Insurance Times: Lawyers and medical providers scheme in high accident areas
August 7, 2001, Vol. XX No. 16

by Mark Hollmer
InsuranceTimes

BOSTON — It is usually a routine, bureaucratic ritual that barely receives notice outside of industry trade newspapers. Every year the Massachusetts Automobile Insurers Bureau gathers hundreds of pages of data and files it as part of the "cost containment" portion of the state's annual auto rate case.
The documents show any effort by the industry to reduce costs, and is part of a rate process that takes months to complete.

Concentration o Providers
This year, the AIB's 1,100 page cost containment filing contained something that made waves in the mainstream media -- a report that noted territories with high auto accident claims also appear to have a large concentration of medical providers filing a similar large number of claims.
To the AIB, the connection at minimum highlights a problem of medical overtreatment in injury claims. At most, the AIB said, the data gives clear evidence of the proliferation of fraud mills, where medical providers and legal professionals work together in high accident areas to maximize insurance injury claims.
"This is not necessarily a fraud story at all," said Richard Derrig, the AIB's senior vice president.
"It's really a cost story. And the real question is, why are so many claims being filed with so many medical providers treating in the various territories?"

Strong Statement
The AIB compiled the report, working with Liberty Mutual, and then submitted the findings with the state Attorney General's office, the Director of Consumer Affairs, the Division of Insurance, the co-chair of the state legislature's Insurance Committee, and the Boards of Registration in Medicine and the Division of Registration. It was later included in the Cost Containment filing.
The findings make a strong connection between the amount of medical providers billing insurance companies in high accident territories.
Dorchester, for example, in territory 21 -- out of about 38,500 cars -- listed 45 medical providers who billed more than $100,000 per year for auto insurance injuries, with 102 injuries per 100 accidents, and an average of $1,182 of injury loss per car.
By contrast, territory 1, with nearly 203,000 cars, listed just one medical provider who billed more than $100,000 per year for auto insurance injuries, with $118 of injury loss per car, and just over 27 injuries per 100 accidents.
Territory 1 includes Alford, Barre, Bolton, Gayhead, Great Barrington, Hancock and Lenox.
Derrig said the report, showing the relationship of high claim frequencies and the location of individual medical providers was "a special initiative" this year to illustrate the problem for decision makers and the agencies who license medical professionals.
"Companies have been seeing these mills proliferate … (and) view it as a serious problem," Derrig said. "And this is one of the ways we could use our data to react to that and to get (the information) before decision makers."

Fraud Mills
What's different about fraud mills – the alliance between medical providers and attorneys to generate claims – is that the practice is hard to prove, said Laura Krauss, vice president and general counsel for the Massachusetts Insurance Fraud Bureau.
That's because nothing prevents both parties from working together, and those that do aren't necessarily breaking any laws, she said.
The AIB distributed its document with medical regulators in the hopes of catching their attention.
Fraud mills can be "extraordinarily" difficult to crack, Krauss said, because no one in such an elaborate system loses out; everyone gets a piece of the claims money, she said, from the attorney to the medical professional to the person "with real or feigned injuries."

On the other hand, Krauss said, fraud mills are not impossible to detect.
"A fraud mill operates under the guise of normalcy under normal claims processes but the volume handled makes it an anomaly which sticks out," she said.
But it's not easy to connect all of the dots identifying fraud mills, she said.
"The structure, the individual organization of mills is more complex and their individual relationship with other people is more complex," she said.
"There are more and different layers (being) added to the system," she said, "and those individuals engaging at fraud at this level think it's worth the risk."
Fraud investigators have felt frustrated over the years because Massachusetts law has restricted how they can fight fraud mills, says Derrig, the AIB senior vice president.
"There are all sorts of restrictions placed on how claims can be settled by companies," he said.
"Mills that stop short of being out-and-out fraud, that can be proven … as abusive of the system, there isn't an effective way to deal with them at the moment, other than through the civil boards of registration," he said.
Legislators have attempted to address the issue over the years, beginning with the switch to a no-fault insurance system in the late 1960s. The goal, Derrig said, was to eliminate exaggerated injury or excessive treatment claims.

1988 Tort Reform
Further reform of the tort system passed in 1988, but Derrig said the action turned out to be "ineffective" in the long term. Companies including Arbella and Liberty Mutual, he said, have attempted to bring about additional reform by filing bills to address the matter.
A bill is pending the State Senate, which would make it illegal to hire someone to solicit business for a fee.
But while some see needed reform, others, like Division of Insurance Commissioner Linda Ruthardt, say that the system isn't as bad as others.
Massachusetts doesn't have statutes like in California and Arizona, which "make it impossible for insurance companies to say no" to claims, she said.
Ruthardt also points out that the state doesn't have a true no-fault system. Rather, she said, it's a tort system without a prepaid barrier.
The legislature doesn't seem to have the "appetite," she said, to switch to a true no fault system with a verbal threshold for claims.
Some help is on the way, however, thanks to Kemper's departure from the market in the 1980s.
As part of the company's exit, Kemper negotiated a $250,000 annual disbursement for 50 years to help fight and reverse fraud in the personal automobile insurance market.
Payments have been going to the Insurance Fraud Bureau, and Ruthardt has discretion as to how the money gets spent each year.

Ruthardt Funding
This time, Ruthardt, working with the IFB and the state Attorney General's office, will use the money for pilot grants that local district attorneys can apply for to prosecute fraud in their districts.
District attorneys in Springfield/Holyoke, Suffolk County and Essex County have already applied for the funds.
"They're allowed to use it for any resources that will help them reduce fraud in the residual market," Ruthardt said, including "staffing, investigative tools, equipment."
Usually, the IFB refers cases to the Attorney General's office, but with the grants, the Attorney General's office in turn can refer the cases to local district attorneys and they'll have more resources to evaluate which ones to prosecute.
"I'm excited that law enforcement officials are willing to take a look at ways that may help them prosecute those cases," Ruthardt said.
"And it may also serve as a deterrent if you know that your local district attorney is in a pilot program.
"You may want to move before you commit fraud," she quipped.
The initiatives come in the wake of some sobering fraud statistics.
Though state insurance fraud bureaus have doubled criminal convictions since 1995, many still aren't properly equipped to fight the phenomenon, according to a recent study from the Coalition Against Insurance Fraud.
And Northeastern consumers are paying higher premiums because of "an epidemic of insurance fraud," according to the National Association of Independent Insurers.
Meanwhile, investigators continue to plow ahead with their anti-fraud efforts.
"It's a very time-consuming, data-intensive, file-review analysis approach to prove a case," Krauss said.
"There's no broad-brush approach…"

Insurance Times: Agents caught in middle in Mass. and RI licensing spat
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The neighboring states used to have an unofficial reciprocal agreement
by Mark Hollmer
InsuranceTimes

A dispute between Rhode Island and Massachusetts over out-of-state licensing issues has resurfaced almost a year after it was apparently resolved – this time with Bay State agents feeling the impact.

Massachusetts agents must now pass through a series of regulatory hoops and pay annual fees to obtain Rhode Island individual non-resident licenses.

Rhode Island insurance regulators say they're following state law to bring their regulations in line with Massachusetts requirements for non-resident licenses, which have seen a renewed enforcement effort over the last two years.

But some Massachusetts agents apparently see something else at play. The Massachusetts Association of Independent Agents, in its July 12 newsletter, calls the Rhode Island action a "retaliatory measure."

Frank Mancini, the MAIA executive vice president, did not use the same words in a recent InsuranceTimes interview. But he did say the move is inconvenient for many of his agents.

"They're very upset about it," he said. "They feel that they have to jump through a lot of hoops that they didn't have to jump through before. And a process that worked extremely well for a number of years has been upturned…

"We've tried very hard to talk to the people in Rhode Island about this," he said. "Unfortunately, the superintendent in Rhode Island refuses to talk about this anymore. Not just with us but with anyone."

Rhode Island Insurance Superintendent Al Mastrostefano did not return calls for this story. In an InsuranceTimes interview last year, Mastrostefano responded to Massachusetts' renewed enforcement of an old law that governs non-resident licensing requirements with threats to do the same.

Many Rhode Island agents complained after being cited for violations, and Mastrostefano, in turn, said he'd enforce an old Rhode Island law that imposes reverse restrictions on states who impose them on Rhode Island.

But discussions between agents and regulators of both states seemingly settled the conflict last fall, at least as far as ending enforcement actions and letting Rhode Island agents who received violation letters off the hook as for any fines.

Mastrostefano and Massachusetts Insurance Commissioner Linda Ruthardt reportedly talked several times over the last year in an attempt to hash things out completely but those talks couldn't be resolved, according to an industry insider.

Fred Federici, executive vice president of the Independent Insurance Agents of Rhode Island, said he was "surprised" at Mastrostefano's decision, and that he didn't know why it happened.

Federici added the move will "make it very difficult" for Massachusetts agents applying for their non-resident Rhode Island licenses.

In short, Massachusetts agencies seeking to renew non-resident agent licenses in Rhode Island must now be registered with the Rhode Island secretary of state and obtain a tax identification number from the state. They must also pay annual fees; $66.68 per licensed officer/director, $50 per life/health/accident agent, and $75 per licensed officer or director for independent agents.

Massachusetts is enforcing similar restrictions on out of state agents who apply for licenses.

But it didn't used to be this way.

Mancini and Federici both said that states used to have an unofficial reciprocal agreement.

"It was common practice that if one person in the agency had the necessary non resident license, that the agency could receive commissions or that the agency would receive commissions (without additional individual licenses)," Mancini said.

But "unfortunately (the dispute) has gotten to these extremes where it is impacting agencies in both states."

Added Federici: "Everyone that I had talked to (who) had applied for licensing in Massachusetts going back years were never told of the requirements of the Division as they came out recently."

Federici said that, following Massachusetts renewed enforcement efforts, it was still hard to find out information from state regulators until the MAIA stepped in.

The federal Gramm-Leach-Bliley Act approved gives states three years to come up with uniform or reciprocal licensing standards. A federal agency will enforce those standards unless at least 29 states can do so by the deadline.

That doesn't necessarily factor into the debate, however, said Christopher Goetcheus, spokesperson for the Massachusetts Division of Insurance.

“We have an existing law that we’re enforcing and until that law changes we’re enforcing the law that we have,” he said.
Both Federici and Mancini added that they were hoping uniform producer licensing legislation would solve the problem in the long term. Rhode Island already has passed the law, Federici said, and Massachusetts has a bill pending.
“I am hopeful that Massachusetts will pass that producer licensing law and that would, it is my understanding, make (Massachusetts agent licensing) reciprocal with Rhode Island after both laws come into effect.”
Mancini agreed that “once both states adopt the national agency producer licensing law, a lot of this will go away.”

Insurance Times: Consumer group charges online term life insurance sites mislead buyers
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Too many sites are confusing in their data and layout, says CFA
Forty percent of Web sites offering comparative term life insurance information are “inadequate and potentially misleading,” according to a recent study from the Consumer Federation of America.
“Clearly, shopping around can pay off, but the best deal is very much dependent on where you land on the Web,” said study co-author J. Robert Hunter, CFA’s director of insurance.
The study looked at 25 Web-based Internet sites offering comparative term life insurance information.
CFA identified 10 out of 25, or 40 percent, that the organization would not recommend because of confusing layout or data. They are: Insure Rate, Intelli-quote, Insure One, Compusurance, SpeedInsure, 4freequotes, accuquote, anserfinancial, ebix and SelectOne.
In addition, the CFA study concluded, 75 percent of all term life insurance Web sites don’t show the lowest price.
Several of the Web sites in the survey, however, did show the actual low cost insurer, according to the study. They are Insweb, NetQuote, Quicken, Quotesmith, Youdecide.com and term4sale.
Consumers can still buy convenient term life policies and save money by landing on the right site, however, according to James Hunt, study co-author and CFA Life Insurance actuary.
‘Our study clearly indicates that shopping around can save hundreds of dollars on term life insurance,” Hunt said, “but … the wrong site can cause you to inadvertently pay … too much, thinking you are getting a good deal.”
CFA also cited four sites that it said worked well for term life insurance shopping: Term4Sale, Compulife, InsWeb and Quotesmith.
Consumers should follow a number of recommendations for buying term life insurance, according to the study.
Among the CFA recommendations: get the right length of coverage (not beyond 20 years), look for renewability and convertibility, check your current policy and use the Web or 800 numbers only for term insurance.

