Dedham to remain competitive, Fitchburg President and CEO Ronald LeBlanc testified at a May 29 public hearing.

Fitchburg will become a member company of the Norfolk & Dedham Group, which also includes Norfolk & Dedham Mutual Insurance, West Newbury Mutual Fire and Dorchester Mutual.

Corporate Identity

Fitchburg, as with each member company, will keep its own corporate identity.

Norfolk & Dedham Mutual-owned Newbury Corp. manages the group's day to day affairs and employees, and will do so with Fitchburg.

Norfolk & Dedham will also gain control of Fitchburg's board, replacing four Fitchburg board members with six from Norfolk & Dedham or other member/affiliated companies.

LeBlanc will become senior vice president of Fitchburg and Timothy Hegarty, president and CEO of Norfolk & Dedham, will become Fitchburg's new president and CEO.

Citigroup, Travelers named in class action

BOSTON— Federal Judge Robert E. Keeton of the U.S. District Court of Massachusetts has certified state classes for four states, including Massachusetts and Connecticut, in a suit filed against Salomon Smith Barney, Inc., Citigroup, Inc. and Travelers Group, Inc.

The lawsuits, prepared by the firm Dwyer & Collora, LLP, allege that the defendant companies have illegally required employees to forfeit wages when they leave their employment, under the terms of a compensation program termed the "Capital Accumulation Plan" or "CAP Plan." Employees are "encouraged" to participate in the CAP Plan with various incentives, but if they are terminated or leave the company voluntarily prior to the end of a two- or three-year period, they lose their contribution for those years. Because the forfeiture requirement of the CAP Plan is imposed on a rolling basis, participants are subject to wage forfeiture no matter how long they work for the defendants. The forfeiture requirement is lifted only upon the employee's death or permanent retirement.

The Massachusetts and Connecticut lawsuits seek to enforce state wage statutes that give employees a non-waivable right to be paid their full wages upon departure. These statutes impose treble damages (in Massachusetts) or double damages (in Connecticut) and attorneys' fees against employers who violate the law.

Based on information provided by the defendants, more than 100 employees can currently claim approximately $12 million dollars in damages under the Massachusetts wage statute. Approximately 100 Connecticut employees can currently claim an estimated $6 million dollars under their state statute.

Attorneys for the plaintiffs said that the number of employees in each class and the total amount of damages due will increase over time, as other employees are forced to lose their CAP Plan contributions upon leaving Smith Barney, Inc., Citigroup, Inc. or Travelers Group, Inc.

Similar suits have been filed in New Jersey and California, and representatives in other states have yet to step forward.
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Insurance Times: Progressive returns state money after cut backs

June 26, 2001, Vol. XX No. 13

ALBANY — An insurance company that received $125,000 in state funds to create jobs in New York then announced layoffs is returning 80 percent of the grant, an official said.

Progressive insurance company received the grant to help erect a downtown Albany building in 1999. After announcing layoffs, the company agreed to return $100,000 — without interest — as required under the grant agreement with the state's Empire State Development Corp., spokeswoman Maura Gallucci said.

"It is rare that a company does not meet its job commitment," Gallucci said.

The company met its January promise by creating 40 jobs, but won't meet its subsequent goals of eventually hiring 115 people to its telephone sales and service center in Albany, Gallucci said.

"The state would have preferred to have the jobs created, but is appreciative of Progressive for keeping up its end of the bargain," Gallucci said.

Insurance Times: Women hope birth control ruling sets benefit precedent

June 26, 2001, Vol. XX No. 13

SEATTLE (AP) — The woman who won a court ruling requiring her employer to include birth control for female employees in its health insurance coverage says she hopes the case sets a broad precedent.

“I am extremely pleased and I want to encourage all employers and insurance companies across America to cover contraceptives in their plans," said Jennifer Erickson, a pharmacist at Bartell Drug Co.

U.S. District Judge Robert S. Lasnik on June 12 ruled in favor of Erickson and other nonunion employees of the 50-store chain in the Seattle area. Denying contraceptives to women means they get less complete coverage than men, and that violates federal law, Lasnik said.

“Although the plan covers almost all drugs and devices used by men, the exclusion of prescription contraceptives creates a gaping hole in the coverage offered to female employees, leaving a fundamental and immediate health care need uncovered," Lasnik wrote.

It was the first federal court decision to find that women are entitled to contraceptives as part of their health coverage, said Judy Appelbaum of the National Women's Law Center and Roberta Riley, Erickson's lawyer and counsel for Planned Parenthood.

In 1998, Congress required that health plans for federal employees cover prescription contraceptives.

Bartell moved immediately to comply but said no decision had been made on an appeal.

Birth control already had been added to health coverage for union-covered employees April 1 and the company will ``take prompt action" to add the benefit for nonunion employees, said Jean Bartell Barber, chief financial officer.

Barber said Planned Parenthood chose Bartell for the court test because it is a good employer with extensive medical benefits. Founded in 1890, Bartell is the nation's oldest family-owned drugstore chain.

Nationally, women's groups have been trying for years to force employers to cover contraceptives in health insurance.
The issue grew more heated when the anti-impotence drug Viagra was introduced and many insurers moved to cover it.
Appelbaum noted it took 37 years since the Civil Rights Act of 1964 for the question of contraceptive coverage to reach the courts.
“I think women have been finding a way to pay for this health care need out of pocket, and it's never been fair, it's never been right, but in recent years they've started to come forward," she said.

Insurance Times: Supreme Court rejects cap on workplace damages

June 26, 2001, Vol. XX No. 13

The Supreme Court earlier in June threw out a $300,000 cap on certain damages workers can be awarded in cases involving workplace mistreatment, according to The Associated Press.
The court voted 8-0 in the decision, affirming that wronged workers can’t be limited to $300,000 front pay damages.
Front pay is termed as money an employee would have earned if an employer acted to eliminate alleged harassment, The Associated Press said.
The case revolved around a DuPont ex chemical plant worker who claimed male colleagues sabotaged her and shunned her.

Insurance Times: NH ‘ticket-to-work’ bill for disabled signed into law

June 26, 2001, Vol. XX No. 13

by Lori Ayotte
Associated Press

CONCORD, N.H. — People with disabilities will be able to keep their health care coverage while holding full-time jobs under a bill Gov. Jeanne Shaheen has signed into law.
For years, many disabled people were discouraged from entering the work force because they would lose their Medicaid benefits if they worked full time. Many of the services they need — like attended care and certain prescription drugs — are available through Medicaid, but not commercial insurance.
That meant many people were forced to remain unemployed to keep the benefits they need, Shaheen said at a news conference before she signed the bill.
The new law calls for employed disabled people to pay part of the cost of continuing their coverage. Policymakers are still hammering out details of the Medicaid buy-in program, which is expected to be available in the fall.
Lawmakers and advocates for the disabled praised the legislation.
“People are ready, willing and able to work," said David Robar of the Granite State Independent Living Foundation. “`We just need the opportunity."
Robar, 36, has been working to get such legislation passed ever since a motorcycle accident in 1990 left him disabled.
Without the law change, he said, there is no incentive for disabled people to work full time, and it locks them into a poverty cycle. They can only make up to about $700 a month before losing their benefits, he explained.
“In this society, you're valued by what you do," Robar said. “Not being able to work is adding insult to injury.
“It's more than just a paycheck," he added. ``It's being able to access life."
Shaheen said the new law will help people with disabilities and the state.
“Under this proposal, you win, but we all win — businesses, our economy and the state of New Hampshire," Shaheen told dozens who came to the Statehouse for the signing.
“The major limit on our growth here in the work force has been the ability to get skilled workers," she said. “`At the same time, we've had a large group of willing citizens who are eager to contribute with skills and ideas."
Clyde Terry, director of policy for the New Hampshire Developmental Disabilities Council, estimates that as many as 11,000 disabled residents, with the proper support, could be able to go to work full time.
He also noted that while the new law is an important step, there still is work to be done in other areas that affect people with disabilities _ including transportation and attitude changes.

Insurance Times: NH House passes health risk pool
June 26, 2001, Vol. XX No. 13

CONCORD, N.H. — House lawmakers have approved creation of a high risk pool for serious health conditions in hopes it would encourage younger, healthier people to buy insurance and bring down skyrocketing costs.
The bill would create a risk pool for people with conditions like heart disease or cancer. It also would allow insurance carriers to adjust premiums for age, health status and tobacco use.
The pool initially would be funded through a 60-cent charge on all residents covered by life insurance. For those in the pool, there would be a limit on rates, which would not rise higher than 150 percent over standard premiums.
The Senate recently passed a similar version of the bill and likely will ask to negotiate a compromise.
The legislation is an attempt to bring more insurance options to residents by attracting more companies to the state. p

Lawmakers hope that increased competition would lower costs, which have skyrocketed in recent years, but others say it won't do much because costs mainly are driven by prescription drugs and new technologies.

Some lawmakers say that after New Hampshire passed a 1994 law that guaranteed all residents access to health insurance, dozens of insurance carriers fled. Since then, companies found they not only have to guarantee access, but they also have little flexibility in setting rates.

Supporters of the bill hope that by giving insurers more latitude in setting rates, it will help attract more companies.

They also say that as costs rise, younger and healthier people tend to do without coverage. People with higher health risks have remained in the market, driving costs even higher.

By putting high risk policy owners into a separate pool, the bill's advocates say that standard policies will cost less and younger uninsured residents will be encouraged to buy coverage.

The bill also would update the mission statement of the Healthy Kids Corporation, which provides access to affordable health care and coverage for children.

The House also passed a gutted version of a Senate bill that originally would have changed the eligibility of businesses to receive small group health insurance coverage.

The House version would keep all businesses with 100 or fewer employees eligible for the coverage. The Senate version, however, would make New Hampshire more in line with other states, by limiting small group insurance to businesses with 50 employees or fewer.

Critics fear the change would wreak havoc on many business owners who employ between 51 and 100 people.

The House version also would not allow small group insurers to take someone's health into account in setting rates. Critics said that while the young and healthy groups probably would experience a great reduction, the older groups could be the victims of premium rate shock.

The House version instead would establish two open enrollment periods for small employers who are self-employed. They currently can enroll at any time during the year.

In a move to lower the cost of health insurance for children, the House version also would eliminate an age bands rating for youth under 19 years old. Under the system, a 60-year-old cannot be charged more than three times the rate for a 20-year-old.

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Insurance Times: OpinionExchange
June 26, 2001, Vol. XX No. 13

Whether the glass is half-full or half-empty is a matter of perception. The National Association of Insurance Commissioners (NAIC) believes that having reached the halfway point regarding NARAB requirements, the states are ahead of the curve.

May 12 was the halfway point with respect to the deadline (November 2002) of having 29 states enact producer licensing laws that will enable reciprocity as mandated by the Gramm-Leach-Bliley Act (GLBA). Failure to achieve this goal is supposed to activate the federal agent licensing regulatory body, NARAB.

The NAIC reports that 25 states have passed laws designed to satisfy GLBA requirements. Legislation is pending final consideration in 17 other states.

Testifying recently before the Financial Services Subcommittee on Capital Markets, Insurance and Government Sponsored Enterprises, Colorado Insurance Commissioner and NARAB Working Group Co-Chair, William J. Kirven III, told the committee "remarkable success" has been achieved to this point.

"The states that have already taken action account for one-third of licensed agents nationwide," said Kirven. NARAB anticipates that by December 2001, 42 states will have passed this act, ensuring near-national reciprocity for non-resident agent licensing. This would account for 78 percent of all licensed agents.

But there is concern that some of the large states representing the biggest portion of premiums and a majority of licensed agents — including New York, California, Florida, Texas and Illinois— have not enacted licensing reform.

As Albert R. "Skip" Counselman, representing large commercial lines agencies belonging to the Council of Insurance Agents and brokers, recently counseled, if 29 states enact the necessary laws, but only account for 29 percent of the premiums in the U.S., then we will not have achieved meaningful reform the licensing system.