Insurance Times: Principal Financial goes public, drops holding company bid
August 7, 2001, Vol. XX No. 16

by David Pitt
Associated Press

DES MOINES, Iowa — Executives at the Principal Financial Group had it all worked out back in 1998 — a plan that would allow the insurance and investment services giant to speed up the process of going public and raking in billions of dollars.
Then one of the company's agents spoke up: Principal was trying to sell something that it didn't really own.
Des Moines-based Principal, one of the nation's largest overseers of 401(k) retirement accounts, is still on track for its initial public offering, but with a significant change — now its 700,000 policyholders also stand to profit, too.
Policyholders will vote at a special meeting this week on whether to approve the 122-year-old company's conversion from a mutual insurance holding company — owned by its policyholders — to a public stock company. A two-thirds majority is needed.
Principal, with $113 billion in assets under management, is but the latest insurance company to go down the road of demutualization, following John Hancock Financial Services Inc. and MetLife Inc.
“They're usually companies that have growth opportunities and have flexibility in their capital structure as an

advantage," said Joan Zief, an analyst with Goldman Sachs & Co. “They also tend to be companies with strong brand recognition."
The company expects its proposed IPO, to be held in late 2001 or early 2002, to raise $2 billion to $3 billion to fund growth that would enable it to compete in a consolidating financial services industry.
“We had used a fair amount of our expansion capabilities up and we were at the point of wanting to establish ourselves in the public market," said chief executive Barry Griswell.
Griswell said the company's directors concluded that the mutual insurance holding company structure didn't offer enough flexibility.
“My personal view is that it will not turn out to be an organizational structure that is viable for large companies that have global or other aspirations," he said.
The holding company format is controversial because it allows the board of directors to sell up to 49 percent of the company's stock without paying policyholders for their ownership stake.
“It's an abuse," said David Schiff, an insurance industry watchdog from New York. ``It's very negative for the policyholder because it allows (company officials) to sell stock in an insurance company without giving policyholders anything."
Among the critics was Anamaria Lloyd, who sold Principal policies in Seattle. When the company first sought holding company status, she confronted executives at a public hearing. After the state approved Principal's plan and the company converted in June 1998, Lloyd sued the state panel and Principal.
“I knew that if I didn't do it, I could never sell another policy," said Lloyd, herself a Principal policyholder. ``I could never look another customer in the eye and say 'I will work for you'."
Lloyd lost her lawsuit, but she believes the negative publicity dissuaded investors from buying stock in the holding company and eventually led Principal to rethink its approach. In 1999 the company began a two-year process of full demutualization to a publicly traded stock company, with policyholders receiving full compensation.
She said most policyholders, not realizing they had value in their insurance contracts, never would have questioned the conversion plan. She estimated the average Principal policyholder has $15,000 in equity in their policies.
As part of demutualization, Griswell said policyholders will be paid cash or issued at least 100 shares of stock.
Going public will not be without changes for policyholders, management and the company's 84,000 employees, he said.
“You are clearly under the pressure of analysts and sophisticated investors looking over your shoulders," he said. ``I think over time it will mean a change in our culture."

Insurance Times: Jockey pleads guilty to WC fraud

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LOS ALAMITOS, Calif. (AP) — A jockey who repeatedly fell off horses pleaded guilty to workers compensation fraud and was sentenced to three years' probation, the California Department of Insurance said.
Carlos Cristo, 31, who worked as a jockey at Los Alamitos Race Course, was also sentenced to 60 days of home confinement and ordered to pay $30,000 restitution to the State Compensation Insurance Fund.

Cristo fell off his horse and injured his back first in December 1994, then in December 1997 and again in August 1998, according to an insurance department statement. After his second and third injuries he denied to physicians that he'd been injured in the past, the insurance department said.
Cristo also received separate medical treatments for his second and third injuries at the same time, and got disability benefits from Golden Eagle Insurance at the same time he was getting them from the State Compensation Insurance Fund. Meanwhile, he was also getting money from the Jockey's Guild and a nonprofit organization called To Aid Disabled Jockeys _ income he failed to report to the insurance agencies.
Cristo also lied about his job skills during a vocational rehabilitation interview and received benefits he was not entitled to, the insurance department said.
Teachers’ group’s homicide insurance mirrors ‘sad reality’
WASHINGTON (AP) — School shootings have prompted America's largest teachers' union to offer a special $150,000 benefit for teachers and other school employees slain at work.
While the National Education Association has offered life insurance to members since the 1980s, the new "unlawful homicide" benefit was only approved this year. It will be announced to the union's 2.6 million members in a September newsletter.

The payout for accidental death while on the job is dlrs 50,000.
Randy Martin, who handles risk management for NEA Member Benefits, said the new coverage was not the result of any single incident. "It was just the knowledge that these incidents were occurring," Martin said.
"I think it's very good that we're doing this," said Wayne Johnson, president of the California Teachers Association. "It's sad that we need to do it."
The benefit is provided free to NEA members.
According to the National School Safety Center, which keeps statistics on school violence for the U.S. government, 29 school staff members — including teachers, administrators, custodians, nurses and school police officers — have been killed violently at work since 1992.
Teacher Dave Sanders was among the 13 victims in the 1999 Columbine High School shootings in Colorado. In May, 2000, Barry Grunow, a teacher Lake Worth, Florida, was shot in the head by a student he had sent home.
The 14-year-old boy convicted in the killing faces 25 years to life in prison in his sentencing.
"Obviously one death is one too many, and I don't want to minimize the importance of those, but violent deaths as a whole are a small, small percentage of overall school violence," said Ken Trump, an Ohio school safety consultant. He said teachers are much more likely to be assaulted at work.
Johnson said school violence has become "sort of a sign of the times."
"It's a sad reality that there is this random violence in the public schools," he said. "I'm glad the NEA is doing it. I hope it won't be used very often, but I'm glad it's there for the families of teachers who will be attacked and killed."
NJ orders Pru to refund excess profits
TRENTON, N.J. (AP) — Prudential Insurance Co. has been ordered by the state to refund $25 million in excess profits to its auto insurance policyholders.
The refunds, announced by Banking and Insurance Commissioner Karen Suter, were required under a state law that says the profit an insurer earns cannot exceed 6 percent of premiums when averaged over a three-year period.
The Newark-based company will start mailing checks in September to 325,000 policyholders, who will receive an average of $77.
Laurita Warner, a Prudential spokeswoman, said the excess earnings came because Prudential's claims and expenses in 1998, 1999 and 2000 were lower than the company had estimated.
Warner said Prudential's state-approved rules for deciding who gets a discount led many drivers to obtain coverage with other companies. This resulted in a 28 percent drop in the number of cars Prudential had insured in 1997, the last year before the state reformed its insurance laws.

Insurance Times: Judge backs 17% rate increase for NJ insurer
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TRENTON, N.J. (AP) — An administrative law judge has ruled that American International Insurance Co., the state's sixth-largest auto insurer, deserves a 17.6 percent rate increase.
The recommendation, issued Monday, must still be approved by state Banking and Insurance Commissioner Karen Suter. She must make her decision by Aug. 30.
American International, a subsidiary of AIG, announced in June that they were quitting the New Jersey market. While praising the decision by Judge Louis G. McAfoos, company officials said they would not reconsider their decision.
McAfoos found that the company's rate-setting methodology was valid in eight of 10 areas. The company had been seeking a 20.1 percent rate increase.
“The judge's decision, even if upheld, does not address the overall climate which makes doing business in New Jersey untenable," Robert Sandler, AIG executive vice president said in a statement issued Monday.
American International is one of four insurers that have announced plans to stop doing business in New Jersey. The others are State Farm Indemnity Co., the state's largest auto insurer; Rhode Island-based Providence Washington; and Newark Insurance Co.

Insurance Times: Group sues to release Liberty Mutual records
August 7, 2001, Vol. XX No. 16

BOSTON — The Massachusetts Division of Insurance violated public records laws by not disclosing documents relating to Liberty Mutual's planned conversion to a mutual holding company, a consumer group is alleging.
That's the central argument in the Middlesex Superior Court lawsuit filed by the Center for Insurance Research, seeking documents exchanged by the DOI "and any private third party" relating to Liberty's plans.
The suit, filed by consumer attorney Jason Adkins, alleges that the documents will show Ruthardt, "and her senior Division staff have engaged in (secret) meetings, negotiations and exchanges of documents with Liberty in a private, pre-approval process" that circumvents public process/records laws.
Adkins, in said the CIR filed a public records request for the documents in question on Nov. 2 and received a rejection request four months later, based on "sweeping exemptions not found in law to avoid producing tens of thousands of pages of what are public records."
DOI Spokesman Christopher Goetcheus said the state Attorney General's office would review the complaint, and would not comment further.
Liberty Mutual is applying to change its status to a mutual holding company, which would maintain its mutuality but also allow the company to offer stock if it chooses to. The CIR is opposing the application and instead supports a conversion to a full stock company because policyholders would be compensated under the more drastic option.

Insurance Times: Conn. department moves down

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HARTFORD — The Connecticut Insurance Department has moved to different offices within the old downtown Hartford G. Fox department store building.
Department offices will now be on the 6th and 7th floors of the Market Street building, rather than the 10th and 11th floors.
Commissioner Susan Cogswell's offices were on the 11th floor, the location of the old G. Fox toy department.
The move makes way for Capital Community College, which will take up the front portion of the G. Fox building, according to Insurance Department spokesperson Kate Kiernan.
Phone and computer access to the insurance department was to be interrupted temporarily, but restored by Aug. 6.

Insurance Times: Swiss re to acquire Lincoln National reinsurer

August 7, 2001, Vol. XX No. 16

PHILADELPHIA (AP)— Swiss reinsurance giant Swiss Re said it will buy the reinsurance unit of Lincoln National Corp. of Philadelphia for $2 billion, boosting its position in the life and health reinsurance market.
Swiss Re and Lincoln National said in a statement that divestiture of the Fort Wayne, Ind.-based Lincoln Re was a "logical step" in Lincoln National's move from being a multi-line insurer to being a financial services company.
Lincoln will put the money toward "an aggressive, yet disciplined" acquisition strategy and to continue buying back its own stock, said Jon Boscia, chairman and chief executive of Lincoln National.
Boscia said in a conference call that Lincoln National seeks to become a "lean, focused" company concentrating on annuities, life insurance and investment management services.
Subject to approvals by regulators including the Indiana Department of Insurance, the transaction is expected to be completed by the end of the year, said Rich Vaughn, chief financial officer of Lincoln National.
Swiss Re, based in Zurich, Switzerland, said it will integrate the unit into its Swiss Re North American Life & Health subsidiary.

Insurance Times: Eastern alleges secret lobbying by competitors against its rate proposal

August 7, 2001, Vol. XX No. 16

by Mark Hollmer
InsuranceTimes

One of Massachusetts' largest and most influential employer groups says Eastern Casualty's attempt to have its own workers compensation rate could potentially jeopardize the entire system by undermining the process every other insurer uses.

The conclusion from AIM – the Associated Industries of Massachusetts – is outlined in a June 22 letter written to Division of Insurance Commissioner Linda Ruthardt, from Richard Lord, AIM's president and CEO.

It is unclear if the letter -- copied to the Workers Compensation Rating and Inspection Bureau and widely leaked in recent weeks -- was made part of Eastern's rate case record.

Lord's letter came to light alongside a related issue: Eastern's accusation in late July that WCRB was trying to undermine the company's ongoing rate case by inappropriately lobbying the DOI.

'Sway a Regulator'

Eastern would not comment for this story. But a source familiar with Eastern's rate case says the letter from AIM may be improper because it is "clearly an attempt to provide evidence or even sway a regulator."

Brian Gilmore, AIM's executive vice president for public affairs, denied the allegation, saying "the letter had nothing to say about (Eastern Casualty's) rate request."

Lord's letter simply focused on procedural issues and asked Ruthardt to consider the impact her decision will have on AIM members, Gilmore said.

"We think it's very appropriate," he added.

In his letter, Lord, speaking for AIM, outlines his concerns about the impact of Eastern going on its own early on.

"Due to the nature of how workers compensation insurance data is gathered and used," he wrote, "we believe that any attempt to bypass the (WCRB) is unworkable and will deny many employers the ability to obtain workers compensation insurance at a fair … price with the insurer of their choice.

"…We do not believe any one insurer can accurately perform this function in a way that allows all employers the option to freely seek a new insurer…"

AIM is a powerful lobbying association representing nearly 6,000 Massachusetts employers from a number of industries. AIM owns a separate insurance company that offers members workers compensation and other related lines. In addition, AIM sits on the WCRB board.

The WCRB, representing all workers compensation insurers in the state except Eastern Casualty, recently negotiated a 1-percent rate increase with the State Rating Bureau following years of double-digit rate decreases.

Eastern's Bid

Eastern is plowing ahead with its rate bid, continuing to seek an 11.6 percent increase instead of the 17-plus percent decrease the SRB is recommending.