Countersignature laws and fingerprinting of agents for background checks are some of the obstacles states have to address. Also, the NAIC's new electronic fingerprinting system that is linked to the FBI database must still gain congressional approval.

Other agents are optimistic that progress will be made, even in the larger states, and that agents themselves will play a key role in attaining meaningful reform.

Ronald A. Smith, president of Rochester, Indiana-based Smith, Sawyer & Smith Inc., and Independent Insurance Agents of America (IIAA) State Government Affairs Task Force and past IIAA president, speaking on behalf of the IIAA, the National Association of Professional Insurance Agents (PIA) and the National Association of Insurance and Financial Advisors (NAIFA), said that agents can be a force in moving licensing reform along in those states that have yet to act.

Smith said the states could and will implement a licensing system "better than that offered by the NARAB provisions." This belief is based on the fact that most of the remaining states including the largest, have legislative sessions on an ongoing basis. These include New York, California, Illinois, Pennsylvania, Michigan, Ohio, New Jersey and Massachusetts.

"Each of these states is working to enact licensing reform, and we are optimistic that most of them will do so this year," said Smith. "Given the overwhelming success achieved so far, we have every reason to believe that reform is imminent in most of the remaining states."

Reaching the statutory bare minimum is not good enough in the long term. Agents' continued involvement in the process is critical as is their insistence that we should not settle for uniformity and reciprocity in 29 states alone.

Insurance Times: New Vermont laws include tax credit for new captives
June 26, 2001, Vol. XX No. 13

BURLINGTON, Vt. — In celebration of its 20th anniversary as a captive domicile, Vermont marked the occasion with passage of two important enhancements to its captive statutes. Both chambers unanimously approved the two initiatives –one a series of technical amendments to the sponsored captive provision and, the other, a one-time tax credit for new captives.

VCIA President, Lisa Ventriss, president of the Vermont Captive Insurance association, praised the state's diligence in updating its laws.

“We always want to know that our statutes are achieving the desired outcomes, so we revisit them each year after obtaining feedback from the captive user," Ventris said. "The icing on this year’s cake was for the legislature itself to suggest the tax credit – now that’s called rock solid support!”

Code Flexibility

Senator Cheryl Rivers, chairman of the Senate Finance Committee, sponsored S.139, the insurance department’s miscellaneous bill. Specific to captives were several provisions that give the Commissioner of Insurance flexibility, in some cases, to waive investment code restrictions for sponsored captives, when such action is reasonably justified; and, additionally, gives the sponsored captive owner the ability to commingle investments by participants in a single sponsored captive cell. Since 1999 when Vermont’s original sponsored captive provisions were signed into law, eight new sponsored captives have been formed. These enhancements provide for greater express authority than that which was contained within the original law.

Tax Credit

The House Commerce Committee recommended, and the Senate concurred with, an amendment that provides a one-time, nonrefundable tax credit of $5,000 applied against the aggregate taxes owed for the first taxable year for which the company has a liability. The credit is retroactive to new captives licensed from January 1, 2001 through January 1, 2004. In describing the motivation behind this amendment, Rep. Mark Young said, “This measure is a nice vote of confidence from the legislature to the industry; it solidifies our legislative support of captives and expresses our desire to be cooperative as we begin the next 20 years of captive domesticity.” p

3 NY insurers file lawsuit against alleged phony medical network

NEW YORK —Three insurance companies filed a federal lawsuit Tuesday alleging that 26 people — including doctors and dentists — set up a network of phony medical corporations to fraudulently bill the companies for tens of millions of dollars in no-fault claims.

Allstate Corp., its Encompass Holdings subsidiary, and Progressive Corp. are seeking $36 million in damages in the 24-count lawsuit filed in federal court in Manhattan under the Racketeer-Influenced and Corrupt Organizations Act. The scheme allegedly operated in the Bronx, Queens and Long Island.

"This one fraud ring — and we believe there are hundreds operating in New York — netted at least $12 million for the perpetrators," Edward J. Moran, assistant vice president for Allstate's Special Investigation Unit, said in a statement.

The companies allege that over a four-year period, four ringleaders set up the phony corporations. To establish the facilities, they allegedly paid to use the names and professional credentials of medical providers — that enabled them to skirt laws requiring medical facilities to be owned and operated by licensed professionals.

The alleged hub of the operation was the Bronx-based Fordham Medical Pain and Treatment P.C., later known as Plaza Medical & Pain Treatment P.C., which was billed as a multi-care clinic.

To get patients, the ringleaders allegedly employed several "runners" who staged accidents and recruited people to act as injured parties in the accidents. Those people were then steered to the clinic, where they would undergo a series of unnecessary diagnostic tests that would lead to false medical reports ordering treatment that resulted in thousands of dollars in bogus billing.

To make more money, the ringleaders allegedly created other illegal facilities, most specializing in acupuncture services.

Named in the lawsuit as the ringleaders were: Dipak Nandi, M.D., Afsar Gul, Satrajit Rudra and Iftikhar Malik. The men could not be reached for comment, and calls to their main clinic went unanswered.

Insurance Times: Politicians fume as State Farm, NJ’s #1 auto writer, plans pullout

June 26, 2001, Vol. XX No. 13

by Jeffrey Gold
Associated Press

NEWARK, N.J. — The threatened pullout of State Farm from the state's auto insurance market left politicians decrying it as a negotiating ploy for a rate increase.
An industry observer said that if the state's largest auto insurer does leave, rates are likely to rise in the absence of further reform.
Meanwhile, the No. 2 auto insurer in New Jersey, Allstate, announced in April that its premiums should drop slightly and that it hopes to attract more business.

Gov. DiFrancesco
That's proof enough for acting Gov. Donald T. DiFrancesco that the regulatory system State Farm called “politicized" works well enough for insurers to earn a profit, even if State Farm's state unit is losing money.
However, Allstate New Jersey Insurance Co. also said “there is more work to be done" on reform.
“The road to a stable New Jersey marketplace requires complete implementation of reform and subsequent regulatory modernization," said the company, a unit of Allstate Insurance Co., of Northbrook, Ill.
A similar stance has been taken by Democrats seeking to portray the 15 percent rate cut ordered by Republican Gov. Christie Whitman in 1998 as an incomplete reform effort.
Motorists are in no immediate danger of losing coverage from Tuesday's announcement by the State Farm Indemnity Co. of Wayne, which handles New Jersey auto coverage for the State Farm Insurance Cos. of Bloomington, Ill.
State Farm has about 850,000 auto policies, covering nearly one in five New Jersey drivers. Allstate has about 580,500 auto policies, or about one-eighth of the market.

Highest Premiums
Despite reform efforts, New Jersey drivers continue to pay the highest auto premiums in the nation, according to the Insurance Council of New Jersey, citing 1999 figures, the latest available.
“It's the entire New Jersey auto market that's broken," State Farm spokesman Chris Neal said Wednesday. ``Insurance companies don't have the ability to effectively manage their business in New Jersey."
He declined to comment on Allstate's assertions, but denied State Farm was using withdrawal as a ploy.
Once it submits a withdrawal plan to the state, regulators have about six months to set conditions for withdrawal. State Farm would have up to five years to find replacement carriers for it policyholders, who get at least a year's notice before being dropped.
The company faces a July 10 hearing on its request for a 17 percent rate increase, which is opposed by the state Department of Banking and Insurance.
Asked if State Farm's declaration was a negotiating ploy, department spokesman Peter Hartt said, “We simply note that whatever their thinking, this announcement is not going to change our position."

Department Response
As it reviews the withdrawal request, the department will analyze the effect on rates, he said, adding, “As it stands now, we do not expect it will have a substantial effect either on premiums or the marketplace as a whole in terms of its capacity to insure everyone who wants to be insured."
Among the reasons: The ``long and gradual process" of withdrawal gives time for the industry to adjust, Hartt said.
Michael Horowitz, a senior fellow who follows auto insurance at the conservative Hudson Institute in Washington, D.C., said a State Farm pullout is likely, and is likely to lead to higher premiums.
“What happened to California on power rates will happen to New Jersey on insurance rates," Horowitz said.

Insurance Times: Tech Update

June 26, 2001, Vol. XX No. 13

by Mark Hollmer

A global gathering of financial-services institutions and tech firms recently took place in Boston.
Newton-based Meridien Research sponsored the late April event – an annual “The Race For Competitive Advantage”

summit covering the latest trends in fields including customer relationships management, wireless e-financial services, risk management and online brokerage.
More than 100 companies were represented at the event from both North and South America, Asia and Europe.

* * *

The Connecticut Insurance Department, along with other state agencies, will now be accessible on the Connecticut Licensing Information Center Web site – www.CT-clic.com.
The site offers online access regarding licensing and permitting requirements for some state agencies. Insurance consumers can use the service to log on and verify individual and business licenses regulated by the Insurance Department.
“Rapidly changing technology is allowing us to better serve the public by making information on the insurance agents and other licensees we regulate easier to access,” Commissioner Susan Cogswell said.
Each week, the state’s insurance department will update its listing of individual and firms licensed as producers, casualty adjusters, MVPD appraisers, certified insurance consultants, public adjusters, fraternal benefit society agents, surplus lines brokers, reinsurance intermediary managers and brokers, premium finance companies and utilization review companies.
Questions can be emailed to ctinsdept.licensing@po.state.ct.us or call 860-297-3845.

* * *

Insurers can reduce claim settlement costs by up to 15 percent if they use innovative technology and workforce training, according to researched released April 30 by Accenture, a management and technology consulting company.
Study results stem from an analysis of over 7,000 settled claims and interviews with more than 3,000 claims workers in North America and Europe, according to an Accenture press release.
The findings are included in “Unlocking the Value in Claims,” a report released by the company at the Risk Insurance Management Society Conference in Atlanta.

* * *

This time, it’s new and improved.
New York Life Insurance recently announced the re-launch of its new-and-improved Web site at www.newyorklife.com.
The company is touting its revised Web address as having “better site navigation, informative content and useful planning tools for policyholders and other Internet consumers.”
The company’s 7,000 active agents should have an easier time communicating with clients and prospective sales through the Web, as well as generating sales leads and informing customers about products.
“We intend for newyorklife.com to be the preferred destination for consumers interested in finding out more about life insurance and all of our related products and services, but who still want the advantage of consulting with a trained professional,” Robert Smith, New York Life’s senior vice president, said in a written statement.

* * *

Oxford Health Plans is expanding its customer service presence base both on and offline.
Digital Insurance Inc. recently signed an agreement with the health insurer to offer customers online and traditional health plan purchasing services.
The goal of the deal, according to a joint press release from both companies is to give New York small businesses more health insurance options and let them “quote, compare, apply for and purchase health plans through both www.digitalinsurance.com and licensed Digital Insurance representatives.”
Oxford does business in New York, New Jersey and Connecticut through direct sales, independent agents and brokers.
Digital insurance is based in Atlanta p

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CSRCross-Selling.com – a Web site geared toward property casualty insurance agencies is now up and running.
Agency Ideas, an independent, subscription-only sales and marketing letter launched the site, which “is dedicated to advancing the art and science of the cross-sale.”
The Web site includes two password-protected areas, and new content will be added every other month.

Membership dues for the Web site cost $249 a year for agencies with 10 customer service representatives or less.
For more information, call 1-800-724-1435.

* * *

The online insurance business continues to grow.
L.V. Toole Insurance Agency of Lee, Mass. recently announced a new Web site consumers can use to get automobile, home and term life insurance quotations – www.BerkshireQuote.com.
Consumers can use the site to start a transaction and finish a policy purchase either by mail or in person.

* * *

Yet another way to use high-tech tools to sell insurance has hit the market.
Insurance Technologies of Colorado Springs recently announced an expansion of the use of its product ForeSight, a point of sale management software program.
The system can already be used on desktop computers and through the Web, but now it can work through a Palm VII wireless system.
The company, in an April 5 press release, promotes the system as a way producers anywhere, anytime can "answer basic questions concerning the performance of mutual funds and variable insurance products."
For more information, call 1-719-442-6400.

* * *

Interested in Ajasent's latest software agency management systems?
Then check out http://demo.ajasent.com, the company's new interactive online demonstration room.
The company offers DORIS software, by the way, and has recently added Agency Solution and InStar software.
Agesent lets companies store their data on the Internet through Ajasent's ASPand not have to worry about having a separate data center in the office.
The software is automatically updated and agents can access it 24-hours a day from any Internet-ready computer terminal.
For more information, call 301-497-1138.

Insurance Times: Washington Mutual to appeal $71 million damage award

June 26, 2001, Vol. XX No. 13

JACKSON, Miss. — A jury has awarded more than $71 million in damages to plaintiffs who accused a Seattle-based financial company of goading customers into renewing loans with undisclosed additional charges.
The defendant, Washington Mutual Finance Group LLC, operates more than 2,300 consumer banking, mortgage lending, commercial banking, consumer finance and financial services offices throughout the nation.
The verdict in Holmes County, north of Jackson, gave $69 million in punitive damages and more than $2.2 million in compensatory damages to 23 plaintiffs.

Insurance Premiums

The lawsuit accused Washington Mutual of not disclosing insurance premiums included in loan renewals.
"They enticed people back into the office to renew loans once they had paid down on a certain amount because it is very profitable for them to renew loans rather than allowing them to pay it out," Edward Blackmon, attorney for the plaintiffs, said in a telephone interview after the verdict.
Blackmon said customers also were unaware of the relationship the company, formerly known as City Finance Co., had with insurance companies.
A separate lawsuit filed against Washington Mutual in March in Washington state accused the company of engaging in deceptive, unfair and oppressive business practices against borrowers. That suit has yet to go to trial.

To Appeal

The verdict will be appealed, said company spokeswoman Libby Hutchinson.
“We adhere to the highest standards of responsible lending and we are committed to serving the financial needs of our clients in the most ethical manner possible," Hutchinson said. “We believe that the false allegations against our company will be overturned on appeal."

Insurance Times: Old Republic Standard Underwriters halted

June 26, 2001, Vol. XX No. 13

CHICAGO — Old Republic International Corp. said it would discontinue and run off the portion of its general insurance business underwritten through its Houston-based Old Republic Standard Underwriters division. Since its formation in 1988, the division has targeted grain elevator, petroleum and propane distribution, and natural gas utility accounts. The division's gross premium production in 2000 was approximately $27.7 million.
In making this announcement, A. C. Zucaro, Old Republic's chief executive officer, indicated that "... the decision reflects an ongoing reassessment of certain markets in which we operate and of our abilities to rectify poor pricing and underwriting conditions for the long term. In the case of this particular division, we've concluded that needed corrective measures would not necessarily achieve our objective of producing acceptable and reasonably consistent profitability over time."

Insurance Times: A.M best alters Lloyd’s financial reporting

June 26, 2001, Vol. XX No. 13

OLDWICK, N.J. — .M. Best Co. has announced an enhancement to its reporting on the financial strength of the Lloyd's insurance market.
The rating assigned to the Lloyd's market (currently "A", Excellent) will continue to be assigned. However, A.M. Best believes that a select number of Lloyd's syndicates are able to offer policyholders security above that of the market rating. Accordingly, while the market rating will remain the floor of security behind all policies underwritten by Lloyd's syndicates, some syndicates have the potential of being assigned a higher rating.
The existence of the market rating reflects the partial mutualization of capital at the Lloyd's market. The rating assigned to the Lloyd's market reflects the capital adequacy of the market, Lloyd's overall operating performance and business profile. Business profile and operating performance are key indicators of future financial strength in the opinion of A.M. Best as this sets the context for an insurer's ability to attract and retain ongoing capital backing.
There are two scenarios that can lead to a syndicate being able to demonstrate a level of financial strength above that of the market level.
In practice a small number of syndicates may present scenarios supporting a higher rating. In order to highlight the fact that the market rating stands behind all syndicates, individual syndicate ratings will be differentiated by an "s" subscript. E.g. A+s.

Insurance Times: Study shows tenfold growth in securitization

June 26, 2001, Vol. XX No. 13

NEW YORK — In recent years, firms have developed a new class of financial instruments that transfer insurance risk to the capital markets.
Approximately $12.6 billion of these capital market insurance solutions have been issued since 1996. A newly released Swiss Re sigma study, "Capital market innovation in the insurance industry," assesses the prospects for capital market insurance solutions. The study concludes that these securities have vast market potential.
Among the key findings:
• To date, the issuance of catastrophe bonds has accounted for nearly half of insurance risk securitization transactions.
• Annual issuance of catastrophe bonds, now about $ 1 billion,

is expected to reach $10 billion by 2010.
• Capital market insurance solutions linked to non-catastrophic risks have an even greater market potential. Promising areas include life and automobile insurance.

The study examines capital market insurance solutions in the context of the global wave of financial innovation that has occurred since the 1970s. A variety of forces have stimulated this innovation: the need to protect against market risk; technological progress facilitating the innovation process; and a desire to minimize the costs imposed by taxes and regulation.

Capital market insurance solutions are a recent financial innovation. Following Hurricane Andrew and the Northridge earthquake of the early 1990s, property catastrophe reinsurance was in short supply and premium rates more than doubled. In reaction to this rate spike, insurers began developing a new class of financial instruments that transfer insurance risk to capital markets.

One factor critical to the success of capital market insurance solutions are higher reinsurance rates. Indeed, the low reinsurance rates of the late 1990s placed an extreme damper on the growth of this innovation, just as it was starting to take hold. Therefore, according to the report, the rebound in reinsurance rates in 2001 bodes well for increasing issuance of insurance securitizations.

The study is available at www.swissre.com.

Insurance Times: Atlantic hurricane activity likely to be normal until 2005

June 26, 2001, Vol. XX No. 13

MIAMI — The outlook for the Atlantic hurricane season over the next four years is expected be near normal -- ranging from 4 to 6 hurricanes per year --but the level of activity will return to much above normal by 2005, James B. Elsner of Florida State University's Department of Geography told attendees at the Casualty Actuarial Society spring meeting.

Elsner said his "Multi-Season Forecasts of Atlantic Basin Hurricane Activity," developed in conjunction with FSU's Department of Statistics, is projecting 11 hurricanes during the 2005 season.

Reasonably Accurate

Elsner and his co-workers began issuing multi-season forecasts in 1997 and with the exception of forecasts for the 1998 season, the forecasts have been reasonably accurate. Some modifications were made in 1999 and continuing examinations will measure their effect on forecasting skills over the next several years, he added.

"FSU's Dynamic Probability Model also is proving to be a useful diagnostic and predictive tool for projecting regional hurricane landfalls," Elsner said. He said this model predicts potential landfalls based on climatological variations by using records of hurricane activity over the past 100 years.

Using this model, the coastal areas of South Florida, North Carolina and Texas have the highest hurricane landfall probabilities, said Elsner.

Meteorological Research

"Even though catastrophe models have inherent limitations which must be recognized by those developing and using them, fast-developing meteorological research is making hurricane forecasting more reliable," said Claire McQueen a London-based seismologist with the Benfield Greig research group.

McQueen told the CAS panel on "What will 2001 Bring? A Worldwide Look at Catastrophes" that the reliability of such models can be improved through the use of longer historical catalogues detailing past events over an extended period of time. She cautioned that the use of models to arrive at fast answers means simplifying assumptions and sacrificing reliability.

On the possible impact of global warming on hurricane activity, McQueen said there doesn't seem to have been any effect on either the frequency or intensity of hurricanes in any of the hurricane basins: the Atlantic-Caribbean, the Eastern Pacific and the Western Pacific.

The U.S. insurance industry is much better prepared now than it was in 1992 when Hurricane Andrew resulted in record damage in South Florida, Rade Musulin of Florida Farm Bureau Insurance Company told his fellow actuaries. But, he said, considerable work lies ahead in collecting better data on risks, developing better actuarial methodologies, creating incentives for mitigation and retrofit, managing "political risk" of large catastrophes, improving insurer solvency measurements, and better thinking through possible Federal government disaster legislation.

Listing progress that has been made in preparing for upcoming hurricane seasons, Musulin said actuaries are now armed with computer modeling technology that provides critical information for assessing risk and pricing products. He said there is also increased regulatory acceptance of modeling, rate levels that better reflect insurer costs, tougher building codes, new reinsurance and capital market products that have increased capacity and several state mechanisms to supplement private capital.

"Data quantity and quality have not kept pace with modeling technology," Musulin warned. "And most insurers are reluctant to commit the resources needed to make improvements because they and industry rating bureaus continue to use fire classifications and outmoded territory definitions."

Lack of data is a major impediment to offering economic incentives for mitigation efforts, which Musulin said will become a major issue in coming years. He emphasized that actuaries will need to incorporate mitigation into ratemaking through better data, stronger modeling and new classification and rating systems.

Answering the question of whether the insurance industry can survive the next big catastrophe, Musulin said industry surplus is growing. However, he observed that the amount funding catastrophes may be dropping due a shift in market share from large companies to thinly capitalized start-ups, the formation of so-called "pup," or subsidiary, companies by large insurers to write coverage in high-risk areas and the growth in government insurance pools that are funded by bonds.

Musulin and Elsner said materials on these subjects are available on their Internet websites. Professor Elsner's papers are at http://garnet.acns.fsu.edu/~jelsner/www and Musulin's at http://www.ffbic.com/actuary.

Insurance Times: Lawsuits up, investments down in med malpractice

June 26, 2001, Vol. XX No. 13

HARTFORD — A star performer in the property-casualty sector for most of the past decade, the medical malpractice insurance industry is struggling with rapidly changing customer markets, according to a Conning & Co. study.

Decreases in investment income, coupled with increases in the severity of lawsuits and the rising costs of reinsurance, are very likely to make medical malpractice a difficult market for the foreseeable future.

According to the Conning study, "Medical Malpractice Insurance: A Prescription for Chaos," in 1999 the medical malpractice line of insurance ended a twelve-year streak of outperforming the property-casualty industry as a whole. This coincided with insurer reserve deficiencies growing to $1.7 billion, leaving insurers little margin for any negative surprises in 2001.

"From 1992-1997, medical malpractice insurers aggressively took down reserves to increase their investment portfolios," said Geri Riley, assistant vice president at Conning and author of the study. "This strategy helped them maximize their investments during the bull market." However, insurers have depleted reserves and must utilize surplus to reduce the deficiency.

Nursing Homes

Conning notes that the difficult state of the medical malpractice industry is due in part to disproportionate claims against nursing homes although hospitals also contributed to the medical malpractice "black hole." The loss ratio of the nursing home line was approximately 300% in 1999, an extreme number that accounted for much of the entire medical malpractice industry’s disappointing combined ratio of 129.5%. Excluding nursing homes, the medical malpractice line would have produced a combined ratio of 108% - still a problem, but roughly in line with the combined ratio of 107.7% for combined all-lines.

Although nursing homes represented only 10% of the premium in the late 1990s, they will likely contribute 30% or more to the eventual accident-year losses. Conning believes that loss position will continue to be inadequate in this sector until the industry makes the necessary adjustments to loss reserves.

The Conning study also focuses on the forces that will most likely define the changing medical malpractice market (in order of immediacy): reinsurance affordability, government regulation, and the increased use of Internet by consumers, providers and insurers.

The Conning study can be found at www.conning.com.

Insurance Times: Personal liability limits failing to keep pace with growth in household assets and litigation

June 26, 2001, Vol. XX No. 13

WARREN, N.J. — Personal liability protection is not keeping pace with personal asset growth or litigation trends, leaving affluent individuals and their families exposed to the financial consequences of lawsuits, according to a survey by the Chubb Group of Insurance Companies.

The survey, completed by 266 U.S. households with annual incomes in excess $100,000, found that 88% of the households saw an increase in their personal wealth during the past two years. Almost one-third (30%) reported increases greater than 50%.