Ruthardt's decision in the Eastern Casualty rate case is due by Sept. 1.

Throughout the rate case, Eastern's competitors have stayed quiet publicly, which makes AIM's letter to Ruthardt stand out.

It is also written on a personal level unusual for correspondence filed during a rate case. For example, "Linda" is handwritten above the typed, more formal greeting of "Dear Commissioner Ruthardt."

Lord also signs "Rick," at the letter's closing, and he promises to follow up with Ruthardt by phone "in the next week."

Lord's expressed concern about Eastern's filing focuses on the issue of experience modification calculation. He said it is important for the workers compensation system that the numbers "be consistent with no opportunity for calculations to be subject to any individual insurers' actions."

Lord urges Ruthardt, in "the interest of market stability, ….(to) do whatever you can to require that all insurers continue use the (WCRB) as their exclusive service for obtaining accurate and complete experience modifications data."

Christopher Goetcheus, the DOI spokesman, would not comment on the letter to Ruthardt, but offered the following statement.

"The Commissioner is presiding over an open rate case. And as with any rate case she will weigh the evidence presented by the parties in making a final determination."

Meanwhile, Eastern's concerns about interference in its rate case go beyond AIM.

Eastern Casualty is apparently worried that other WCRB member companies or the WCRB itself have lobbied Ruthardt inappropriately in the rate case.

'Grave Concerns'

Eastern attorney James Marcellino, in a July 19 letter to WCRB President Paul Meagher, expressed "grave concerns" about alleged WCRB activities against Eastern's rate case. He demanded "an immediate cessation of all such

activities."
"Eastern believes that (WCRB) representatives … have taken active steps to exert political influence upon the DOI to ensure that Eastern does not receive the rate increase for which it has applied," Marcellino wrote.
"Eastern considers such attempts by board members and lobbyists for the (WCRB) to be a blatant attempt to fix pricing within the industry and thereby restrict trade."
Scott Lewis, outside counsel for the WCRB, responded that "there's no basis whatsoever for the allegation that the WCRB or any of its representatives interfered in any way with Eastern's rate case."
But Marcellino said the alleged action shows "unprecedented" attempts to exert "political influence "with regulators on behalf of one segment of the industry against the economic interests of a competitor, particularly when the matter involves approval of rates to be used in the marketplace by that competitor.
The WCRB gave up its chance to intervene in Eastern's rate case, Marcellino said, or to file "commentary" on Eastern's rate request.
"Consequently," Marcellino wrote, "any direct or indirect attempts by the (WCRB)'s representatives to influence DOI employees to oppose and/or reject" Eastern's rate filing violates regulations.

WCRB Denial
Lewis said the letter to the WCRB "has no foundation and it was an irresponsible communication for Eastern's lawyers to make."
Marcellino also sent identical public records request letters to both the State Rating Bureau and the Division of Insurance, seeking information about "any and all" communication with the WCRB pertaining to Eastern's rate filing.
According to the source familiar with Eastern Casualty, the AIM letter gives Eastern proof "of the type of behavior Eastern had reason to believe was going on," the source said.
Written public comment for Eastern's rate case can be legally submitted until Ruthardt issues her decision, Goetcheus said. The evidentiary record closed June 29.
So why doesn't AIM's letter fit under those guidelines?
Eastern believes there is a difference because AIM is both a member of the WCRB governing board and a competitor, so written communication with the DOI during the rate case, Eastern contends, should have been handled more formally and Eastern should have been notified about the letter.
Eastern, blaming inadequate rates, announced in June that it would refuse new workers compensation business in Massachusetts in the hopes of cutting its losses.
At the time, company President James Moran hinted the decision could be reversed if Ruthardt granted the company a rate increase.

Insurance Times: NY Insurance Fund worker charged with identity theft

August 7, 2001, Vol. XX No. 16

by Mark Hollmer
InsuranceTimes

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say about (Eastern Casualty's) rate request."
Lord's letter simply focused on procedural issues and asked Ruthardt to consider the impact her decision will have on AIM members, Gilmore said.
"We think it's very appropriate," he added.
In his letter, Lord, speaking for AIM, outlines his concerns about the impact of Eastern going on its own early on.
"Due to the nature of how workers compensation insurance data is gathered and used," he wrote, "we believe that any attempt to bypass the (WCRB) is unworkable and will deny many employers the ability to obtain workers compensation insurance at a fair … price with the insurer of their choice.
"…We do not believe any one insurer can accurately perform this function in a way that allows all employers the option to freely seek a new insurer…"
AIM is a powerful lobbying association representing nearly 6,000 Massachusetts employers from a number of industries. AIM owns a separate insurance company that offers members workers compensation and other related lines. In addition, AIM sits on the WCRB board.
The WCRB, representing all workers compensation insurers in the state except Eastern Casualty, recently negotiated a 1-percent rate increase with the State Rating Bureau following years of double-digit rate decreases.

Eastern's Bid
Eastern is plowing ahead with its rate bid, continuing to seek an 11.6 percent increase instead of the 17-plus percent decrease the SRB is recommending.
Ruthardt's decision in the Eastern Casualty rate case is due by Sept. 1.
Throughout the rate case, Eastern's competitors have stayed quiet publicly, which makes AIM's letter to Ruthardt stand out.
It is also written on a personal level unusual for correspondence filed during a rate case. For example, "Linda" is handwritten above the typed, more formal greeting of "Dear Commissioner Ruthardt."
Lord also signs "Rick," at the letter's closing, and he promises to follow up with Ruthardt by phone "in the next week."
Lord's expressed concern about Eastern's filing focuses on the issue of experience modification calculation. He said it is important for the workers compensation system that the numbers "be consistent with no opportunity for calculations to be subject to any individual insurers' actions."
Lord urges Ruthardt, in "the interest of market stability, ….(to) do whatever you can to require that all insurers continue use the (WCRB) as their exclusive service for obtaining accurate and complete experience modifications data."
Christopher Goetcheus, the DOI spokesman, would not comment on the letter to Ruthardt, but offered the following statement.
"The Commissioner is presiding over an open rate case. And as with any rate case she will weigh the evidence presented by the parties in making a final determination."
Meanwhile, Eastern's concerns about interference in its rate case go beyond AIM.
Eastern Casualty is apparently worried that other WCRB member companies or the WCRB itself have lobbied Ruthardt inappropriately in the rate case.

'Grave Concerns'
Eastern attorney James Marcellino, in a July 19 letter to WCRB President Paul Meagher, expressed "grave concerns" about alleged WCRB activities against Eastern's rate case. He demanded "an immediate cessation of all such activities."
"Eastern believes that (WCRB) representatives … have taken active steps to exert political influence upon the DOI to ensure that Eastern does not receive the rate increase for which it has applied," Marcellino wrote.
"Eastern considers such attempts by board members and lobbyists for the (WCRB) to be a blatant attempt to fix pricing within the industry and thereby restrict trade."
Scott Lewis, outside counsel for the WCRB, responded that "there's no basis whatsoever for the allegation that the WCRB or any of its representatives interfered in any way with Eastern's rate case."
But Marcellino said the alleged action shows "unprecedented" attempts to exert "political influence "with regulators on behalf of one segment of the industry against the economic interests of a competitor, particularly when the matter involves approval of rates to be used in the marketplace by that competitor.
The WCRB gave up its chance to intervene in Eastern's rate case, Marcellino said, or to file "commentary" on Eastern's rate request.
"Consequently," Marcellino wrote, "any direct or indirect attempts by the (WCRB)'s representatives to influence DOI employees to oppose and/or reject" Eastern's rate filing violates regulations.

WCRB Denial
Lewis said the letter to the WCRB "has no foundation and it was an irresponsible communication for Eastern's lawyers to make."
Marcellino also sent identical public records request letters to both the State Rating Bureau and the Division of Insurance, seeking information about "any and all" communication with the WCRB pertaining to Eastern's rate filing.
According to the source familiar with Eastern Casualty, the AIM letter gives Eastern proof "of the type of behavior Eastern had reason to believe was going on," the source said.
Written public comment for Eastern's rate case can be legally submitted until Ruthardt issues her decision, Goetcheus said. The evidentiary record closed June 29.
So why doesn't AIM's letter fit under those guidelines?
Eastern believes there is a difference because AIM is both a member of the WCRB governing board and a competitor, so written communication with the DOI during the rate case, Eastern contends, should have been handled more formally and Eastern should have been notified about the letter.
Eastern, blaming inadequate rates, announced in June that it would refuse new workers compensation business in Massachusetts in the hopes of cutting its losses.
At the time, company President James Moran hinted the decision could be reversed if Ruthardt granted the company a rate increase.

Insurance Times: Truck safety proving roadblock in Bush Mexican policy

August 7, 2001, Vol. XX No. 16

by Alan Fram
Associated Press

WASHINGTON — Republicans continued delaying tactics last week against Mexican truck safety standards that the White House has threatened to veto, despite a fresh Senate show of support for the restrictions.
Senators voted 65-30 against an amendment by Sen. Phil Gramm, R-Texas, that would have eliminated any of the proposed requirements that violate the North American Free Trade Agreement. The rules — including inspections, drivers' records and insurance — would cover Mexican trucks driving across the U.S, which President Bush wants to allow beginning Jan. 1.
In a decisive statement, the Senate voted 70-30 to end a GOP filibuster that was aimed at forcing a weakening of the proposed rules. Gramm and Sen. John McCain, R-Ariz., resorted to forcing a series of votes and accused their opponents of hiding their true motivation.
"The truth is that Teamster truckers don't want competition from their Mexican counterparts," said Gramm, referring to that union's support for the strict standards.
Sen. Patty Murray, D-Wash., one of the chief sponsors of the requirements, said her proposal was aimed at letting Americans know U.S. highways are safe.
Behind the scenes, the two sides searched for a way to end the impasse.
But for now, the Senate votes have been an embarrassment to Bush, who has made free trade and better relations with Mexico top goals. All 50 Democrats were joined by 19 Republicans and one independent in voting to end the filibuster.
It was the latest skirmish in the still-simmering fight over NAFTA, the 1993 treaty aimed at opening trade among the United States, Mexico and Canada. As when former President Clinton helped push the treaty through Congress, the issue has pitted the Teamsters union and highway safety advocates against the trucking industry and big business. Their lobbyists hovered outside the Senate chamber during last week's vote.
Statistics have shown trucks from Mexico, with more lenient safety rules than the United States, are 50 percent more likely to fail U.S. inspections than American vehicles.
The proposed standards include regular U.S. inspections of Mexican trucks and drivers, onsite audits of Mexican trucking companies and more inspectors and scales at the 27 U.S. border stations.
Despite pressure by Republican leaders and the White House, the 70 votes exceeded the 67 needed to overturn any future Bush veto.
Senate Majority Leader Tom Daschle, D-S.D., said he hoped to win Senate passage of the legislation. But Gramm said he and McCain don't want to let negotiators for the House and Senate make the final decision on the rules. Bush also has threatened to veto an even more restrictive House plan that would block Mexican trucks from venturing beyond a

narrow commercial zone just north of the border.
Bush and his allies said the proposed requirements would clamp tougher standards on Mexican trucks than on Canadian vehicles entering the United States. Republicans said the real motivation of the standards' authors was to inhibit free trade.
But advocates of the Senate standards, led by Murray and Sen. Richard Shelby, R-Ala., said the real issue was safety.
Bush has proposed letting the trucks in first, then auditing the Mexican companies over the next 18 months. Under pressure, the administration said last week it would also require periodic inspections of vehicles as they crossed the border.
The Teamsters began airing radio ads in the Washington area this week asking listeners to ``Tell President Bush: Slow down, keep our highways safe." Teamsters President James P. Hoffa personally telephoned some senators looking for votes, union spokesman Rob Black said.
The recent Senate vote guaranteed only that Gramm and McCain would get no more than 30 hours of debate time on moving the bill one step forward. The two senators claimed to have the parliamentary tools to delay for 30 hours votes at each of four more steps before the Senate could negotiate on a compromise bill with the House.

Insurance Times: NJ survey: 29% say mandated auto rate reductions realized
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TRENTON, N.J. (AP) — About one-third of voters surveyed in a Gannett New Jersey poll said the state's mandatory 15 percent reduction in car insurance rates helped them.
Only 29 percent said their rates were reduced. Thirty-nine percent said they never saw a decrease.
New Jersey imposed the mandatory cut in 1998, and state officials now say the average annual premium is $955.
Yet more than 52 percent of the people polled said they pay more than $1,000 dollars a year for car insurance. Thirty-one percent said they paid less than $1,000.
For the telephone survey, 526 registered voters from around the state who were likely to vote were polled July 12-14. The poll has a margin of error of plus or minus 4 percentage points.
Eighty percent of those polled said insurance companies did not care about them. When asked whether state insurance regulators care about them, 58 percent said no.
The poll also indicates disagreement over ways to improve auto insurance in the state.
For example, 45 percent said they wanted to be able to sue another driver for pain and suffering if they were injured and the accident wasn't their fault.
But 44 percent said they were willing to limit their ability to sue only for the most serious injuries in order to save money.
Those surveyed also were equally divided over whether insurance companies that stop selling auto insurance should be able to sell other kinds of polices in the state.
Forty-two percent thought companies should be able to sell other kinds of policies, while 41 percent said those companies should be banned from the New Jersey market.
Views were mixed over New Jersey's punishment for those who drive without insurance. Thirty-six percent said the punishment was too lenient, 32 percent said it was about right, while 6 percent said it was too harsh.
Residents told the Gannett State Bureau that car insurance was still too expensive.
Paul Fernandez said he pays $3,200 a year to insure three cars, and the cost will become unbearable when his son starts to drive.
``I can't go out and buy my son a $200 car and have to pay $1,800 to insure it," said Fernandez, the director of community relations at Union Hospital. ``Give me a viable solution everybody can live with."

Insurance Times: Lloyd’s offers coverage to nervous dairy, cattle farmers
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WASHINGTON (AP) — The foot-and-mouth outbreak in Britain spared but scared U.S. farmers. Now they can buy some peace of mind: the first U.S. insurance policies to cover income lost should the disease ever reach America.
The coverage offered beginning by a Lloyd's of London subsidiary is believed to the first such insurance in the world.

“We've had a lot of inquiries" without any advertising, said Larry Lawson, who is tracking applications for the policies through Farm Credit Services, a network of government-sponsored banks. “I think we're starting to see it snowball quite a bit."
At first, the policies are only being offered to dairy farms and cattle feedlots. Coverage will be limited to $20 million per state. The policies are designed to pick up where government compensation would leave off.

Quarantined and Destroyed
An outbreak of either foot-and-mouth or mad cow disease would result in livestock being quarantined and destroyed. The Agriculture Department says it would compensate producers for the fair market value but not for the income they would lose during the quarantine.
“The market place seems to be responding to a need," said Bryan Dierlam of the National Cattlemen's Beef Association. ``We'll see what the interest is."
Foot-and-mouth, which was eradicated from the United States in 1929, is harmless to humans but it can devastate a country's livestock industry. An outbreak can shut down exports. Entire herds routinely are destroyed to prevent the disease from spreading.
In Britain's outbreak this year, more than 3.5 million sheep, cows and pigs have been slaughtered.
Foot-and-mouth is found on every continent except North America, Australia and Antarctica.
The insurance also would cover losses from mad-cow disease, which is linked to a fatal disease in humans.
Whether farmers are worried enough about either of the diseases to buy the insurance — which costs $15 for a dairy cow and $5 per head for beef cattle — remains to be seen.
David Battcher, for one, does not think it's worth the risk.
“If we get foot-and-mouth in our cattle, I'll take the cash I have, put the valuables in the car, and you'll never see me again," said Battcher, who has a 900-cow dairy operation near Gaylord, Minn. ``I'm better off spending that money for a couple of extra head of cattle."

Covers Market Value
The insurance will cover 15 percent of the market value of cattle that have to be slaughtered, plus the loss of income, such as a lack of milk production, for up to 90 days. The maximum payout for any one farm is $1 million.
Officials with Crowe Livestock Underwriting Ltd., the Lloyd's subsidiary that is offering the insurance, declined to publicly discuss the product.
“From the feedback I'm getting, the dairy people are more at risk so there is more of an interest" from them, said Carla Pederson, an insurance specialist with Farm Credit Services in Grand Forks, N.D. Farm Credit agents do not receive commissions on the policies.
As of last week, Farm Credit Services had received 20 applications for the policies before an Internet site with details about the insurance went up.
“There was a large amount of interest from people across the nation asking for this type of insurance. We'll see now what their interest is in getting this going," Pederson said.

Insurance Times: NH health risk pool promises greater choice as Fortis returns
August 7, 2001, Vol. XX No. 16

CONCORD, N.H. (AP) — Officials say New Hampshire's plan to have young people pay into a fund to guarantee health coverage to the elderly and poor isn't perfect, but it could lead to greater choice and cheaper prices.
Since 1994, the state's health insurers have had to provide coverage to anyone who asked, regardless of age or financial risk. The rules also limited how much more insurers could charge the elderly compared to the young.
Critics say the rules helped drive away 29 insurance companies from New Hampshire.
Beginning next July, companies will again have the right to refuse coverage to people deemed a risk and will be able to adjust their prices more freely.
Those rejected or unable to afford higher rates will be able to get insurance through a pool of money collected from other people's premiums.
On the heels of the changes, Milwaukee-based Fortis Health is returning to the state.
Fortis announced the company will soon begin selling individual insurance, medical savings accounts and other products in New Hampshire again. About 15,000 people are now insured through the individual insurance market;

another 90,000 are uninsured.
“We're in 48 states and we don't like to leave states, so for us to make the difficult choice to leave a market is directly a result of regulation," said Fortis government relations director Kerry Smith. ``We've never left because of competition or consolidation."
In Kentucky, for instance, 40 individual insurers fled after rules similar to those of New Hampshire's current system were enacted in 1994, leaving just two companies to sell individual policies.
The new risk pool will be overseen by an association of insurance company representatives, brokers, consumer advocates and regulators. They will choose a health insurer to offer four kinds of plans, said David Sky of the state Department of Insurance.
Two plans, he said, will be managed-care programs with networks of doctors and curbs on expenses. Two others will offer traditional indemnity insurance _ one with cheaper premiums and higher deductibles to protect against catastrophic costs only, and the other charging more per month but allowing cheaper deductibles and more extensive benefits.

Insurance Times: OpinionExchange

August 7, 2001, Vol. XX No. 16

“The extensive over-regulation of automobile insurance rates in some states shines a spotlight on the potential benefits of a market-driven approach to oversight,” Independent Insurance Agents of America (IIAA) President-elect Thomas B. Ahart, CPCU, AAI told Congress recently.

Ahart testified at an Oversight and Investigations Subcommittee of the Financial Services Committee hearing. IIAA says its desire is to identify mechanisms that can make the insurance regulatory requirements among the states as uniform as possible and at the same time retain flexibility to accommodate differing local, state and regional needs.

Auto insurance rates are regulated in 49 states. Of those, 31 have a prior approval system requiring carriers to file rates for approval with the state commissioner before using them in the marketplace. In the remaining states, insurers can change prices without prior approval, but usually must file the rates with the insurance commissioner who can subsequently disapprove them. Only Illinois does not allow disapproval.

Citing problems with the rate regulation systems in New Jersey and Massachusetts, Ahart said the regulatory approach of these states is motivated by the political desire to minimize insurance rates.

A study by the American Enterprise Institute-Brookings Institution Joint Center for Regulatory Studies found that state regulation of the $120 billion annual auto insurance market does not significantly decrease prices for consumers but instead generally reduces the availability of coverage and increases price volatility. Conversely, this study found that there is no evidence that prices or profits in states that rely on markets to set rates are excessive or that insurers behave collusively.

Excessive rate regulation, the AEI-Brookings study found, often results in rate suppression, meaning that the total amount of premiums collected in a state is less than would be collected under competition, resulting in a decline in the market value of insurer equity.

For more than 20 years, New Jersey drivers have paid the highest auto insurance premiums in the country. State officials were hopeful that a series of statutory reforms enacted in 1998including a provision that mandated a 15 percent across-the-board rate reduction would ease automobile insurance premium levels, testified Ahart.

Looking closely at New Jersey regulation, Ahart noted that the states regulatory process is hindered by three burdensome requirements. First, insurers cannot earn more than 6 percent of their profits from sales of auto insurance policies over any three-year period. If a carrier does, it is required to return the excess profit to its insureds. Second, insurers are required to take all comers. This requirement inevitably results in good drivers subsidizing bad drivers, without paying higher premiums to make up for the shortfall. Third, New Jersey has imposed a territorial rate cap since the mid-80s that limits rates in high-risk areas to 35 percent over the state average. The law essentially caps rates in

urban areas and forces rural and suburban drivers to subsidize the difference through higher premiums.

Unfortunately, enactment of the 1998 reforms has instead led to the departure of carriers that had insured over 25 percent of all New Jersey drivers, stressed Ahart. The uncertain rate environment, the sheer expense of participating in the rate-making process, the virtual impossibility of obtaining adequate rate increases, and the take all comers requirement all appear to have contributed to the reluctance of carriers to continue their involvement in the New Jersey automobile insurance marketplace.

Ahart said more carriers would have abandoned the state's auto insurance market if they were not required to give up their licenses to offer all types of property-casualty insurance within the state.

In contrast, noted Ahart, efforts to streamline the rate oversight process in Illinois and South Carolina have resulted in dozens of new carriers and the reduction of insurance costs for many drivers.

Illinois has no rate regulation. Even though Illinois is highly industrialized with the massive Chicago urban center, the premiums Illinois drivers pay are consistently ranked in the middle among all states. Also, the Illinois automobile insurance market currently is served by as many carriers as any other state. A South Carolina rate deregulation law enacted in 1999 has drivers there paying $80 less per year and has dropped the state from 26th in the nation in auto insurance rates to 38th. Also, over 100 new carriers have entered the states auto insurance market, noted Ahart.

Proponents of state regulation, of which IIAA is one, must be careful when they lob criticisms of the state system. It's not perfect, but then no system is.

There are numerous criteria that must be considered when judging a regulatory system. Pricing and availability should be at the top of any list as they are on Ahart's list.

But shouldn't fairness, quality, service, and even the status of independent agencies and domestic companies surely be allotted some weight as well?

Insurance Times: Eastern Casualty's not deviating in its lonely pursuit

August 7, 2001, Vol. XX No. 16

Insurer may escape assessments against WCRB member companies for the SRB and anti-fraud efforts but not micro-management by state

by Mark Hollmer
InsuranceTimes

As Eastern Casualty fights for a separate Massachusetts workers compensation rate increase, industry insiders are watching closely to see what happens next.

There's been a lot to grab their attention, because Eastern's management is pushing hard to get its way.

In legal filings, Eastern has come out particularly harsh against the State Rating Bureau – the DOI's actuarial arm that recommended a rate decrease of more than 17 percent rather than the 11.6 percent increase the company is seeking. The SRB supports using experience base, loss development, trend, expenses and underwriting profit, rather than Eastern's use of 2000 data to set a rate.

Eastern Casualty has, among other things, taken shots against the outside consultant the SRB hired to evaluate its filing, accusing him in its latest legal filing of being uninformed and poorly prepared.

Right in the middle of its rate case, the company announced it would stop writing new workers compensation business, in part because of its struggles to win an adequate rate. Eastern Casualty President Jim Moran, however, hinted the company might reconsider depending on the rate granted by Division of Insurance Commissioner Linda Ruthardt. She must make her decision by Sept. 1.

Moran could not be reached for this story. But Edward Donahue, an industry attorney, points out that the state's adversarial rate setting system doesn't give Eastern many other alternatives.

“They are doing it the only other way that’s allowed,” Donahue said.
Eastern was part of the Workers Compensation Rating and Inspection Bureau until last year, when it left to go its own way. This is Eastern’s first independent workers compensation rate filing.
While a company hasn’t followed Eastern’s path in recent memory, if at all, state law allowing the practice for workers compensation insurers has been in place at least the 1980 -- as part of chapter 152. Sections of the law actually date to the 1940s.
Frank O’Brien, regional manager and counsel for the Alliance of American Insurers, counts many workers compensation insurers among its members, and Eastern recently joined the trade association.
O’Brien said many of his members are watching Eastern’s rate case carefully.
“Whenever there is an entity that is following a different path, there is always some interest and maybe some concern with the actions that they’re taking,” he said.
“This is the first time that a company in memory is going off with this route, and whether you want to give them style points or take style points away for how they’re doing it really doesn’t matter,” he said.
“They are in an adversarial proceeding and they’re trying to put forth the best case that they can.”