Despite the fact that nearly three-quarters (71%) of respondents said they regularly assess the adequacy of their insurance protection, nearly two-thirds (63%) admitted that their excess liability, or umbrella, limits have not kept pace with the growth in their assets.

Jury Awards

Meanwhile, jury awards have continued to increase in size. According to Jury Verdict Research, the average award of $1,004,308 in 1999, the latest year for which data has been compiled, was 240% higher than in 1994, when it was $418,478. A growing number of awards (14%) were in excess of $1 million. In vehicular accident cases, the average award during this recent five-year period climbed from $75,127 to $315,653, while in personal negligence cases, the average award skyrocketed from $264,765 to $2,959,047. And these figures exclude defense costs, which can well run into the hundred of thousands of dollars-even when the defendant wins in court.

"Despite advice from insurance agents, financial planners and noted personal finance columnists, consumers often don't purchase liability coverage beyond the limits of their homeowners policy," said Edward J. Fernandez, senior vice president and managing director with Chubb Personal Insurance. "For a relatively small premium, consumers and their families can be protected financially if they are sued when someone is injured on their property, in an automobile accident, or they are accused of libel or slander.

Internet Liability

"Frighteningly, what you-or even your child-say on the Internet can leave you exposed to significant liability," added Fernandez. For example, Fernandez noted that a couple recently incurred $750,000 in settlement and legal expenses when a jury held them responsible for defamatory remarks about teachers their 14-year-old son posted on a password-protected Web page

Eighty-six percent of respondents to Chubb's survey are concerned about the legal liability they face in today's environment. Sixty-two percent believe that personal excess liability coverage provides protection against legal liability. Yet about 25% of the respondents do not purchase the coverage because they don't see the need for it, thinking that homeowners insurance adequately covers their exposures. Nearly one-third (30%) carry less than $1million in liability coverage, while 36% have $2 million or more in coverage.

Those who receive advice from an insurance agent or broker are more likely than those who don't to carry personal excess liability insurance. Those who adjust their excess liability levels at the same pace as their assets growth tend to serve on the board of a charity or homeowners association and engage in multiple forms of asset protection, such as portfolio diversification, financial planning and life insurance purchasing, among other attributes.

"Consumers may not be purchasing any or higher amounts of excess liability insurance due to a lack of awareness regarding the product," said Fernandez. "This situation provides a significant opportunity for agents and brokers to recommend more and higher limits to adequately cover their customers' exposure to risk."

A copy of the survey results is available at www.chubb.com

Insurance Times: Amwest Surety liquidated

June 26, 2001, Vol. XX No. 13

LINCOLN, Neb. (AP) — A Nebraska-based insurance company was declared insolvent and ordered liquidated last week.

Lancaster County District Judge John Colburn ordered the assets of Amwest Surety Insurance Co. liquidated. The company is incorporated in Nebraska but is based in Calabasas, Calif. Amwest specialized in underwriting various types of bonds, including bail bonds and contract performance bonds.

L. Tim Wagner, director for the Nebraska Department of Insurance, said the company had 40,000 outstanding bonds, including about 200 sold to Nebraskans. Tha total did not include bail bonds.

He said it was impossible to estimate the dollar amount of the bonds.

Insurance Times: Lloyd's U.S. income shows growth

June 26, 2001, Vol. XX No. 13

LONDON — Lloyd's of London recently released its U.S. premium income figures for the 2000 underwriting year showing substantial growth in most lines of business.
Lloyd's U.S. premiums in 2000 totaled $5.9 billion, an increase of 23% from $4.8 billion in 1999

"This increase is a reflection of the hardening rates that began to appe
ar in 2000 especially in the areas of surplus lines and reinsurance, in which Lloyd's has historically been a key player" said Wendy Baker, president of Lloyd's America, Inc. "I also believe that the increase shows the continued commitment of the Lloyd's market to its clients and brokers in the U.S."
Surplus lines business accounts for the majority (42%) of Lloyd's business with exempt business (13%) and licensed business (3%) comprising smaller shares of the total. Lloyd's is currently the largest single surplus lines carrier in the U.S. and holds a significant share of the market in most states.
Direct business showed considerable growth increasing to $3.4 billion in 2000 from $2.8 billion in 1999.

- Property premium income rose 3 per cent to $1.3 billion in 2000 from $933 million in 1999.
- General liability premiums increased by 15 per cent to reach $859.8 million.
- Marine premium income jumped by 41 per cent and reached $391 million in 2000.

Reinsurance accounted for over $2.4 billion of total U.S. premiums in 2000.
Lloyd's will announce its full financial results for the 1998 year soon. They are expected to show a slight loss that is in line with global industry performance. However, Lloyd's is forecasting significantly improved conditions for the 2000 year of account and beyond.

Insurance Times: CPCU Broadcast Panel Good and bad news on privacy front

June 26, 2001, Vol. XX No. 13

“There’s bad news and worse news concerning privacy issues,” said Scott Sinder, J.D., partner, Collier Shannon Scott . “The bad news is that there’s a whole new world of privacy compliance rules. The worse news is that this is only the beginning.”
Panelists at the CPCU Society’s recent satellite broadcast, “Privacy: The Raging Consumer Issue,” agreed that the July 1 deadline for financial institutions to notify customers of personal information policies is only the start of continued monitoring and accountability activities, during the three-hour broadcast held on May 17, 2001.
“The issue is one of balance,” said Bruce D. Williams, CPCU Society president, who moderated the first panel discussion. “How will the financial services industry respect customer privacy rights and comply with new privacy regulations while operating in the efficient, cost-effective manner their customers demand?”
The broadcast, which aired in more than 40 locations throughout the United States and Canada, brought together banking and insurance professionals with legal experts to identify privacy exposures, and discuss how and why businesses are liable for privacy invasions.
Marty Loesch, J.D., partner, Tech Risk Law, noted that information has been shared and exchanged for a long time. ” It’s only been since the advent of the Internet, where information is quickly stored and shared, that privacy has become an issue,” he said.
Panelists concurred that privacy awareness has been consumer-driven. “The financial services industry has a history of selling customer information,” said John McGlynn, president & CEO, Millennium Financial/Markham General Insurance Co., “and consumers have become tired of receiving unsolicited marketing materials. This has been the grassroots of the privacy movement.”
As a result of business and consumer reaction, Congress enacted the Gramm-Leach Bliley Act (GLBA), which imposed new privacy and information security requirements on all financial institutions effective July 1, 2001. However, 17 states already had privacy regulations in place since 1982; financial institutions also must comply with

these regulations in addition to GLBA rules.

Panelists discussed at length the identification of privacy exposures; developing and delivering customer privacy notices, including "opt-out" options; and the importance of establishing a corporate privacy policy.

"The first step in developing a privacy policy is to audit your privacy practices," said Lenore Marema, J.D., CPCU, vice president, Alliance of American Insurers. "Simply, this is an investigation of how your company handles 'nonpublic personal information' – how it is obtained and used, what types of information you collect, and how and with whom you share this information. This information is key to creating your privacy policy today, and amending it in the future."

The biggest consideration in the future of privacy is the process itself – no one is sure what the impacts will be as financial institutions put their policies in place. Although customers will now have a voice in how their personal information is used by banks and other financial institutions, no one is certain how this new legislation will impact compliance, notification, and accountability practices. Industry standards will change as a result of evolving best practices and broader definitions of GLBA provisions.

"For example, GLBA defines 'financial institution' as 'any entity that engages in financial activities," said Sinder. "That's an evolving concept – will real estate brokers become subject to GLBA privacy agreements? Companies must determine whether they are engaging in financial activities."

McGlynn noted that, "In the future, some companies might decide to turn the privacy issue into a competitive advantage. A company might not want to enter into a third-party agreement with a company that doesn't have adequate privacy provisions. So making a commitment earlier rather than later could be a real advantage."

Brian Keith, partner, Border, Ladner, Gervais, LLP, offered practical advice on how to handle current and future privacy issues: "Take a long look at what your company is doing with personal information, using good faith and common sense."

Insurance Times: Transamerica offers individual VUL product

June 26, 2001, Vol. XX No. 13

Adding to its roster of variable universal life products, Transamerica Insurance & Investment Group (TIIG) has introduced TransUltra VUL, an individual variable universal life insurance policy that capitalizes on the company's position as the third largest provider of universal life insurance.

Including both life insurance and investment features, TransUltra VUL enables policy owners to use the policy for a number of needs: permanent life insurance to provide for their loved ones, business continuity or key-person insurance, a death benefit that can be used to help beneficiaries pay estate taxes, and the potential rewards offered through long-term investing in a wide array of sub-accounts and a fixed account within the policy.

When properly structured, TransUltra VUL provides a death benefit that, for estate tax purposes, is not considered part of the insured's estate. The policy death benefit is normally income-tax free and paid without the costs or delays of probate, so it can be used by the heirs to meet estate tax liabilities.

The new VUL product will be marketed via various distribution channels: Transamerica's general agency system, its NASD-registered broker/dealer Transamerica Financial Advisors Inc., and other broker/dealers and wirehouses. Marketing support will be provided via three regional marketing centers and TIIG's home office in Los Angeles.

Insurance Times: Manulife enters college savings market

June 26, 2001, Vol. XX No. 13

BOSTON — Manulife Financial announced its entry into the college savings market. Manulife College Savings, a Section 529 education savings plan managed by T. Rowe Price and sponsored by the University of Alaska as trustee for the Alaska Trust, will expand upon the inherent advantages of a typical 529 plan by offering investment choices from some of the nation's top mutual fund managers.

With Manulife College Savings, participants can invest up to $250,000 for a student's college education. Investment earnings grow tax-deferred and when withdrawn for college expenses, are taxed at the student's tax rate. Investments in the plan can be used to pay for qualified expenses at any eligible college or graduate school in the United States.

Manulife College Savings will be available on July 2, 2001.
"Because our business focus is on wealth accumulation and transfer, the college savings market is a natural complement to our existing product lineup," said John D. DesPrez III, executive vice president for Manulife Financial's U.S. operations. "Manulife Financial is well-suited to enter into the college savings market. By partnering with T. Rowe Price, one of the nation's leading mutual fund companies, and the Alaska Trust, which under Alaska law allows for the development of an extremely flexible and unique college savings program, we strengthen our position."
Manulife College Savings will be distributed through each of Manulife's current distribution channels.

Insurance Times: State Farm, Phoenix target affluent market
June 26, 2001, Vol. XX No. 13

BLOOMINGTON, Ill.— State Farm Life Insurance Co. and Phoenix Home Life Insurance Co. recently entered into an agreement to make Phoenix a third-party provider of wealth management services through State Farm's agents to the increasing numbers of affluent State Farm customers.
"Many State Farm customers have become affluent over time, and this strategic alliance with Phoenix helps us meet those customers' needs without sacrificing our focus on the middle market customer," said Roger Tompkins, State Farm Life's executive vice president and chief administrative officer.
"Our agreement with State Farm is another important step in executing Phoenix's strategy to broaden our distribution network to reach the high-net-worth client with our specialized products and services," said Robert E. Primmer, Phoenix senior vice president, life distribution and sales.

Insurance Times: Balboa Life launches NY subsidiary
June 26, 2001, Vol. XX No. 13

Balboa Life and Casualty, based in Irvine, Calif., which provides insurance products for financial institutions, has launched a New York subsidiary, Balboa Life Insurance Company of New York.
The new subsidiary means the company now enjoys a nationwide presence and can offer its products to banks, savings & loans, credit card firms, finance companies and mortgage companies across the country.
Balboa already markets property and casualty insurance in New York through its Meritplan Insurance Co. and Newport Insurance Co. subsidiaries.

Insurance Times: John Keenan, senior vice president of Balboa's credit and life division, has been named president of the New York subsidiary.
June 26, 2001, Vol. XX No. 13

Cigna Retirement & Investment Services has received U.S. Office of Thrift Supervision approval to convert CG Trust Co., an Illinois-chartered trust, into Cigna Bank & Trust Co., a federally-charted, full-service thrift.
The OTS ruling allows Cigna to add banking products to its menu of services to participants in its retirement plans.
Cigna Bank & Trust will initially offer checking and savings accounts, certificates of deposit, money market accounts and individual retirement accounts.

Insurance Times: Settlement in Sears retirees' lawsuit over life policies reportedly reached
June 26, 2001, Vol. XX No. 13

'Multimillion dollar' settlement slows policy reductions

by Lisa Marie Pane
Associated Press

WARWICK, R.I. — A tentative settlement has been reached in a federal lawsuit filed by retirees who claimed Sears, Roebuck and Co. unfairly cut the value of their life insurance policies, a lawyer for the retirees and the company said.
Peter N. Wasylyk, an attorney for the retirees, declined to discuss details but said part of it would slow the pace by which the value of the retirees' life insurance policies was reduced.
He described it as a "multimillion-dollar" settlement that affects as many as 80,000 retired former employees of the department store chain.
Sears also declined to disclose details of the agreement, which must be approved by a federal judge in U.S. District Court in Chicago, possibly by the end of the year.
"After all the bitterness" between the company and its retired employees over the issue, ``the Sears family is reunited," Wasylyk said. "It's a true compromise."
"Some retirees felt disenfranchised by the company's change in life insurance," Sears Chairman and Chief Executive Officer Alan J. Lacy said in a written statement. "`Our retirees are an important constituency of the company. We believe this agreement is a positive step to further strengthen our relationship with them."
In 1997, 38 retired employees sued the department store chain, seeking to get the full value of their life insurance policies restored.
Sears, based in Hoffman Estates, Ill., said that workers who retired since Jan. 1, 1978, would see the value of their company-paid life insurance plans drop from an average of $17,000 to $5,000 over 10 years.
If retirees wanted to maintain the previous value, they were told to buy replacement insurance that would become more expensive as they grew older.
The dispute became so contentious that many retirees cut up their store credit cards, boycotted the store and staged protests.
Sears said the change would allow it to save $60 million each year for 10 years.
Marie A. George, of Warwick, retired from Sears in 1986 after 15 years as a personnel assistant. A decade later, she got a letter from Sears informing her that the life insurance policy she thought was fully paid for by the company as part of her retirement was about to be slashed by about $11,800.
"I read that letter in disbelief," she said. ``It was incredible."
Then, she picked up the phone and called Wasylyk, who happens to be her son-in-law.
"It is a fair closing and it's also a major battle won for employees and people who follow us," George told a group of retired Sears employees from Rhode Island gathered at a restaurant in Warwick. ``Sears knew you were a force to be reckoned with."
Several of the former employees said that when they retired, they left with the understanding their life insurance policies had been paid by Sears, and there would be no need to buy additional insurance.
By the time they found out the value was to be reduced, they were older and buying backup insurance would be prohibitively expensive, they said.
"I was totally shocked," said Leonard Johnson of Warwick, a customer service representative at several of Sears' Rhode Island stores. "I remember when I retired, I told my wife, 'Well, I'm covered for $30,000. I won't take out any more.'"
Then, it was reduced to $5,000, "which wouldn't be enough to be buried," Johnson said.
Sears said it has consistently informed employees and retirees of its right to change all benefits, including the life insurance policies.
Wasylyk and some of the Rhode Island retirees specifically pointed to Lacy, who was elevated to head the company in October 2000, as a key in reaching a deal. He took over for Arthur Martinez, who retired.
"He reached out to us," said Leo Finneran, president of the Providence Club of Retired Sears Employees who retired in 1983. "He was one of us and the former president wasn't."
The agreement was endorsed by the National Association of Retired Sears Employees.
"I commend Sears management for their sincere efforts to bring the family back together," said Everett L. Buckardt, chairman of NARSE. "This agreement is a positive gesture and goes a long way toward doing just that."

Insurance Times: Life insurers seen failing to optimize web site functions
June 26, 2001, Vol. XX No. 13

HARTFORD — The life insurance industry's allegiance to the agent 'face-to-face' sales approach has discouraged many life companies from designing consumer-focused Web sites - even though Web sites can be useful for agents to increase sales, according to a study from Conning & Co.
Further, the lack of creative content on many public life insurer sites has reinforced the impression that life insurance is sold and not bought, thus depriving life insurers of one more tool that they can use as they fight to maintain their brands against increasingly aggressive financial services competition, Conning maintains.
According to the new Conning study, "Life Insurer Web Site Assessment: Opportunities Abound," many life insurers have created Web sites primarily as placeholders to establish a retail presence on the Internet, not to meet their strategic goals. While life insurers appear to have measured their Web site capabilities against their peers, Conning maintains they need to expand this focus to include Web sites of other financial firms.
"Life insurers were so concerned with pursuing a retail Web strategy that would not conflict with the role of their agents that they missed an opportunity to develop Web sites that could help their agents," said Elvin Turner, vice president at Conning. "Life insurers need to use their sites as an educational tool that both helps the agent close sales and that validates the agent's message for the consumer."
Individual life insurers have developed functionality such as agent locators and online lead-generation tools, but, for the most part, they have not done enough to interest and engage customers who will use these tools. These tools have not been marketed properly because of insurers' fears that the functionality would undercut the field force's sales efforts.
Most group life companies do not appear to have any retail Internet strategy. Only a few insurers are attempting to develop new online distribution capabilities by using their retail Web sites for online enrollment of their voluntary products.

For the most part, group annuity insurers have been the most effective of all the lines in meeting the specific challenges of enhancing their products by adding Internet participant service features and reducing administrative costs.
Conning notes that, regardless of product line, most insurers are still grappling with how to incorporate their retail Web sites into their overall business strategies. In general, life insurers have yet to advance beyond basic Internet functionality and a minimal level of content. The few insurers who have made progress have an opportunity to use their Web site capabilities to great advantage.
The Conning study, "Life Insurer Web Site Assessment: Opportunities Abound" is available from Conning & Company for $575 by calling toll free (888) 707-1177 or (860) 520-1245. A complete listing of all Conning Strategic Studies can also be found by visiting the company's Web site at www.conning.com.
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Insurance Times: MetLife case tests federal life program
June 26, 2001, Vol. XX No. 13

LUBBOCK, Texas (AP) — A federal judge recently denied a motion by Metropolitan Life Insurance Co. for additional time to file its response in a case that some attorneys say tests an amendment governing the Federal Employee Government Life Insurance plan.
John Rizo, the Dallas attorney representing the company, declined to comment on the denial by U.S. District Judge Sam Cummings.
The case stems from a 1992 divorce decree in Oklahoma that made Sandra Deaver and her three children beneficiaries of the life insurance policy for Lonnie Duane Barber.
The couple formerly lived in Childress.

Barber, who worked for the Federal Railroad Administration for about 10 years, remarried in 1994 and subsequently made his new wife, Judy Barber, the beneficiary on the FEGLI policy.
After Lonnie Barber's death in May 2000, Deaver applied for the nearly $210,000 the policy was worth and was told by federal personnel officials that she and the children were no longer listed as beneficiaries, according to court documents.
Deaver was told that her former husband had not filed the divorce decree with his personnel department after the amendment was enacted and that the proceeds would go to Judy Barber.
Prior to the 1998 enactment of the amendment, known as Public Law 105-205, case law was not consistently applied to take into account state divorce decrees when determining beneficiaries of federal life insurance policy resolutions, said Wyatt Brooks , one of the Amarillo attorneys representing Deaver.
In order for the divorce decree to be valid, the decree needed to be filed in the FEGLI office on or after the date the amendment was enacted (July 22, 1998) and before the insured individual's death, according to a June 2000 letter from FEGLI to an Amarillo attorney Deaver had retained initially.
Brooks and Paul Williamson, who now represent Deaver, said they believe this is the first case that tests the amendment's teeth.
In July 2000, Deaver and her children filed a lawsuit against Judy Barber in the 47th State District Court in Randall County requesting that the proceeds of Lonnie Barber's policy go to Deaver and the children. Judy Barber filed her response and a motion for summary judgment, while at the same time agreeing to a temporary injunction that placed the policy proceeds into the court's custody.
Officials with Metropolitan Life Insurance Co. filed a case in federal court because they don't believe the case has merit in state court. Rizo was seeking additional time to answer responses made in the federal suit by attorneys representing both Judy Barber and Deaver. Judy Barber attorney has also filed a motion for summary judgment in the federal case, Brooks said.
Judy Barber's attorney, Mike Moore of Weatherford, said it is clear what Lonnie Deaver wanted done with the proceeds.
“He obviously wanted his wife, Judy, to have the money," Moore said.
Brooks disagreed, saying the divorce decree clearly states that Deaver and the three children are the beneficiaries.
“It just goes against what family law is about," Brooks said. ``We're just completely surprised and flabbergasted."

Insurance Times: Interview with Mass. Commissioner Linda Ruthardt

June 26, 2001, Vol. XX No. 13

Mass. retains credit scoring ban, rejects ‘no-dogs’ policies
Department reviews numerous rules in preparation for Web-based P&C product approval process it hopes to launch by July 1

by Mark Hollmer
InsuranceTimes

BOSTON — Some states may allow credit scoring for underwriting purposes, but don’t expect Massachusetts to follow suit any time soon.
The Division of Insurance recently reaffirmed its long-standing policy to keep credit scoring from being used to set personal lines rates.
“We’ve had more than one company ask if they could start using credit scores for rate structuring and we discourage them from doing so,” said Commissioner Linda Ruthardt in a recent InsuranceTimes interview.
DOI officials haven’t allowed insurers to use credit scoring for some time, but the department revisited the issue recently while getting its property/casualty checklist – intended to speed product approval — ready for a July 1 launch on the Web.
As part of the process, the DOI reviewed many of its old rules, all of which are department policies rather than legislative mandates.
Ruthardt said the credit scoring rule and a handful of other DOI mandates were worth preserving as a matter of “public policy.”
Connecticut and other states allow insurers to use some form of credit scoring for underwriting. But the secrecy under

which many credit scoring companies operate will keep the process from being used by Massachusetts insurers, despite recent improvements, Ruthardt said.

"Up until a couple of months ago I don't know of any credit-scoring operation that would make public to a consumer…what there score was and…how it was calculated, but that's starting to change," she said.

Even so, Ruthardt said, the DOI is pessimistic about the methods used to compile a credit score in the first place.

"We just don't think it's reliable or proven. Most (credit scorers) say (their methods are) proprietary and they can't explain to us how they do it," she said.

"Well then, how are we going to know if they are doing it well?"

Overall, Ruthardt said, the DOI found about 10 rules and decided to keep about six.

Among the rules still on DOI books:

• The DOI won't approve a homeowner's policy that doesn't allow dogs. Endorsements aren't out of the question, however, to restrict particular kinds of dogs.

Ruthardt said companies have asked to create policies that ban dogs, but she disagreed.

"We still believe that some dogs are insurable and we also think some dogs are useful," she said.

• The DOI won't approve commercial-lines liability policies with Defense Within Limits provisions. Defense within limits would not cap attorneys fees which could eat up liability coverage, Ruthardt said.

• Claims made policy forms. The Division of Insurance won't allow these, either. The policies would adversely affect small business owners, Ruthardt said. For example, if a business owner has a customer who falls and is injured, the customer may seek a claim years later. If the business owner has since retired and hasn't reported the potential claim, you're not covered because "you have no insurance in place when claims are made."

By contrast, Ruthardt said, an occurrence-basis policy would cover you even if you have since retired, because the policy that was in place at the time of an accident would cover the incident.

Ruthardt also outlined the department policies during her talk at the Massachusetts Society of Licensed Insurance Advisers annual meeting, held May 30 at the Downtown Harvard Club on Federal Street in Boston.

Insurance Times: Ruthardt: Fear of losing revenues will force states to preserve role

June 26, 2001, Vol. XX No. 13

by Mark Hollmer
InsuranceTimes

BOSTON — The risk of losing fees and other revenue will ultimately nudge states toward preserving their insurance regulatory power, Massachusetts Insurance Commissioner Linda Ruthardt said recently.