Is the SRB the problem?
Is Eastern pursuing its rate hike in the best way it can – targeting the SRB actuary and cutting back in the workers compensation market even before its rate case is finished?
It depends on whom you ask.
Donahue said, “Some would argue that the right way, the best way, is to have substantially less administrative control over the rate setting. But that isn’t an option available to Eastern or anybody else.”
The larger issue, Donahue said, is that “the mindset within … the State Rating Bureau is that the market must be micro-managed.
“That is not an attitude that, it seems to me, would be supported by policymakers within the administration, but it is that which grips the rate setting folks on both the auto and (workers) comp sides” in both the SRB and DOI, Donahue said.
“There is a fear, if not an apoplexy, that relinquishing (administrative) control over the rate will result in chaos….”
The fear is “incorrect,” Donahue said, because “49 other states (set rates) better than this.”
Donahue also points to the difference between the SRB recommending a 17 percent rate decrease for Eastern, but settling on a 1 percent increase negotiated for the remaining members of the Workers Compensation Rating and Inspection Bureau.
“For Eastern,” he said, “it doesn’t seem that there could be a swing in any of the factors that go into the rate decision that would yield that kind of differential.
“It almost seems as though some kind of message is … being sent to Eastern, to say ‘don’t rock the boat, or don’t open up the process so that other companies may file individually…”
Officials from the State Rating Bureau declined to comment for this story.
But Stephen D’Amato, head of the State Rating Bureau from 1992 through 1998, disagreed that SRB officials were attempting to send a message.
“It seems to me the SRB is simply making the same kind of rate filing for Eastern as they would have for the rest of the market,” he said.
“When you make a rate filing you don’t win every issue and the settlement with WCRB probably reflects … that … I’m sure the SRB filing (for WCRB) would have been for something significantly negative…”
O’Brien, of AAI, said the SRB is simply fulfilling its role of “being more aggressive in terms of rate suppression.”
At the same time, he said, rate hearings have become “increasingly adversarial.” O’Brien added that “government entities involved in rate setting hearings, whether they be SRB or the Attorney General’s office … sometime take a position simply to be able to take a tact that is clearly, simply different than the industry.”
Don Baldini, assistant vice president for state affairs with the American Insurance Association, said the larger issue is the “laborious” rate case proceeding used for workers compensation. He added his association supports legislation that would scrap the current system and replace it with a loss cost system “because it would be a lot easier for everybody.”
He added that Eastern’s departure from the WCRB has raised other issues. Companies are assessed annually through the WCRB for the state Attorney General’s anti fraud efforts, as well as funding for the SRB and the state’s Insurance Fraud Bureau.
Eastern Casualty is saying it won’t pay the assessment any more because it’s no longer part of the WCRB, Baldini said.
AIA is sponsoring a bill that would require any workers compensation insurer to pay their annual assessment whether or not they are WCRB members, he said.

One way to work within the system?

Instead of a lengthy rate case, D'Amato said Eastern could just use the industry rates agreed to by the Workers Compensation Rating and Inspection Bureau –the 1-percent increase -- and then just not deviate downward as much. In theory, the smaller deviations would give Eastern the rate increase it says it needs to not lose money.
"I think an important issue to examine would be how this rate filing would affect final premiums Eastern ends up charging," D'Amato said.
"If they end up deviating downward from these rates to a level below that which the WCRB just received in its settlement, then it seems Eastern could have avoided this hearing by accepting the industry wide settlement result, and filing for a lesser deviation from those rates than they would have otherwise.
"But," D'Amato added, "it's not for me to say what decision Eastern should or should not have been making."
Eastern offered up to a 30 percent credit under the DOI's 1999 rate deviation decision, according to DOI spokesman Christopher Goetcheus. And as of April 1, he said, the company applied to offer up to a 25 percent deviation on certain categories, "and that was approved."
In the end, Goetcheus said, Ruthardt will ultimately base her decision on the evidence, "as she's done in every other case … and that's the point that's missed.
"These cases are based on evidence presented by the parties and she reviews that evidence."

Insurance Times: Royal & SunAlliance Y2K suit dismissed

August 7, 2001, Vol. XX No. 16

CHARLOTTE, N.C. — Royal & SunAlliance USA announced that Unisys Corp. has voluntarily dismissed its lawsuit seeking to recover more than $35 million in Y2K remediation costs from its property insurers.
Unisys filed the Y2K lawsuit in August 1999 in Delaware against two Royal & SunAlliance companies and two co-insurers, Allendale Mutual Insurance Co. and Insurance Company of North America.
The case was dismissed by a stipulation filed with the Delaware Superior Court. Unisys withdrew its lawsuit after nearly two years of intense litigation without any settlement or payment from the insurers.
The Unisys case was one of the first lawsuits filed by a company seeking to require its property insurers to pay for costs spent on preparing computer systems for the Year 2000. Unisys sued each of the companies that provided it property insurance from 1988 through 2000, claiming that its Y2K-related costs were covered expenses under a provision in the policies known as the "sue and labor" clause. The two Royal & SunAlliance insurers had the greatest stake in the lawsuit because their coverage period spanned from 1996 to 2000.
When asked about the terms of dismissal, L. D. Simmons, counsel for Royal & SunAlliance stated: "This decision by Unisys effectively shuts the case down and should be a clear signal to attorneys and policyholders pursuing these claims that they have little merit. We believe Unisys recognized the expensive nature of this litigation and that ultimately the courts would not accept its arguments."

Insurance Times: Pawtucket requires pit bull owners to get insurance

August 7, 2001, Vol. XX No. 16

PAWTUCKET, R.I. (AP) — Pawtucket city leaders are requiring owners of pit bull breeds and Rottweilers to get insurance for their pets.
An amendment to the city's dog ordinance passed by the city council earlier this month mandates owners purchase $25,000 in liability insurance for each dog.
The law applies to pit bulls of mixed breed, or those identified as American pit bull terriers, Staffordshire bull terriers or American Staffordshire terriers.
There have been several pit bull attacks in Pawtucket in the past year, including incidents last summer when a Chihuahua was killed, and a woman, mail carrier and elderly man were attacked.
Last month, a pit bull was shot dead in Foster after it gnawed through a screen window and attacked a golden retriever.
Nationwide, pit bulls are blamed for 66 of the 238 cases between 1979 and 1998 in which people suffered fatal dog bites, according to a study published last year in the journal Veterinary Medicine Today. Rottweilers were blamed in 39 fatal dog-bite cases, the study said.

Insurance Times: Liberty Mutual achieves group auto milestone
August 7, 2001, Vol. XX No. 16

BOSTON -- Liberty Mutual Group, provider of the most-sponsored group voluntary auto and homeowners insurance program in the United States, recently achieved sales milestones for its Group Savings Plus program. Earlier this year, Liberty Mutual surpassed 1 million in-force Group Savings Plus policies, and $1 billion in in-force premium for the product.

"We have had such rapid growth over the last four years because an increasing number of employers and associations of all sizes recognize the value of a voluntary auto and home insurance program," said Himanshu I. Patel, senior vice president and manager, mass marketing, at Liberty Mutual. "We have been fortunate to gain market share through a reputation for achieving high participation rates and service excellence."

A recent Hewitt Associates study reveals 35 percent of companies polled either offer or were planning to offer a voluntary auto and homeowners insurance program to their employees by the end of 2000, compared to just 8 percent in 1994.

"One way we retain employees is to offer competitive benefits, and a voluntary auto and home insurance program is an important part of our HR benefits strategy," said Michael R. Robertson, director, Human Resources, at EMS Technologies in Norcross, Ga.

Associations also have incentive to participate in a voluntary insurance program -- increased retention and new member referrals, and a valuable source of income through member participation. "The response from our alumni has been very positive and the financial benefit for the association is a welcome addition to our annual fund," said Ellie O'Neill, director of alumni affairs, Rhode Island College Alumni Association.

Group Savings Plus is a no-cost addition to companies' and associations' benefits packages. The voluntary auto and homeowners insurance program is offered to employees and members of more than 6,500 companies and associations throughout the United States and Canada, making Group Savings Plus the most-selected program of its type. Policyholders are provided with low insurance rates, many at a group discount, and the convenience of payment choice: payroll deduction, automatic checking account withdrawal or direct home billing.

Insurance Times: Credit scoring by auto insurers gaining in practice even as criticism mounts
August 7, 2001, Vol. XX No. 16

by Dave Carpenter
Associated Press

CHICAGO (AP) — Paying bills late has unintended consequences for many Americans: it makes their car insurance rates higher.

And if a driver has a bankruptcy or financial turmoil in his past, coverage may be hard to afford or unavailable altogether.

In a practice drawing opposition from consumer advocates and scrutiny from state officials, auto insurers are relying more and more on credit scoring when making their rate decisions. More than half of auto insurance companies are now believed to use credit scoring in setting rates.

Industry watchers say the practice is gaining so fast in importance that, for some insurers, credit history carries more weight than driving record.

The credit scores, derived from a consumer's credit background, is a relatively quick and inexpensive way for insurers to underwrite and assess risk. They say it increases competition by enabling more companies to operate nationwide, while allowing them to reward financially responsible clients with the best rates.

“Financial stability is an extremely powerful predictor of future losses," said counsel Steven Sheffey of Allstate Corp., the Northbrook, Ill.-based No. 2 car insurer. “It helps us write insurance, we can keep the cost of insurance less, and we also have a more fair underwriting structure."

But consumer watchdogs want the practice reined in out of concern that insurers, who are generally not required to disclose how they apply the data, could use credit histories unfairly. They also argue that credit scoring typically rewards white, affluent consumers while penalizing the poor and minorities.

“We worry about it because we think it might be a surrogate for prohibited factors such as race and income," said Robert Hunter, insurance director for the Consumer Federation of America, who urged Congress last month to push for more regulatory oversight.
About 20 states have introduced legislation to prohibit or restrict the use of credit scoring, and several have ruled it cannot be the sole determining factor in premium or underwriting decisions.
Insurers insist there's no discrimination, but as consumers learn about credit scoring, more are stepping forward to protest. Colorado's insurance department moved to limit how the scores are used after being barraged by complaints.
“It may work, from a statistical standpoint," said Colorado insurance commissioner William Kirven. “But it has to be used judiciously, and you have to not penalize people just because they have a low score."
June Dailey, 80, of Fort Lupton, Colo., got a notice this spring from her auto insurer, the Horace Mann Insurance Co., saying her monthly payments were rising to $61.12 from $41.49, a 47 percent hike attributed largely to her credit standing.
The retired schoolteacher says she's never paid a bill late and has had one accident in 64 years of driving — a fender-bender seven years ago.
Dailey's problem is that, true to her Depression-era values, she pays for everything in cash. Because she has no credit cards, she has a very short credit history, though that history does include a perfect 47-year record as a Horace Mann client.
“I've paid my bills. I've tried to be trustworthy. And I feel like I'm being penalized for being an excellent customer," she said.
Horace Mann spokesman Paul Wappel says the Springfield, Ill.-based company considered a number of factors, including credit background, in raising Daley's premiums.
“Credit history provides a consistent, reliable tool to evaluate the risk of insuring someone without unfairly discriminating against any specific group of customers," Wappel said. No exception was made for her situation, he said, because ``we have to treat everyone equally."
David Birnbaum, executive director of the Center for Economic Justice, said there's been no comprehensive independent study of a link between credit problems and car accidents.
“Even if there was a definitive relationship, that doesn't mean it has to be used," said Birnbaum, whose Austin, Texas-based nonprofit group advocates on behalf of low-income consumers on insurance matters. ``There can be errors in your credit history. And it could be penalizing people who simply encountered hardship and have chosen to pay medical bills instead of credit cards."
Addressing the issue in a 1998 study, the Public Interest Research Group found that 29 percent of 133 credit reports it examined contained serious errors.
Similar concerns have been raised involving the use of credit scoring to determine whether to grant home loans.
Birnbaum criticized state insurance regulators for moving too slowly to restrain a practice that has mushroomed with the proliferation of information available on the Internet.
Insurance companies' unwillingness to reveal specifics of their pricing decisions has added to wariness about the practice, according to those involved in the debate.
“Regulators are concerned about this and are actively looking into the veracity of the whole system," said Eric Nordman, research director of the National Association of Insurance Commissioners, which oversees the industry.
“I guess the jury's out on whether it's a good thing or a bad thing."

Insurance Times: Identity theft policies help avoid costs and headaches

August 7, 2001, Vol. XX No. 16

by Masha Herbst
Associated Press

HARTFORD (AP) — Bob Nighan brushed off the messages he kept receiving from a merchant referencing an order he hadn't placed.
“I thought it was just a case of mistaken identity," said Nighan, a vice president at Travelers Insurance.
It turned out to be a case of stolen identity. A thief had used Nighan's credit card to purchase $1,500 in golf equipment.
Nighan was lucky — the crime against him was relatively minor. Other victims of identity theft have spent years and thousands of dollars in lost wages, attorney fees and phone bills while trying to put their lives back in order. There are

no definitive statistics for victims, but estimates range from 350,000 to 700,000 per year.
Thanks in part to Nighan's experience, Hartford-based Travelers is now offering identity theft insurance in most states and the District of Columbia.
Holders of homeowners, condo or renters policies can add identity theft insurance for $25 a year. The policy offers $15,000 in coverage, including lost wages up to $2,000, notary and certified mail costs, loan reapplication fees, phone bills and attorney fees.
Travelers started offering the insurance in 1999, and by the end of 2001 it will be available in all states except Alaska, Florida, Hawaii, North Carolina and Texas.
“For $25 it is absolutely worth it," said Linda Foley, director of the San Diego-based Identity Theft Resource Center and a victim herself. “The average victim spends 175 hours and $808 in out-of-pocket expenses — and that does not include legal costs."