"When (state) governors really understand the implications of losing taxes and fees and assessments that come out of licenses for insurers, (they'll see that) this is the time to cut the deal," Ruthardt said recently during an InsuranceTimes interview focusing on regulatory issues.

Ruthardt said the type of potential "deal" is similar to what exists under federal agencies such as the Occupational Safety and Health Administration, "where states get a cut."

OSHA sets federal workplace rules that affect workers compensation, but states still have control over rates and the workers compensation insurance industry.

The debate between federal and state regulation is being shaped, in part by the federal Gramm-Leach-Bliley, which eliminated the barriers between banking and insurance.

Passed last year, it gave states three years to come up with uniform or reciprocal licensing standards, but the federal government will apply those standards for them if at least 29 states haven't done so by the deadline.

Gramm-Leach-Bliley aside, Ruthardt said she could see a scenario where federal regulation comes to the forefront sooner rather than later.

Bungling by state regulators of the current market, she said, could speed up the arrival of federal overseers.

"If the current market turn, which is not dramatic, is mishandled so it becomes dramatic, you will have federal regulation sooner than not," Ruthardt said.

Regardless, Ruthardt said, she's hopeful that state regulators will assert themselves in the long run, particularly with

personal lines.
“I don’t think the federal government wants to deal with people helping with their small claims,” Ruthardt said.
As a result, Ruthardt said, she expects we’ll likely end up with two sets of regulations similar to the banking industry, where banks operate under either federal or state charters.
States need to be better organized, she said, to make sure they preserve their role in the insurance industry regulatory process.
Without them, she said, industry trade associations such as ACLI, AIA and the ABAIA are making their own headway, with each submitting a proposal for federal company charters.
Ruthardt said she’d prefer that states worked together to forge a unified solution to state regulatory differences and what role federal regulation could play.
“At the moment,” she said, “the industry is busy shooting itself in the foot by fighting” among each other.
What’s more, Ruthardt said, state regulation has harmed the insurance industry because the comparative national regulation in other countries has given international insurers a competitive edge.
“The insurance industry in the United States has been harmed by the state regulatory system many times,” she said.
“Our guys have not been able to get through to the federal government that they need tax protection to build up reserves for catastrophes, where the insurance industries in most civilized countries … have a national presence” Ruthardt said.

Insurance Times: A Profile of Merit

June 26, 2001, Vol. XX No. 13

by Penny Williams

The following interview is with James Benson, vice president of Merit Insurance in Bridgeport, Conn. and president of the Professional Insurance Agents of Conn.

How long has your agency been in business?
Merit Agency has been in business since 1936.

Describe the local community and any target markets your agency serves.
Fairfield County is represented by a very diverse population. Our agency primarily serves the '95' corridor from Greenwich to New London, as well as the areas towards Litchfield County.
Our target markets are contractors, lawyers, non-profits and manufacturers.

What do you think are the major reasons for your agency's success? What sets it apart from other agencies?
First, we believe that our success results from customer satisfaction. No customer is too small and each one deserves attention from his or her agent. Some of our largest accounts have come from small account referrals.
Second, we realize that the relationships we have with our carriers are equally important. We work hard to earn their trust and treat them as partners, not adversaries.
Third, we stress professionalism within our agency and employ staff that is knowledgeable and responsive. We encourage and pay for advanced training for all employees.

How does your agency attract new business?
Most of our new business comes from referrals. Our hit ratio on referral business is drastically higher than "cold call" leads. We are now at the point where we don't have much time to respond to cold call appointments and focus strictly on referral business.

In what community and/or industry activities are you, your agency or employees involved? Do you think that association(s) participation is important and makes a difference?
We believe community involvement is critically important. Many of our agents serve on non-profit boards, and are involved with the Chamber of Commerce, coaching, church involvement and other community groups. It's our way of giving back to the same community that supports us each and every day.
Association involvement has been very important to us, and has helped our business grow and thrive.

How long have you been in the insurance business and how did you happen to get into the agency business?
I started in the insurance business in 1985 as an underwriter with Aetna C&S. I became an agent in 1988 with Merit Insurance, where I am currently one of three partners.

Please describe your own role in the agency -- how you are involved with clients -- with employees -- with insurance companies.
I am actively involved with all aspects of our agency, while managing my own book of business.

What parts of your job do you like best -- which the least?
What I like best if the freedom of being an independent agent, dealing with my customers and managing the agency. What I like least is losing accounts.

As an agency owner or principal, what is your biggest challenge -- your greatest reward?
The biggest challenge is finding enough time to handle all of my responsibilities.
The greatest reward comes from employee and customer satisfaction.

What do you see as the primary issues in Connecticut facing agents, companies, regulators and consumers?
Some of the primary issues in Connecticut facing agents and companies include dealing with new competitors, banks, mergers and acquisitions, perpetuation, and managing our businesses through a changing economy.

What is the major goal you want to accomplish during your tenure in office at PIA/CT?
As president of PIA/CT, my major goal is to demonstrate to our members and non-members why PIA is the premier agents' association in Connecticut and why it should an integral part of an agency's business. The benefits are tremendous and we need to do a better job of telling our story.
Legislatively, the major issues this year involve producer licensing and privacy issues. Also, we will continue to resist efforts to alter the current workers' compensation system. Commercial deregulation probably will not be an issue in this session, but I wouldn't be surprised to see it re-surface at some point.

How do you see the role of your association and that of national association changing? Is there more that needs to happen to make the association reflect today's needs and requirements?
I see the role of our National Association becoming one that primarily deals with legislative issues. Here in Connecticut, a staff of 80+ people in Albany, New York services our local PIA affiliation. We will need to continue to find ways to help agents by offering new products, marketing tools and educational opportunities.

Briefly describe your office in terms of furnishings, equipment, decorations etc. and why you chose to have it that way.
My office has a walnut desk, credenza and in the corner of the office there are two leather chairs. It is decorated with sports pictures (Fenway Park, Boston Garden) and family photographs.

Is there one maxim, guiding principle or piece of advice that has guided you in your career? What is it?
Always be honest and forthright whether dealing with clients, carriers or staff.

If you were not an insurance agent, what other career or job would like to try and why?
I'd be a pro golfer because I love to play golf.

What advice would you give someone entering the agency business and hoping to own an agency someday?
Start by finding an employer that will help train you to make you knowledgeable in your specialized area. Don't rely on others, but rather rely on yourself for success, by having a strong work ethic. It's easy to be lazy in our business, but laziness breeds failure. No job is perfect; so don't let the "downs" ruin you. Instead, learn from failures to help turn similar situations into successes.

How do you see the insurance agency system and/or your own agency changing over the next five years?
I believe agencies will see greater opportunities to obtain talented sales people, as those agents who have to adjust to new organizations become dissatisfied. Not only will the trend of mergers and acquisitions continue, but also there will

be movement within organizations as agents look for new homes.
In general, agencies will need to continue to grow in order to survive in today's environment. Long term acquisition opportunities will arise as a result of mergers or purchases that fail to meet expectations.

Insurance Times: Internet medical claims processing moves closer to reality

June 26, 2001, Vol. XX No. 13

NEW YORK (AP) — Insurance consortium MedUnite Inc. took a major step toward creating a new Internet-based method for processing health care claims purchasing the country's second largest medical electronic claims system from NDCHealth for an undisclosed sum.
It was MedUnite's first major announcement since Aetna Inc., Anthem Inc., Cigna Corp., Health Net Inc., Oxford Health Plans, PacifiCare Health Systems Inc. and Wellpoint Health Networks Inc. joined forces in an attempt to simplify and quicken the claims process by creating a system all insurers and doctors could use.
“This is a big deal for MedUnite since they really haven't done anything yet," said Mark Bard, director of the health practice at Cyber Dialogue. “This gives them something to build on."
Atlanta-based NDCHealth will receive a 17.9 percent stake in the San Diego-based MedUnite in addition to a portion of the revenues generated by the payment system. The companies will co-market the product.
MedUnite's backers provide health coverage to 65 million Americans, or about one-third of those covered by private insurance. The service, which is currently being tested by 500 doctors, is expected to be formally introduced later this summer.
Many analysts saw the creation of MedUnite as a response to WebMD, a formerly high profile company which also has an Internet claims system for doctors. However, even though WebMD has attracted more users than the NDCHealth system, doctors and insurers have been very slow to adopt the new technology, making marketing it a challenge.
NDC is a $685 million manufacturer of information systems used by doctors, hospitals and pharmacies. About 20,000 doctors currently use the NDCHealth system, though five times that use NDCHealth's practice management systems
Just as important, NDCHealth has relationships with many Blue Cross plans across the country as well as Medicare and Medicaid _ all potential clients for MedUnite's system.
MedUnite president and chief executive David Cox said his company's system will be an improvement over NDC's because it is designed to do more than just file claims electronically. MedUnite will allow doctors to check which treatments, drugs, hospitals and specialists are covered under a patient's plan and even will find errors before the claim is filed, he said.
About 30 billion health care business transactions take place in the United States each year, about 60 percent of which are handled by phone, fax, or paper.
While numerous companies are attempting to automate the process, few have achieved any type of significant market share, however.
Doctors have been particularly difficult to lure into the computerized billing world because most belong to small group practices that don't have the money to purchase new equipment and the staff doesn't have time to learn complicated programs.
One of the benefits of an Internet-based solution is that it doesn't require a huge capital investment. MedUnite plans to make money by charging an undisclosed transaction fee.
The physician claims business is NDCHealth's smallest division, so the company shouldn't really be affected by the sales, said Raymond Falci, senior managing director of Bear Stearns.
“It is a good deal for NDC because there is a lot of investment needed to create a good physician payment system and now they don't have to make it but will still benefit from their former efforts in some form," said Falci.

Insurance Times: Democratic Senate may review federal privacy stance

June 26, 2001, Vol. XX No. 13

by Mark Hollmer
InsuranceTimes

When Vermont Sen. James Jeffords left the Republican Party and declared himself an Independent, the GOP lost its majority status in the Senate and privacy advocates gained a new window of opportunity.

Privacy provisions in the federal Gramm-Leach-Bliley Act will likely get a second look under the realigned Senate --- specifically Senate Banking Committee Chairman Paul Sarbanes, a Maryland Democrat who has placed the issue on top of his committee agenda.

But don't expect proposed changes in the financial-services reform law to go beyond the discussion stage anytime soon, industry lobbyists and insiders say.

"The only real thing that has happened is that the agenda has changed (on) the committee level and maybe on the Senate floor … but…the actual votes haven't changed," said Barbara Levering, director of media relations with the American Insurance Association.

Gramm-Leach-Bliley, she pointed out, passed "by bipartisan majority" with "a lot of the same members" of the Senate still in power.

Levering said Sarbanes has already introduced a bill that would reopen Gramm-Leach-Bliley.

At its passage in 1999, Levering said, the senator, who helped shape the bill on the Senate Banking Committee, "was of the option that the privacy protection was inadequate."

Gramm, the outgoing chairman, felt the bill struck the right balance, she said, and many other senators "want to see what happens" with the bill because "we are going through, even as we speak, a massive implementation of Gramm-Leach-Bliley."

The AIA, Levering said, supports giving the fledgling law a chance to work before trying to change it.

Maria Berthoud, vice president of federal government affairs for the Independent Insurance Agents of America, said the change in Banking Committee chairmanships "could potentially have a significant impact" on policy direction because of the importance Sarbanes places on privacy.

She said the IIAA, as well as other industry groups, support leaving GLBA alone to give it a "chance to gel before further changes are made in this important but complicated area."

At the same time, Berthoud said, IIAA will likely work with Sarbanes in "certain states … to ensure that privacy is protected and works in the marketplace."

Jack Dolan, spokesman for the American Council of Life Insurers, said his association "and other financial services firms will work" will continue to make sure changes are not made" to GLBA.

"However," he said, "we know that Sen. Sarbanes sees things differently."

Dolan said he doubts GLBA will be changed, but expects instead to face "debate that otherwise would not have taken place" regarding privacy, through hearings and staff discussions.

"Gramm-Leach-Bliley," he said, "in our opinion is good, solid public policy …. No other industry is subjected to such a rigorous federal privacy standard."

That may be, but the privacy issue isn't exactly going away.

Levering said hearings are likely on other aspects of privacy regulation, such unsolicited emails.

Patricia Borowski, division vice president of the National Association of Professional Insurance Agents, agreed that more privacy debates are coming.

"The question is," she said, "are the privacy provisions in GLB the be-all and end-all of the privacy issue on Capital Hill? The answer is no, emphatically. There are an increasing number of privacy issues that are arising. What will happen and what should happen, it is too early to answer any of those questions."

Insurance Times: Conn. mandates special infant formula coverage

June 26, 2001, Vol. XX No. 13

HARTFORD — As the General Assembly closed its regular session, Gov. John G. Rowland signed 38 bills into law, including a measure that will require insurance companies to cover the cost of specialized infant formula.

The new infant formula law was inspired by one-year-old Skyler Austin of Burlington, who suffers from a severe protein allergy and is allergic to milk-based and soy-based formula. Austin's insurer, Anthem Blue Cross & Blue Shield of Connecticut, had initially refused to pay for Neocate, a special formula prescribed by his doctor that costs $40 for a 14-ounce can.

Insurance Times: NJ's HMO advocate launches web site, 800 number
June 26, 2001, Vol. XX No. 13

TRENTON, N.J. — New Jersey HMO subscribers can look to technology to help them with their health care struggles. An assistance program designed to educate consumers on their legal rights when dealing with the insurance companies has launched a Web site and telephone hot line. The toll-free hot line is 888-838-3180.
Former Gov. Christie Whitman signed the legislation providing $300,000 for the program less than 24 hours before she left office to become administrator of the U.S. Environmental Protection Agency.
The education program, which would be supervised by the Department of Health and Human Services, is operated by two nonprofit groups, the Community Health Law Project and New Jersey Protection and Advocacy Inc.
The law also allows state advocates access to medical records and other information if the patient agrees. Supporters say that information will go to help fight the patient's cause. Funding for the program will be increased to $800,000 next year. The web site is located at www.managedcarehelpline.org

Insurance Times: UnumProvident PSProtector targets middle market
June 26, 2001, Vol. XX No. 13

CHATTANOOGA — Unum Provident is adding a new product to its voluntary workplace benefits portfolio that helps individuals protect their income.
PS Protector features flexible insurance coverage that pays monthly benefits for short term disabilities resulting from a covered accident or sickness. Disability benefits may be paid to the insured for up to two years. This individual policy is available through convenient payroll deduction at the workplace for employees only.
"Individual disability income protection products are typically targeted to executives and those with higher salary levels," noted Neiciee Durrence, vice president for workplace benefits. "Middle income earners, however, are largely ignored when it comes to short term disability protection. This group represents a significant percentage of the U.S. population, therefore leaving a huge gap in the income protection marketplace."
PS Protector offers monthly benefits from $400 to $5,000 in $100 increments, with salary coverage up to 60 percent. Three plan types are available, depending on various on/off job accident options.

Insurance Times: Mass. Rehab Commission initiates survey
June 26, 2001, Vol. XX No. 13

BOSTON — Throughout the month of June, the Massachusetts Rehabilitation Commission has been gathering information from companies regarding their experience with employees with disabilities.
The MRC mailed a survey to more than 1,600 employees in the state. The results will be used to fine-tune services offered by MRC to businesses that hire or would like to hire persons with disabilities.,
Unlike previous research examining employment of people with disabilities, this study centers on general employer experiences and attitudes, as opposed to specific employees with disabilities and their experiences on the job.
Employers responding to the survey will be eligible for free training on disability issues in the workplace.

Insurance Times: Enrollment in NY drug program for seniors tops 200
June 26, 2001, Vol. XX No. 13

ALBANY, N.Y. (AP) — Enrollment in the state's prescription drug program for senior citizens has exceeded 200,000 for the first time.
Gov. George Pataki said that more than 10,000 additional seniors are signing up for the Elderly Pharmaceutical Insurance Coverage (EPIC) program each month.
"No senior should ever go without their medicines, nor should they have to decide between putting food on their table

or buying prescriptions to keep them healthy," Pataki said.
Enrollment has grown due to expanded eligibility standards adopted as part of the 2000-01 state budgets. Maximum annual income limits grew to $35,000 a year for individual seniors and to $50,000 for married enrollees. The previous income ceilings were $18,500 and $24,400 respectively. Co-payments were also reduced to between $3 and $20 under the expansion of the EPIC program.
Seniors can call 800-332-3742 or get a copy of the application on the state Health Department's Web site at www.health.state.ny.us.

Insurance Times: Court clears way for class action against 7 HMOs to advance

June 26, 2001, Vol. XX No. 13

by Catherine Wilson
Associated Press

MIAMI — A federal judge has refused to drop a proposed nationwide class-action suit by patients against seven leaders of the managed care industry, but decided some claims must be revised.
U.S. District Judge Federico Moreno issued a similar ruling in March in a companion suit by the nation's 600,000 doctors.
The twin rulings mean the nation's biggest health care companies still face allegations that they routinely cheat those on the low end of the medical totem pole.

Day in Court
“The people who are HMO subscribers are going to have their day in court," said patients' attorney Stephen Zack. ``The case is moving forward."
The same judge still must decide whether the two lawsuits can continue as class actions unifying patients and doctors against the industry, which rejects the idea as a legally unmanageable possibility.
Racketeering allegations against Humana Inc. can continue as is, the ruling said. Patients of Aetna, COGNAC, Foundation, Pacifier, Prudential and United will be allowed to revise their lawsuits to support their racketeering claims with details of mail and wire fraud.
A call to Human was not immediately returned.

Advertising Claims
The lawsuits claim patients were lulled into a sense of well-being by company advertising and marketing materials when plans actually override the best medical interests of patients in the interest of profits.
Moreno drew a distinction between ``puffery" in company offerings and the issue of fraud, but he noted some statements come closer to misrepresentations than excusable exaggeration.
The judge said he was troubled by the weakness of some of the conspiracy claims but gave patients' lawyers another chance to bolster those allegations before the end of the month.

Insurance Times: Employees don’t fully understand benefits

June 26, 2001, Vol. XX No. 13

Conventional wisdom holds that the Internet empowers consumers to better manage their health. In reality, however, most people don't know enough about their health benefits coverage and the available health management programs to understand their options, let alone make well-informed decisions.
That's one of the key implications to be drawn from a D. S. Howard & Associates survey of 101 benefits management professionals at corporations with 500 or more employees. When asked to assess their employees' views about health benefits:
• 54% said most/some employees think the rules about coverage are difficult and hard to find,
• 48% said most/some employees find health plans too complex and hard to understand, and
• 42% said most/some employees have difficulty getting timely answers to their benefits questions.

Education Efforts
Two-thirds of people in the U.S. who have health insurance receive this as a benefit from their employers. Yet, as a recent article in Health Affairs concludes, "A considerable body of evidence indicates that early efforts to educate consumers have not been very effective and that simply providing consumers with more information about plans will not necessarily improve their decisions."
"The Internet may have millions of health-related Web sites, but all this information is virtually useless if employees are too paralyzed by confusing health plans to take action," said Marshall Rozzi, president and CEO of Planlinx, which commissioned the study.

Other Findings
Other notable D. S. Howard report findings included:
• 38% of respondents did not know the costs to administer and manage their corporate health benefits.
• 38 companies with more than 5,000 employees each offered an average of 40 different health plan options.

Insurance Times: Maine consortium unveils medical plan for uninsured
June 26, 2001, Vol. XX No. 13

PORTLAND, Maine (AP) — A group of health care organizations has created a new program aimed at easing medical costs for uninsured residents in three Maine counties.
The program, called CarePartners, offers $12 million in managed health care and pharmaceutical coverage to about 5,000 people who can't get insurance but are not eligible for government programs.
Founded by Maine Medical Center's parent company, Mercy Hospital, Martin's Point Health Center, Anthem Blue Cross and Blue Shield, and other health care groups, the program is based on physicians who donate their services, said David Howe, the president and chief medical officer of Martin's Point.
“Over time, we believe that this will lead to better health and, ultimately, lower the cost of health care to the community," he said.
Patients pay $10 and have cards that they can use at pharmacies identifying them as members of CarePartners. Residents from Cumberland, Kennebec and Lincoln counties are eligible.
By coordinating the free care that hospitals and doctors already offer, the program will offer patients better, more regular care, said Warren Kessler, the program's director.
“We think that we can increase the health status of these folks," he said. ``We think we can provide much better medical care at the same or potentially reduced costs, and we'll be tracking that."
The program estimates about 12 percent of Maine residents are uninsured. Lincoln County has the highest rate, with 18 percent, Kennebec County has a rate of 14 percent and Cumberland County has a rate of 10 percent.
CarePartners expects to serve 5,000 people over three years. Hospitals are donating $1 million, federal and private grants are providing $1.2 million and the partners are donating $10 million in care.

Insurance Times: Study finds Hispanics less likely to be offered job-related health coverage
June 26, 2001, Vol. XX No. 13

by Suzanne Gamboa
Associated Press

WASHINGTON — Hispanics are more likely to work in jobs without health insurance and are less likely to be offered health insurance than non-Hispanic whites when it's available, according to a new study.
Zooming in on why Hispanics are the most uninsured ethnic group in the United States, researchers discovered that in 1999, employers offered health insurance to 69 percent of full-time Hispanic workers, compared with almost 87 percent of non-Hispanic whites.
Even at low incomes, rates of coverage are lower for Hispanics than for non-Hispanic whites, although the majority of Hispanics accept coverage when it is offered, the study said.

Study author Claudia Schur said the findings challenge some beliefs about why Hispanics working full time lack health insurance.
“Some people may believe Hispanics decide not to have health insurance because they choose not to buy it. That's not true," Schur said. ``It's not just affordability."
Her study found that although much of the problem can be attributed to the types of jobs held by Hispanics, immigrant status and family structure also play a role. She also said some discrimination may be involved.
“Because of the number of contributing factors and the lack of a single culprit, there is not likely to be one simple policy solution to this problem," the study said.
Schur is a researcher with The Project Hope Center for Health Affairs, a health policy research group. The study was commissioned by The Commonwealth Fund, a New York-based private foundation that seeks to improve health insurance coverage and access.
The Hispanic population totaled 35.3 million in 2000, about 12.5 percent of the U.S. population, according to the Census. But only one of every three Hispanics had health insurance, a lower percentage than any other ethnic group.
Overall, Hispanics are more likely than whites to be employed in agriculture, construction, forestry, fishing industries and retail _ industries that are less likely to offer health benefits.
This is even more true for foreign-born Hispanics and in particular, more recent Hispanic immigrants.
Within those industries, Hispanics don't tend to hold executive, administrative and managerial or professional jobs, which would offer health benefits, the study found.
Even in other industries, health insurance was less likely to be available to Hispanics, the study said.
In businesses with less than 25 employees, less than half of Hispanics were offered health insurance, compared with 70 percent of non-Hispanic whites and 63 percent of blacks.
“We're all working in small companies. We're under-represented in government jobs and under-represented in corporate jobs. If you are working in a small company, whether you are white, black or brown, the likelihood you will have insurance is not good," said Rep. Ciro Rodriguez, D-Texas.
Rodriguez chairs the health care task force of the Congressional Hispanic Caucus.
The study also found that although the discrepancy in coverage narrows as the size of the business grows, it does not vanish.
“Even within companies that employ 100 or more people, health insurance is less available to Hispanics than to whites," he said.
Rodriguez said the study's findings point to other societal problems compounded in the Hispanic population _ educational attainment in particular.
“It's not one thing. It's a combination of many things. If you look at what we need, No. 1 is education. We need to make sure we have certain opportunities. We need to keep opening doors and making opportunities for people," he said.
Hispanic immigrants are even less likely to be offered or have coverage than native Hispanics. They are even more heavily concentrated in jobs where health insurance is not available and more often work in smaller businesses.
Income disparities between Hispanics and non-Hispanic whites account for some of the coverage gaps. But Hispanics have health insurance at lower rates than whites at all income levels, the study said.
Insurance was available for 44 percent of Hispanic full-time workers earning less than $13,520, compared with 51 percent of whites.
It was available to 69 percent of Hispanics earning between $13,520 and $24,999, compared with 80 percent of whites.
At salaries of more than $40,000, the gap was slimmer with 89.4 percent of Hispanics having coverage available, compared with 93.7 whites.
Hispanic families also tend to be younger and have young children and are more likely to have only one full-time worker. Insurance was unavailable to 25 percent of married Hispanic couples, compared with 6 percent of whites.
The study recommended tax credits and assistance to businesses to form employee insurance purchasing alliances.
Researchers also suggested subsidies to help employees pay their portion of premiums.
They also suggested some immigration policy changes to help immigrants obtain health benefits.