Nine Cases
Foley said she has been in court nine times trying to clear up a case of stolen identity where the perpetrator was her employer. Using Foley's social security number, the woman opened credit card accounts and a cell phone account in her name.
“If I wanted to work, I had to give her the information she could then use to steal my identity," Foley said.
Travelers is also test-marketing a freestanding policy in nine states that offers between $5,000 and $30,000 in coverage with an annual premium of between $55 and $200.
Another insurer, the Chubb Group of Insurance Companies, of Warren, N.J., includes identity theft insurance with its homeowners policy, offered in the District of Columbia and all states except Arkansas, California, Louisiana, North Carolina, Oregon and Vermont. It provides up to $25,000 in coverage.
Chubb spokeswoman Mary Ann Avnet would not disclose the number of identity theft claims the company has received.
While the insurance takes care of most financial costs faced by identity theft victims, it doesn't eradicate all of the crime's repercussions, said Federal Trade Commission spokeswoman Betsy Broder.
“People feel extremely vulnerable after identity theft because they never know if it will strike again," Broder said. ``Any circumstances where the credit report is relied upon — lo and behold the prospective creditor or employer looks and sees substantial debt, changes of address, and they think you're a risk."
Broder would not say whether she believes identity theft insurance is a good investment, calling it an individual decision.
“People should not be lulled into a false sense of security," she added.

Insurance Times: Workers comp insurers share data on musculo-skeletal and ergonomic injuries
August 7, 2001, Vol. XX No. 16

WASHINGTON, D.C. — The workers compensation industry is offering its substantial database to the U.S. Department of Labor to help it formulate policy on musculo-skeletal disorders (MSD) and ergonomic injuries.
D.W. "Bill" Schrempf, president and CEO of the National Council on Compensation Insurance, Inc. (NCCI), recently provided detailed information regarding the frequency and cause of many musculo-skeletal disorders (MSD) and ergonomic injuries in testimony before a panel from the DOL.
Schrempf offered to make available to the department NCCI's extensive research and data capabilities regarding the issue of workplace injuries as it seeks to define MSDs and determine federal policies and rules that should apply to them.
Schrempf told federal officials that the NCCI data could help them gain insight into work-related injuries and their origins.
“For example, our analysis shows that two of the most likely categories for inclusion in the definition of MSDs -- back injuries and cumulative trauma injuries -- have quite different profiles. Back injuries are overwhelmingly the result of one time events and reflect more than 20% of lost-time claims,” he said. “Lost-time claims for cumulative injuries account for approximately 4% of all work-related injuries and these injuries typically arise in different industries and occupations than the typical lost-time claims. These distinctions complicate development of a single policy or approach."
Schrempf gave the panel actual examples of the data analysis NCCI is able to offer the DOL as it seeks to define and

develop policies to address MSDs including:
-- Most back injuries result from one-time events such as sprains and strains.
-- Cumulative back injuries are a very small percentage of claims in all states.
-- Carpal tunnel injuries account for about 2% of all lost-time claims.
-- About 2/3 of all carpal tunnel claims involve women. Two thirds of all other lost-time claims are presented by men.
-- Frequency for all claims has declined by over 25% over the last 10 years. Injury frequency for back and cumulative trauma injuries has fallen at an even greater rate.

Insurance Times: Insurers object to NH credit scoring rule

August 7, 2001, Vol. XX No. 16

by Penny Williams
InsuranceTimes

CONCORD, N.H. — The New Hampshire Insurance Department (NHID) issued an outline of its re-worked credit regulation that it plans to file with the Joint Legislative Committee on administrative Rules (JLCAR) by August 10.
Following release of the outline, a meeting was held, attended by representatives from the American Insurance Association, Peerless, Foy Insurance Group, Liberty Mutual, State Farm. Amica, Acadia, National Association of Independent Insurers, Travelers, Progressive, Alliance of American Insurers, New Hampshire Association of Domestic Insurance Cos., Allstate, Grange Mutual, and Assistant Commissioner Mike Averill representing the NHID.
Insurers and trade associations are concerned that aspects of the proposed rule are in conflict with the federal Fair Credit Reporting Act (FCRA).
Insurers are also upset over the amount and type of consumer disclosure required of them concerning their use of credit information. Insurers maintain that the statistical material they utilize is too complicated to be useful for consumer consumption.
Finally, insurers expressed opposition to having to issue new credit scores every three years.
Gerald Zimmerman, senior counsel for the National Association of Independent Insurers (NAII), indicated that once state law prohibits the use of credit as the sole basis for underwriting and ratemaking, the proposed regulation is unnecessary.
Once the rule has been submitted to the JLCAR but before that body renders a decision, another meeting will be scheduled so that industry input can be heard regarding any final changes that may be considered necessary. p

Insurance Times: Royal & SunAlliance Y2K suit dismissed

August 7, 2001, Vol. XX No. 16

CHARLOTTE, N.C. — Royal & SunAlliance USA announced that Unisys Corp. has voluntarily dismissed its lawsuit seeking to recover more than $35 million in Y2K remediation costs from its property insurers.
Unisys filed the Y2K lawsuit in August 1999 in Delaware against two Royal & SunAlliance companies and two co-insurers, Allendale Mutual Insurance Co. and Insurance Company of North America.
The case was dismissed by a stipulation filed with the Delaware Superior Court. Unisys withdrew its lawsuit after nearly two years of intense litigation without any settlement or payment from the insurers.
The Unisys case was one of the first lawsuits filed by a company seeking to require its property insurers to pay for costs spent on preparing computer systems for the Year 2000. Unisys sued each of the companies that provided it property insurance from 1988 through 2000, claiming that its Y2K-related costs were covered expenses under a provision in the policies known as the "sue and labor" clause. The two Royal & SunAlliance insurers had the greatest stake in the lawsuit because their coverage period spanned from 1996 to 2000.
When asked about the terms of dismissal, L. D. Simmons, counsel for Royal & SunAlliance stated: "This decision by Unisys effectively shuts the case down and should be a clear signal to attorneys and policyholders pursuing these claims that they have little merit. We believe Unisys recognized the expensive nature of this litigation and that ultimately the courts would not accept its arguments."

Insurance Times: Pawtucket requires pit bull owners to get insurance
August 7, 2001, Vol. XX No. 16

PAWTUCKET, R.I. (AP) — Pawtucket city leaders are requiring owners of pit bull breeds and Rottweilers to get insurance for their pets.
An amendment to the city's dog ordinance passed by the city council earlier this month mandates owners purchase $25,000 in liability insurance for each dog.
The law applies to pit bulls of mixed breed, or those identified as American pit bull terriers, Staffordshire bull terriers or American Staffordshire terriers.
There have been several pit bull attacks in Pawtucket in the past year, including incidents last summer when a Chihuahua was killed, and a woman, mail carrier and elderly man were attacked.
Last month, a pit bull was shot dead in Foster after it gnawed through a screen window and attacked a golden retriever.
Nationwide, pit bulls are blamed for 66 of the 238 cases between 1979 and 1998 in which people suffered fatal dog bites, according to a study published last year in the journal Veterinary Medicine Today. Rottweilers were blamed in 39 fatal dog-bite cases, the study said.

Insurance Times: Liberty Mutual achieves group auto milestone
August 7, 2001, Vol. XX No. 16

BOSTON -- Liberty Mutual Group, provider of the most-sponsored group voluntary auto and homeowners insurance program in the United States, recently achieved sales milestones for its Group Savings Plus program. Earlier this year, Liberty Mutual surpassed 1 million in-force Group Savings Plus policies, and $1 billion in in-force premium for the product.
"We have had such rapid growth over the last four years because an increasing number of employers and associations of all sizes recognize the value of a voluntary auto and home insurance program," said Himanshu I. Patel, senior vice president and manager, mass marketing, at Liberty Mutual. "We have been fortunate to gain market share through a reputation for achieving high participation rates and service excellence."
A recent Hewitt Associates study reveals 35 percent of companies polled either offer or were planning to offer a voluntary auto and homeowners insurance program to their employees by the end of 2000, compared to just 8 percent in 1994.
"One way we retain employees is to offer competitive benefits, and a voluntary auto and home insurance program is an important part of our HR benefits strategy," said Michael R. Robertson, director, Human Resources, at EMS Technologies in Norcross, Ga.
Associations also have incentive to participate in a voluntary insurance program -- increased retention and new member referrals, and a valuable source of income through member participation. "The response from our alumni has been very positive and the financial benefit for the association is a welcome addition to our annual fund," said Ellie O'Neill, director of alumni affairs, Rhode Island College Alumni Association.
Group Savings Plus is a no-cost addition to companies' and associations' benefits packages. The voluntary auto and homeowners insurance program is offered to employees and members of more than 6,500 companies and associations throughout the United States and Canada, making Group Savings Plus the most-selected program of its type.
Policyholders are provided with low insurance rates, many at a group discount, and the convenience of payment choice: payroll deduction, automatic checking account withdrawal or direct home billing.

Insurance Times: Credit scoring by auto insurers gaining in practice even as criticism mounts
August 7, 2001, Vol. XX No. 16

by Dave Carpenter
Associated Press

CHICAGO (AP) — Paying bills late has unintended consequences for many Americans: it makes their car insurance rates higher.

And if a driver has a bankruptcy or financial turmoil in his past, coverage may be hard to afford or unavailable altogether.

In a practice drawing opposition from consumer advocates and scrutiny from state officials, auto insurers are relying more and more on credit scoring when making their rate decisions. More than half of auto insurance companies are now believed to use credit scoring in setting rates.

Industry watchers say the practice is gaining so fast in importance that, for some insurers, credit history carries more weight than driving record.

The credit scores, derived from a consumer's credit background, is a relatively quick and inexpensive way for insurers to underwrite and assess risk. They say it increases competition by enabling more companies to operate nationwide, while allowing them to reward financially responsible clients with the best rates.

“Financial stability is an extremely powerful predictor of future losses," said counsel Steven Sheffey of Allstate Corp., the Northbrook, Ill.-based No. 2 car insurer. “It helps us write insurance, we can keep the cost of insurance less, and we also have a more fair underwriting structure."

But consumer watchdogs want the practice reined in out of concern that insurers, who are generally not required to disclose how they apply the data, could use credit histories unfairly. They also argue that credit scoring typically rewards white, affluent consumers while penalizing the poor and minorities.

“We worry about it because we think it might be a surrogate for prohibited factors such as race and income," said Robert Hunter, insurance director for the Consumer Federation of America, who urged Congress last month to push for more regulatory oversight.

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Insurers insist there's no discrimination, but as consumers learn about credit scoring, more are stepping forward to protest. Colorado's insurance department moved to limit how the scores are used after being barraged by complaints.

“It may work, from a statistical standpoint," said Colorado insurance commissioner William Kirven. “But it has to be used judiciously, and you have to not penalize people just because they have a low score."

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“Even if there was a definitive relationship, that doesn't mean it has to be used," said Birnbaum, whose Austin, Texas-based nonprofit group advocates on behalf of low-income consumers on insurance matters. ``There can be errors in your credit history. And it could be penalizing people who simply encountered hardship and have chosen to pay medical bills instead of credit cards."

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Insurance companies' unwillingness to reveal specifics of their pricing decisions has added to wariness about the practice, according to those involved in the debate.

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by Masha Herbst
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“People feel extremely vulnerable after identity theft because they never know if it will strike again," Broder said.
``Any circumstances where the credit report is relied upon — lo and behold the prospective creditor or employer looks and sees substantial debt, changes of address, and they think you're a risk."
Broder would not say whether she believes identity theft insurance is a good investment, calling it an individual decision.
“People should not be lulled into a false sense of security," she added.