Insurance Times: NJ says auto premiums falling

June 26, 2001, Vol. XX No. 13

TRENTON, N.J. (AP) — Auto insurance rates are down in New Jersey for the second year in a row, state officials said.
Citing a report by the state Department of Banking and Insurance, Acting Gov. Donald T. DiFrancesco said New Jersey

motorists paid an average auto insurance premium of $955 last year.
According to the report, New Jersey has the most cars per square mile of any state in the nation: 820, compared with a national average of 61.

Data Questioned
John Dyke, chairman of the New Jersey Auto Agents Alliance, questioned the information released.
“I am not going to trust any numbers that come out of the Statehouse in an election year," he said. “I will reserve my opinion until I see numbers published by the National Association of Insurance Commissioners."
A report released by that group last April showed New Jersey drivers paid the highest auto insurance rates in the nation in 1998, as they have since 1993.
State rankings are not possible until the national group releases its next national report, and that data will be for 1999.
In a statement, Banking and Insurance Commissioner Karen L. Suter said the department had the data it needed to release the 2000 information, and saw no reason to wait for that report.

Insurance Times: One Beacon names new leaders; Van Berkel heads National Grange Mutual; NY Department promotes Rampe, Samers; Arbella Service taps Shelton; MacLeay to leave National Life
June 26, 2001, Vol. XX No. 13

OneBeacon
The newly renamed OneBeacon Insurance Group in Boston, formerly CGU Insurance, has announced its leadership team.
Ray Barrette has been elected managing director and chief executive officer, replacing Robert Gowdy, who is retiring. Jack Byrne becomes OneBeacon's chairman. Barrette and Byrne, until recently president and chairman of White Mountains Insurance Group respectively, led the purchase of the company from CGNU. The sale was completed June 1.
Also elected managing directors were several CGU executives: Rich Banas, Vince Brazauskas, Larry Haefner, Dick Jordan, Roger Singer and John Weber. John Cavoores, Morgan Davis and James Ritchie, formerly managing directors at White Mountains Insurance Group and its subsidiaries, have assumed similar roles at OneBeacon. Jack Doyle, Charles Fitzpatrick, Jan Kwasniak, David Ladd and David Miller are leaving the company.

OneBeacon/Northern New England
Anthony Payne has been recruited as vice president of marketing for OneBeacon Insurance/Northern New England, formerly CU York Insurance Co., announced regional company president Michael McSally.
Payne will have responsibility for supporting OneBeacon's marketing and communications efforts in Maine, New Hampshire and Vermont. He comes to OneBeacon from Maine Employers' Mutual Insurance Co.

National Grange Mutual
Thomas M. Van Berkel has been elected president, chief executive officer and chief operating officer of National Grange Mutual Insurance Co. in Keene, N.H.
Chairman of the Board and CEO Philip D. Koerner made the announcement and said he would retire from daily involvement with NGM at the end of the year but will continue as chairman of the board.
Van Berkel, most recently president of insurance operations, joined NGM in 1990 as vice president of marketing. He has more than 20 years of experience in the industry and serves on the board of various initiatives of the Independent Insurance Agents of America, including FutureOne and the Commission to Enhance Agency Value. He is past chairman of the Company Council of Executive Officers of the National Association of Professional Insurance Agents.

Arbella Service Co.
The Arbella Insurance Group of Quincy, Mass. has appointed William S. Shelton as president and chief operating officer of the Arbella Service Co. Shelton joined Arbella in 1999 as chief information officer.

Concord Group
Concord Group Insurance Cos. announced that John E. Goodwin has been promoted to Maine branch manager, James B. Young to New Hampshire claims manager, and Michael W. Percy to bodily injury claims supervisor in New

Hampshire. Goodwin will continue his duties as senior Maine marketing representative along with his new management responsibilities. The Concord Group, based on Concord, N.H., writes in four New England states.

National Life

Thomas H. MacLeay, whose 25-year career at National Life in Montpelier, Vt., has included key positions in the investment, corporate planning and financial management areas before he was elected the company's president and chief operating officer five years ago, has announced that he will step down from full-time duties in order to pursue more entrepreneurial opportunities.

At the request of the National Life board of directors, MacLeay will continue as a director for some period of time following his departure, but he will conclude his full time duties with the company on July 1.

National Life Chairman and Chief Executive Officer Pat Welch has been asked him to assume the title and responsibilities of president as well as chairman and CEO when MacLeay leaves his full-time duties in July. There are no current plans to fill MacLeay's position, Welch said, though there are likely to be some organizational changes within the National Life Group going forward.

Golden, O'Neill and Gebhardt

New Haven, Conn.-based Golden, O'Neill and Gebhardt recently announced the addition of Davette C. Sherman to its staff. Sherman comes to the agency with 14 years of personal lines insurance experience.

Allied American

Roy Grafton has been promoted to vice president and claims manager for commercial lines at Allied American Insurance Agency in Natick, Mass. Grafton is responsible for Allied's claims department, claims service and customer relations with clients and carriers.

allMass Group

Joyce O'Neill was recently promoted to chief executive officer and vice president of allMass Group Inc., the statewide network of independent agencies based in Brockton, Mass. She was the group's executive director, a position she has held since its founding in 1989.

In addition, Barbara Araujo has joined allMass as a customer service representative.

AMS

Euan C. Menzies has been promoted to chief executive officer of AMS Holding Group, Inc. in Bedford, N.H., the property and casualty software and information services company. Menzies is president and chief operating officer of AMS Holding Group and has been the acting CEO since February. He is also CEO of Allenbrook, one of the four businesses that comprise AMS Holding Group.

NY Insurance Department

New York Superintendent of Insurance Gregory V. Serio has named Kevin M. Rampe as first deputy superintendent and Audrey M. Samers as deputy superintendent and general counsel.

Samers was appointed first deputy general counsel in 2000 and has been involved in the department's litigation and regulatory matters, including demutualizations of Metropolitan Life, Phoenix Home Life, Prudential and John Hancock. She has also overseen privacy and e-commerce initiatives.

Rampe joined the department in 1999 as deputy superintendent and became general counsel in 2000. He has been involved in Gramm-Leach-Bliley, privacy, e-commerce and administrative initiatives. In his new position, he will serve as chief operating officer of the department.

Fusura

Fusura, the web-based personal lines agency formed by American International Group, Prudential and Kemper, announced the appointment of Mark A. Parsells as president and chief executive officer. Parsells joins Fusura from Citigroup, where he led Citibank Online.

Fusura's acting president, Rick bender, will be returning to AIG to assume executive responsibilities.

Fusura is creating a personal risk management portal that will be offered to consumer through select financial institutions and web-based properties. Then site, expected to launch late this year, will initially offer automobile insurance, with other products to be added.

AAMGA

Robert Giles is the 2001-2002 president-elect of the American Association of Managing General Agents. He’s the president and CEO of R.W. Scobie Inc./Midwest General Agency.

Mass. Blue Cross
Blue Cross Blue Shield of Massachusetts recently promoted Laura Peabody to vice president and general counsel, responsible for all legal matter relating to corporate operations. Peabody joined the insurer in 1997. Blue Cross also announced that Ron Romano has been promoted to vice president of consumer affairs. Romano has been with the company for 20 years, 10 years of which have been as ombudsman. p

New York Life
Corey B. Multer has been named vice president of the individual annuities at New York Life Insurance Co. Multer is responsible for marketing annuities through the company's career agency field force, creating and promoting agent compensation plans, and supporting the individual annuity department's business planning.

Allmerica Financial
Jess Nadelman has been elected vice president of marketing for Allmerica Financial Services, the retirement and financial planning division of the Allmerica Financial companies in Worcester, Mass. Prior to joining Allmerica, Nadelman was with AXA/The Equitable.

MTW Corp.
MTW Corp. of Mission Woods, Kansas, has opened the headquarters of the company's expanding Insurance Systems Group in Hartford, Conn., and named Richard H. DuBois to manage it as executive vice president.

Insurance Times: Universal Bonding Insurance Company
June 26, 2001, Vol. XX No. 13

June 12, 2001

518 Stuyvesant Ave
Lyndhurst, New Jersey 07071

The above company has made
application to the Division of Insurance for a license/ Certificate of Authority to transact Fidelity and Surity 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: Mass. lawmakers hear opposition to ‘opt-in’ privacy measure
June 26, 2001, Vol. XX No. 13

by Beth Donovan
State House News Service

BOSTON — State officials and finance, insurance and retail industry lobbyists argued by proxy last week over what's more important to consumers: protection from nosy, overzealous marketers or the right to be tempted with tailor-made

deals and incentives.
“Consumers need control over the sharing of their information," MassPIRG Consumer Programs Director Deirdre Cummings said.
The Banks and Banking Committee is considering legislation sponsored by State Rep. William Straus (D-Mattapoisett) and State Sen. Steven Tolman (D-Brighton) that would require banks, insurance companies and other retail institutions to operate on an "opt in" basis and obtain customer permission before sharing any personal information with third party marketers.

Current Law
Current law requires that companies allow customers to opt out of personal information sharing, but the onus is on them and, as one of the two bills' sponsors noted, opting out can be an intimidating and time-consuming process.
"Most people given the chance would say, 'leave me alone, I don't want to hear the sales pitch,'" Straus said.
The bill would not prevent different divisions of the same company from sharing information with one another, a concession to small institutions. Straus said one insurance company asked for his signature, social security, tax ID and daytime telephone numbers and a copy of his drivers license to opt out of personal information sharing.
But consumers get some pretty good deals as a result of the information marketers are privy to about their spending habits and general demographics, Jon Hurst, president of the Retailers Association of Massachusetts, said Tuesday.
Hurst said he and his three teenage children look forward to offers like the 10 percent-off coupons for compact discs that reach their household through the mail. The targeted marketing of goods and services by retailers to customers is good for state businesses, he said.
"The current open information flow benefits the economy," Hurst said.
A Mass Insight consumer privacy poll determined consumers are primarily concerned about telemarketing methods, identity theft prevention and online privacy, he said. The proposed bills would not distinguish between companies that use telemarketing and the Internet to promote their products and services and those that use more traditional marketing methods like direct mail. Sensitive personal health and finance information is already protected by federal law.
Businesses have until July 1 to comply with federal legislation passed in November 1999 requiring them to notify customers of their right to opt out of personal information sharing. Many local insurance companies will have difficulty complying with that legislation and would need more time to adjust to any changes in state regulation of personal information sharing, Massachusetts Association of Insurance Agents’ Dan Foley said.
About 60 Massachusetts financial institutions have begun selling insurance since 1999 federal legislation struck down barriers to doing so, Foley said.
Foley, American Insurance Association Northeast Region Assistant Vice President Don Baldini, Massachusetts Credit Union League Senior Vice President and Counsel Ed Saunders, the Massachusetts Bankers Association, and Life Insurance Association of Massachusetts Spokesperson Jenny Erikson testified in opposition to the bills.

Insurance Times: Growth opportunity

June 26, 2001, Vol. XX No. 13