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Insurers and trade associations are concerned that aspects of the proposed rule are in conflict with the federal Fair Credit Reporting Act (FCRA).
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Insurance Times: Insurance company eliminating 70 jobs

August 7, 2001, Vol. XX No. 16

WEST DES MOINES, Iowa (AP) — The new owners of a West Des Moines insurance company will lay off 70 of 160 workers.
Protective Life Insurance Co. of Birmingham, Ala., is purchasing Inter-State Assurance, a company that currently employs 160 people. Officials with Protective Life said they may cut the remaining 90 jobs next year when they decide whether to close the office or keep it open.
The $253 million deal also includes acquiring Inter-State's sister company, First Variable Life Insurance Co. in Oakbrook, Ill. The sale is expected to be completed this fall.
If the deal is approved, Inter-State would merge into Protective Life. Once the acquisition closes, no new policies would be marketed under the Inter-State name, said Jerry DeFoor, Protective Life's vice president and controller. Existing customers and their plans won't be affected, he said.
Most of the cuts are related to marketing, but DeFoor did not release specific details about the layoffs. Nearly 90 jobs were offered to administrative workers.
Protective Life officials were in Des Moines last month to discuss their plans with employees. DeFoor said the company will phase out First Variable's operations first because its office leases are expiring.
Workers will receive a severance package negotiated by Irish Life.
Protective Life is buying Inter-State for its $100 million in annual premiums and field sales force, DeFoor said.
The company wants to hire more insurance agents and field representatives to sell Protective Life policies.
The sale also brings Protective Life more business which allows it to spread operating costs, DeFoor said.
The Alabama insurance company will evaluate workers and probably make offers to some who are interested in relocating, DeFoor said.
Protective Life also has offices in St. Louis, Mo., San Francisco, Calif., and Nashville, Tenn. The company has about $16.3 billion in assets.

Insurance Times: Maine urologist pleads guilty to fraud

August 7, 2001, Vol. XX No. 16

BOSTON (AP) — A Maine urologist pleaded guilty to health care fraud for conspiring to bill insurance companies for

free samples of a drug used to treat prostate cancer, authorities said.
Joel Olstein, 55, of Lewiston, Maine, received free samples of the drug Lupron Depot from manufacturer TAP Pharmaceutical Products Inc. with the understanding that he would prescribe the samples and bill the patients' health insurers between $400 and $550 for each free sample, federal prosecutors said.
Olstein received 90 free samples from the beginning of 1993 through at least July 1996, gave the samples to his patients, and submitted claims to their insurers totaling between $40,000 and $70,000, prosecutors said.
U.S. District Judge Nancy Gertner scheduled sentencing for Oct. 16. Olstein faces a maximum of five years in prison and a $250,000 fine.
Olstein is the fourth urologist charged in the investigation, which is ongoing.
Three other urologists pleaded guilty to health care fraud, including Dr. Rodney Mannion, practicing in LaPorte and Michigan City, Ind.; Dr. Jacob Zamstein, of Bloomfield, Conn.; and Dr. Joseph Spinella, of Bristol, Conn.

Insurance Times: NY uninsured eligible but failing to enroll
August 7, 2001, Vol. XX No. 16

ALBANY — More than half of the three million New Yorkers who have no health insurance are eligible for coverage but are not enrolling because of excessive paperwork, according to state Comptroller H. Carl McCall.
McCall said 34 other states have lower percentages of their population without health coverage than New York does at 16.4 percent, which he said ties the Empire State with Mississippi. The state's nearby neighbors all have lower percentages than New York: Pennsylvania (9.4 percent), Connecticut (9.8 percent), Massachusetts (10.5 percent), Vermont (12.3 percent) and New Jersey (13.4 percent).
McCall, a Democrat, faulted the Republican administration of a man he may run against next year for governor — George Pataki — for not making health insurance programs easier to navigate.
McCall chiefly recommended using the same insurers for Medicaid and Child Health Plus. McCall said that would eliminate the need for recipients to find new doctors when they switch between the two programs.
He also urged that recertification requirements be eased for those in Medicaid managed care and Child Health Plus.
“Red tape is a barrier for too many families that are eligible," McCall said. ``Even those who successfully navigate the complicated enrollment process often face difficulties staying enrolled."
A spokesman for Pataki's Health Department said it has worked hard to simplify paperwork surrounding health programs for lower-income New Yorkers.

Insurance Times: NJ department hears Pru plan to go public Several consumer groups questioned the giant insurer’s plan
August 7, 2001, Vol. XX No. 16

TRENTON, N.J. (AP) — The chief executive officer of Prudential Insurance Co. of America said the company's plan to become a publicly traded company will benefit the company and its policyholders.
Arthur F. Ryan, chairman and CEO of the nation's largest life insurer, testified at a recent hearing conducted by the state Department of Banking and Insurance, which must approve the demutualization plan.
The proposal has been moving through various regulatory steps over the past seven months. It requires the approval of at least two-thirds of the policyholders who vote, and at least 1 million must vote.
Policyholders can mail in a ballot or vote by telephone or Internet. The deadline is July 31.
Ryan said the plan is the only practical means of putting the company's value “into the hands of our policyholders."
He said it also will allow Prudential to compete with an insurance industry increasingly filled with consolidating companies.
Several activist groups, including New Jersey Citizen Action and the Center for Community Change, questioned the plan, saying Prudential needs to make sure the demutualization benefits all policyholders — not just those with the most money.
The company anticipates it could become one of the most widely held U.S. stocks, with each policyholder getting at least eight shares.
If approved, the so-called demutualization, announced in 1998, could be completed by the end of the year.

The Newark-based financial giant intends to raise up to nearly $3.9 billion when it converts from a mutual company owned by the policyholders.
It plans to distribute 454.6 million shares to policyholders, according to the registration statement for what will be called Prudential Financial Inc.
In addition, Prudential plans to sell 89 million shares to the public, according a filing with the Securities and Exchange Commission.
The company said the average worth to policyholders cannot be calculated because they are also getting cash and other considerations.
Prudential had more than $371 billion in assets under management as of Dec. 31, making it among the largest financial services institutions in the world.

Insurance Times: Faked death earns Conn. man 5-year prison term

August 7, 2001, Vol. XX No. 16

BRIDGEPORT, Conn. (AP) — A man who was believed to have burned to death in a car accident in Mexico in 1998 was sentenced to five years in federal prison on fraud charges.
Prosecutors said Madison Rutherford, 39, formerly of Bethel, faked his own death to collect $7 million in insurance. He pleaded guilty to wire fraud in February.
At his sentencing, U.S. District Court Judge Stefan R. Underhill ordered Rutherford to pay restitution in an amount to be determined.
“This is a very, very serious offense," Underhill said. “You have left a lot of pain and loss in your wake."
Rutherford was declared dead after the July 11, 1998, accident on a freeway in Mexico.
Among the charred remains, police found four human teeth, some bones, a medical alert necklace containing the words “penicillin" and the name “M. Rutherford" and a black wristwatch inscribed “To Madison-Love Rhynie."
But when Rutherford's widow tried to collect the insurance money soon after the accident, one of the companies ordered an investigation of his death.
A forensic anthropologist quickly discovered that the bones that had been found actually belonged to an American Indian at least 20 years older than Rutherford. The anthropologist also said the fire had been set with an accelerant.
Assistant U.S. Attorney Christopher Eisser said that Rutherford apparently desecrated a grave for the human remains that were placed in the car.
Rutherford's now estranged wife, Rhynie Jefferson, will be sentenced next month for her part in the scheme.
Testifying on his son's behalf, John Sankey — Rutherford's father — said he spent more than two years believing his son had died.
“We went over to the home and offered condolences," he said.
Sankey made an impassioned plea for mercy, telling the judge that another son had recently died of leukemia.
Before being led away to prison with tears in his eyes, Rutherford asked for his parents' forgiveness and asked his father to visit him behind bars.
“I am very sorry this whole thing happened," he said.
Most of the sentencing hearing, which lasted more than five hours, focused on Rutherford's dealings as a financial adviser.
To show a pattern of criminal behavior, prosecutors presented evidence that Rutherford had defrauded a client of about $300,000.
The defense focused on Rutherford's relationship with Jefferson, who is 20 years his elder. He met her when he was a teen-ager.
“There was something pathological about the relationship, mutually," said defense attorney Paul Thomas. “There can be no question that this was a relationship that had unique and ultimately destructive chemistry to it."
Rutherford was arrested in November after a private investigator working for Kemper Life Insurance tracked him to Boston where they discovered him working under the name Thomas Hamilton.
It was not the first time Rutherford had used another name. He was born John Patrick Sankey but began using Rutherford in the late 1980s. He legally changed his name May 23, 1996.
Rutherford spent six months in prison in 1993 after being arrested on larceny charges.

Insurance Times: Japan faces meltdown in its universal health insurance
August 7, 2001, Vol. XX No. 16

by Kenji Hall
Associated Press

TOKYO — Dr. Katsura Nakakawaji's daily ritual starts at 9:30 a.m. with a visit from a 70-year-old patient.
The man wants ultrasound and massage for his joints, which are arthritic and sore. He doesn't really need the treatment, and Nakakawaji suspects the main reason he comes is to chat with other elderly patients, all regulars, in the waiting room.
“He comes every day because it costs him close to nothing," said Nakakawaji, whose clinic is in a quiet, upscale neighborhood. “But he doesn't realize that someone has to pay for his visits."
That someone is the government — and the government is running out of money.
Japan's public and private insurance programs guarantee medical care for nearly all of the nation's 126 million people. Patients can be treated at almost any hospital or clinic. Insurance plans rarely resist paying for treatments ordered by doctors. Infants get free health care.
But the program, often held up as a shining example of Japan's postwar economic miracle, is on the brink of collapse.
“The insurance system will fall apart unless the government can completely overhaul it," said Hiroyuki Uchiyama, an official at the Health, Welfare and Labor Ministry who oversees the program.
The threat of a meltdown comes as Japan's population is rapidly graying, meaning tax revenues are dwindling while costs are increasing, and as its economy stumbles along in a decade-old stagnation.
It also comes at a time of declining public faith in the medical profession. A rise in botched surgeries, accidental deaths and other mishaps and cover-ups at hospitals has brought attacks in the media and broken down the long-standing taboo of questioning doctors.
Prime Minister Junichiro Koizumi, who took office in April, has vowed to shake up the system. A reform proposal, already two years overdue, is expected this fall.
Koizumi's biggest challenge will be to revive the state-run insurance program, which covers one-third of all Japanese. Its finances have been in the red for seven of the past eight years. By the end of this year, the program will have run up a record $4.9 billion debt and exhausted the reserves that have kept it afloat.
Japan's problems are piling up even though its medical costs remain low compared with most other developed countries, thanks to a government price list that regulates what doctors can charge for surgery, treatments and drugs.
The Organization for Economic Cooperation and Development says Japan spent 7.2 percent of its gross national product on health care in 1995, compared with 14.2 percent by the United States and 10.4 percent by Germany. Britain's was 6.9 percent.
Low-cost health care for the masses has been vital to Japan's rise after World War II from a poor, malnourished nation to an economic powerhouse.
Infant mortality is among the lowest in the world, and life expectancy was 84 years for women and 77 years for men in 1999, up from 54 years for women and 52 years for men in 1947.
But longevity is also at the root of Japan's current predicament.
Last year, Japan spent more than one-third of its $243 billion health care bill on one-sixth of the population — the 21.9 million Japanese aged 65 and older.
In five years, one in four Japanese will be in that category, giving Japan the world's oldest population. In 25 years, the elderly will account for half of Japan's medical bill.
Waste is a problem because of the low cost to patients. Many get surgery they don't need and tests they have had before and take medicine for conditions that aren't serious or chronic. Hospital stays average 40 days, the longest in the world.
Shigeaki Hinohara, a director at St. Luke's Hospital in Tokyo, said doctors often draw blood and give injections, tasks that would cost much less if left to nurses.
Because hospitals pay pharmaceutical companies less for drugs than they charge patients, many doctors prescribe pills when a low-fat diet and exercise would do the trick.
“It's all standard practice for doctors. They do it so they can charge higher rates," said Hinohara, who has lobbied for reforms for decades. ``There has to be a change in the laws. But there also has to be a change in thinking."
So far, the government has been reluctant to act.
Four years ago, it raised co-payments for most people from 10 percent of the doctor's bill to 20 percent. And the elderly, who once had free health care, now pay a small fee for doctor visits.

Among proposals under consideration are spinning off insurance for the elderly and increasing their co-payments and premiums to spread cost consciousness.
Other proposals would tighten price controls on drugs to limit profits hospitals can make from prescriptions and force doctors to share patient charts with one another as a way of avoiding excess tests.
But there is no consensus. The Japan Medical Association, private insurance carriers and the Keidanren, the country's biggest business organization, each have their own reform plan, which would preserve parts of the system they benefit from.
Doctors may represent an even bigger hurdle.
Many have become wealthy under the current system and will resist changes that threaten their status, said Nakakawaji, the physician. But he predicts market forces and public demand will force an overhaul.
“Change will come," he said. “It's inevitable."

Insurance Times: NJ infertility treatments benefit almost law

August 7, 2001, Vol. XX No. 16

TRENTON, N.J. (AP) — A bill requiring health insurance companies to pay for infertility treatments needs only the governor's signature to become law.
The legislation, though, which aims to have insurers cover such treatments as in vitro fertilization, has both advocates and critics.
On one side are those whose only chance of getting pregnant is modern medicine. On the other side are health insurance companies, who say their costs _ and ultimately, those who they insure — will spike upward is Acting Gov. Donald T. DiFrancesco signs it.
DiFrancesco supported the legislation as a state senator.
In New Jersey, there are an estimated 350,000 infertile couples. Modern fertility treatments, which can cost up to $10,000, have a 50-percent success rate.
For those residents, though, the procedures are their only hope for conception.
“This bill would make the management of infertility follow the more realistic pattern: what is best for the patient," says Peter Van Deerlin, a reproductive endocrinologist with the South Jersey Fertility Center, located in Marlton. “Now, we are governed by what the company covers, and those treatments are often futile."
Under the provisions of the bill, only companies insuring more than 50, and who normally cover pregnancy-related costs, would be required to foot the treatments' price tag.
Supporters say the extra cost of insuring the more expensive procedures would be balanced by the money saved when patients receive appropriate procedures sooner, rather than later.
But critics say such legislation would shoot costs for everyone through the roof.
“The more you mandate, the more employers have to pass on price increases to their employees," says Michele Guhl, president of the New Jersey Association of Health Plans that opposes the bill.
If the bill becomes law, New Jersey would join 12 other states that require insurance providers to cover at least some of the cost of infertility procedures.
Some of those states, though, require that insurers provide only the option of buying into plans that cover the treatments.

Insurance Times: Ruling could open Medicare audits to patients

August 7, 2001, Vol. XX No. 16

WASHINGTON (AP) — A Louisville man has won a court ruling that could open to Medicare patients, and their families, the findings of investigations about the care provided by doctors.
David Shipp, believing that physicians' errors contributed to the death of his wife, Doris, complained to Medicare, the federal health-care insurance program for the elderly and disabled.
Doris Shipp died of cancer in 1999.
The case was reviewed by other doctors -- through a process called “peer review" -- but the government refused to tell Shipp what they found about his her treatment.

So a suit followed from Shipp, who was assisted by a consumer advocate group started by Ralph Nader called Public Citizen. In a ruling released last week, a federal judge in Washington ordered Medicare officials to disclose the results of Doris Shipp's review and all other cases in which a patient or family member has complained of medical mistakes or poor care.

The government could appeal the ruling, but if U.S. District Judge Ellen Huvelle's decision holds up, it would mark a victory for Medicare patients who have tried for years to find out what doctors discover about the work of their peers. In Shipp's case, the Public Citizen Litigation Group argued that Congress intended that the peer review process be more open than Medicare wants.

“These are taxpayer-funded investigations," said Public Citizen attorney Amanda Frost. “The government can't hide medical errors that it discovers through its investigations."

But the American Medical Association fears that the ruling could compromise efforts to get at health-care problems. “`Health-care experts and policymakers agree that an important key to improving quality of care is to create an environment in which physicians feel comfortable discussing incidents of substandard care and the reasons behind them," said Dr. Timothy Flaherty, chairman of the AMA Board of Trustees.

Flaherty said the AMA is concerned that full disclosure from peer review investigations ``jeopardizes current efforts aimed at improving the quality of care."

In their answers to the lawsuit, the three doctors -- Thomas Dedman, Peter Thurman and David Jolgren -- denied that they had been negligent. The doctors say in court papers that Doris Shipp's death was caused by an “act of God" or possibly her own negligence.

Insurance Times: Mandated coverage for clinical medical trials agreed upon in Mass.

August 7, 2001, Vol. XX No. 16

by Mark Hollmer
InsuranceTimes

BOSTON — Massachusetts private health insurers would be required to cover clinical trials for experimental cancer treatments in a revised bill supported by both the industry and patient rights groups.

“It was very much a collaborative effort between all the groups sitting at the same table,” said Jennifer Mills, a Boston-based spokesperson for the American Cancer Society.

The diverse group that helped shape House #4376 also included the Dana-Farber Cancer Institute, the Massachusetts Association of HMOs, Partners Health Care and Blue Cross Blue Shield of Massachusetts.

The revised bill, issued formally on July 19, passed the Massachusetts House about a week later. The Senate was expected to hear the bill sometime last week.

Blues Support

Susan Leahy, director of media relations for Blue Cross Blue Shield, offered strong support for the revised bill.

“This legislation gives the physician the confidence that he or she can look the patient in the eye and say ‘this will be covered,’ and we’re in favor of that,” Leahy said.

Similarly, Jennifer Mills, a Boston-based spokesperson for the American Cancer society, said the bill – House #4376 – is “a really great piece of legislation.

“It’s going to make a significant difference in the lives of cancer patients and their families,” she said.

The bill would require private insurers to cover “a qualified clinical trial” to treat cancer, meaning one that has been peer reviewed or approved by the national institutes of Health, a “qualified” non-government research group or a federal government agency.

Right now, every private insurer has its own policy on covering clinical trials.

Blue Cross Blue Shield, for example, technically doesn’t cover for clinical trials, Leahy said, “Because they are considered investigational.”

But in reality, the company covers most “on a case by case basis,” after asking physicians to send them details of the trial and the insurer reviews the details.

“Once Blue Cross Blue Shield considers (the) compelling protocols and procedures,” she said, “they are approved.”

In other words, the bill, if approved, will sanction what Blue Cross Blue Shield and some other private insurers already do unofficially.

Mills said the bill – which passed the House the last week in July -- meets a major American Cancer Society goal.

Top Priority
“Access to clinical trials is really a top priority for the American Cancer Society,” she said, “because it provides a hope to cancer patients especially when traditional therapies aren’t effective.
“In addition to that quality of life aspect – from the research perspective – clinical trials can really help define the best evidence-based medicine that will benefit us all in the long run.”
While widely praised, the clinical trial coverage bill agreed upon by Massachusetts leaders is not without its critics, who argue that it doesn’t go far enough.
“Any AIDS organization would certainly like to have clinical trials as accessible as possible to folks with HIV or AIDS," said Gail Gramarossa, public policy advocate for the AIDS Action Committee.
“Certainly cancer is not the only disease where clinical trials are available," she said.
The bill would not apply to Medicaid, the state-administered health insurance fund for the poor and some elderly.
David Day, Massachusetts director of advocacy for the American Heart Association, said the bill is a good first step, but more needs to be done.
“Certainly we would prefer something that is more expansive to cover other diseases," he said. “We're looking forward to working with the Legislature to include clinical trials for heart disease and other life-threatening diseases.

Insurance Times: Uninsured kids perplexing to Vermonters
August 7, 2001, Vol. XX No. 16

by Ross Sneyd
Associated Press

RANDOLPH CENTER, Vt. — Nearly 6,200 Vermont children go without health insurance even though the state is aggressive and generous in providing benefits to families.
That's one of the frustrating findings for Gov. Howard Dean of a new survey that concluded that despite the best efforts, there still are thousands of Vermonters who do not have coverage.
“We are simply not getting all the kids who are eligible for Dr. Dynasaur insured," Dean told a commission, referring to the state program that provides low-cost or free health insurance to children.
A $275,000 survey of thousands of Vermonters late last year and early this year found that 4.2 percent, or 6,190, children and youth younger than 17 had no insurance coverage.
Among adults, the number was 51,390, or 8.4 percent. That's about half the national rate.
“The good news is we know more," said Cornelius Hogan, the former state Human Services Agency secretary who is heading the Bipartisan Commission on Health Care Access and Affordability.
With that newly gained knowledge, Hogan's commission, state legislators and policymakers can better craft solutions to the rising cost of health care and health insurance.
Hogan's commission, appointed by Dean earlier this year, is looking to craft a comprehensive recommendation for reforming the way health care is provided in Vermont.
The survey found that slightly more than 60 percent of Vermonters have private health insurance carriers, almost 1 percent get theirs through the military, 8.4 percent have none and the rest are covered through the state and federal governments' Medicaid and Medicare programs.
Nearly 73 percent work for an employer that provides health benefits, although not all accept it, either because they get coverage through another family member or they can't afford the employee's share of the cost.
What has state officials stumped is why so many children are going without coverage when the state is so generous in providing coverage.
“We are really going to make a tremendous push to reach out to these kids," Dean said.

Insurance Times: Mass. Blues promotes Baron; Protector Group adds Breen, McConnell; Madden wins MetLife Volunteer Award; Paiva chosen ACSR of Year by IIARI ; Sittman joins NAII in public affairs
August 7, 2001, Vol. XX No. 16

Mass. Blue Cross
Phyllis Baron of Newton was promoted recently to senior vice president of corporate planning and development at Blue Cross Blue Shield of Massachusetts.
Baron was most recently the executive director and general manager in product management and development, where she was responsible for the overall management of Blue Cross Blue Shield of Massachusetts' product portfolio.
Baron also worked for Harvard Pilgrim Health Care for 11 years where she held a number of positions.
At Blue Cross Blue Shield, Baron will be helping senior leadership determine how the insurer should be positioned in the marketplace.

The Protector Group
George Breen was recently hired as account executive for The Protector Group Insurance Agency of Worcester. Breen will develop new business and also support existing clients.
Breen most recently was vice president of sales for the Roberts & Associates Agency in Hanover, Mass. He's also a professional ice hockey veteran, having played for the Edmonton Oilers in the National Hockey League from 1995-1997.
The Protector Group also hired Tricia McConnell recently as its new personal lines supervisor. McConnell, of Worcester, will be responsible for quality control for personal lines and work-site marketing products and services.
She most recently worked for Allied American Insurance.

Metropolitan Life
Joseph Madden is the winner of the 2001 MetLife Volunteer Service Award, recognizing his support of the Perishable Theatre.
Madden is one of 20 MetLife employees to receive the award recognizing outstanding volunteer contributions.
The Perishable Theatre is a non-profit organization that presents productions throughout Southeastern New England, and Madden has volunteered for the group for three years, first serving on the board of directors and then becoming president in 1999.
His award includes a $2,500 contribution to the Perishable Theatre through the MetLife Foundation.
Madden, of East Greenwich, N.Y., is director of corporate communications and public affairs for the company's auto and home division, which is headquartered in Warwick, R.I.

New York Life
Marci Landaas is New York Life's new vice president within the company's special markets department inside the company's AARP division.
Landaas, of Tampa, will help find technology-based ways to grow the special markets business.
New York Life also recently promoted Patricia Barbari to the position of vice president in the Individual Policy Services department, where she will be responsible for strategic service operations.

NAII
Anne Sittmann is the new public affairs director for the National Association of Independent Insurers' Washington, D.C. office.
Sittmann most recently served as account supervisor for technology marketing with Edelman Public Relations Worldwide.
She also has previous experience as director of public affairs for the Bureau of Export Administration for the U.S. Department of Commerce.

IIARI
Holly Paiva is this year's recipient of the IIARI 2001 ACSR of the Year award.
IIARI gives the award each year to recognize a customer service representative and the value their job brings to the agency system --- particularly those who have achieved the national Accredited Customer Service Representative Designation from IIAA.
Paiva works for Carey, Richmond & Viking Insurance Agency of Portsmouth and Newport, R.I.

Insurance Times: NY Deputy Cashin resigns
August 7, 2001, Vol. XX No. 16

NEW YORK — New York Deputy Insurance Superintendent John Cashin resigned last month after about 16 months on the job.
Cashin left to pursue other job opportunities, according to a New York Insurance Department press release.
"John's extensive experience in both the public and private sectors and extensive knowledge of the insurance industry ahs made him an integral part of our regulatory team," Superintendent Gregory Serio said in a written statement.
"I know that John will continue to be successful and I wish him the best of luck in his new endeavors."
Cashing used to work in the reinsurance brokerage business before joining the New York Insurance Department, most recently as vice president of Willis Reinsurance.

Insurance Times: The Manufacturers Life Insurance Company (U. S. A.)
August 7, 2001, Vol. XX No. 16

August 7, 2001

38500 Woodward Avenue
Bloomingfield Hills, MI 48304

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact variable Life Insurance in the Commonwealth.
Any person having any information regarding the company which relates to its suitability for a license/ 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: Funeral Directors Life Insurance Company
August 7, 2001, Vol. XX No. 16

August 7, 2001

6550 Directors Parkway
Abilene, Texas 79606

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