

Insurance Times: Aetna withdrawing from HMO market in NH
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CONCORD, N.H. — Aetna Inc. has announced it is withdrawing from the New Hampshire health maintenance organization (HMO) market. The insurer notified producers of its decision last week. While Aetna will continue to offer its Preferred provider organization (PPO) and indemnity products, as well as life, dental and disability, it plans to withdraw all HMO products. Small employer benefit plans will continue until the next renewal date if that falls between April and September 1, 2002. Those extending beyond that will be discontinued as of August 31, 2002. Large employer benefit plans will continue but not beyond the first renewal date that occurs on or after April 1, 2002. Producers were told that the company would make every effort to see that New Hampshire residents commuting to Massachusetts and Maine would be able to continue their HMO coverage through the plans offered in those states.

Insurance Times: Shareholders approve Safety sale to executives
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BOSTON — Shareholders at Safety Insurance Co. in Boston approved the company's \$112 million sale to a group of seven managers and other investors. Safety issued a press release on the Sept. 13 vote, saying shareholders voted "overwhelmingly" signed off on the transaction. This translated into a 99 percent yes vote representing Safety's outstanding shares, and 97.4 percent of the employee stock ownership plan shareholders supporting the sale in a separate vote. Safety founder Richard Simches and his family had owned 70 percent of the company with employees owning the remaining 30 percent through an ESOP plan. Simches died of cancer on Sept. 1, and had announced in June that he agreed to sell the company. Members of New York investment firm The Jordan Company, and J.Z. Equity partners are working with Safety's managers to buy the company. The final price tag for the company could be higher after updated 2001 financial figures are calculated. Safety's managers are hoping to close their purchase of the company in October, pending approval from the Massachusetts Division of Insurance. Regulators have scheduled a public hearing on the sale for Oct. 4, 1 p.m. at the DOI offices in Boston at South Station. Safety is Massachusetts' third largest writer of automobile insurance with a 10 percent market share, and employs about 500 people.

Insurance Times: Hartford layoffs possible as ING consolidates
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HARTFORD — Some Connecticut jobs could be at risk as Dutch insurer ING Group combines all of its U.S. insurance and retirement businesses into one organization, including its Hartford-based unit. The move could mean layoffs in the Hartford area or elsewhere in the country. But ING said last week that it was too soon to predict the effect on employment and that it would be at least two weeks before the company knew more details. "It's too early to get into specifics," Tom McInerney, chief executive of the Hartford-based unit said. "There is the possibility of layoffs." ING set up operations in the city of Hartford when it acquired Aetna's financial services and international units in December. ING employs about 2,500 in and around Hartford. Last week's announcement is expected to tie together as many as 20

units throughout the country, ING said. McInerney will head the combined organization as chief executive, and will remain based in Hartford.

Hartford also will remain the primary site for retirement services offered through companies. When it acquired the Aetna units, ING did not rule out layoffs. But the company committed in writing to keeping employment levels in and around Hartford "at substantially current levels, less normal attrition."

Insurance Times: NY Life acquires Clark/Bardes compensation unit
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NEW YORK-- New York Life Insurance Co. announced that it has purchased the ongoing assets, other than the existing book of business, of the small and mid-size case Corporate-Owned Life Insurance (COLI) business of the Clark/Bardes Partners division of Clark/Bardes Consulting, Inc., a national executive compensation and benefit solutions firm. This deal will enable New York Life to provide supplemental executive retirement programs for small and mid-sized companies.

"New York Life is excited to provide our agency sales force with the exceptional support of Bud Schiff's small and mid-size case COLI business operation," said Phillip Hildebrand, chief distribution officer, New York Life. "We can achieve tremendous growth opportunities by bringing these services into our organization."

"Through the acquisition of Clark/Bardes Partners' COLI business, New York Life agents can now offer their clients a full array of executive benefit solutions, including benefit design, funding and plan administration," said Gerard Rocchi, senior vice president, New York Life. "This deal puts New York Life in an even better position to offer competitive executive benefit services coupled with outstanding sales support."

Insurance Times: States, insurers, agents spring into action in response to crisis
October 2, 2001, Vol. XX No. 20

by Mark Hollmer
InsuranceTimes

New York Insurance Department offices in Manhattan are only a few blocks away from the World Trade Center site. After two planes struck the twin towers, the department's 700 employees were among thousands in lower Manhattan who evacuated their offices.

Insurance Superintendent Gregory Serio credits his staff with reacting calmly and efficiently, allowing them to get back to work the following Monday.

"There's a great spirit here and a great commitment at the department," he said.

Thankfully, the Insurance Department also had an emergency plan that allowed regulators to shift responsibilities to Albany and employees to other Manhattan office space in the short term.

Geographical fate placed New York's regulators at the center of the aftermath of the Sept. 11 terrorist attacks in New York and Washington, but their counterparts across the country have already taken steps to make sure insurance companies within their borders can handle the claims to come.

Regionally, state regulators are writing, calling or meeting with insurance company officials to solicit updates on companies' financial health and how they're planning to handle oncoming claims relating to the terrorist attacks.

So far, Serio and his Connecticut and Massachusetts counterparts seem to be reassured.

"We're still confident that the industry has the wherewithal to meet its obligations," Serio said.

"Their liquidity is good," said Massachusetts DOI Commissioner Linda Ruthardt.

Added Lou Scotti, the Connecticut Insurance Department's chief examiner:

"The Connecticut (insurance) industry is well-capitalized and will sustain whatever losses there are."

New York is obviously dealing with the largest effects from the terrorist attacks. Soon after the horrible events of Sept. 11, the Insurance Department put its Insurance Emergency Operation Center into operation for the first time since it debuted in May.

More than two years in the making and intended ostensibly to handle natural disasters, the task force is staffed with Insurance Department employees as well as insurers and industry group representatives.

The IEOC is connected through videoconferencing to the State Emergency Management Office, the Insurance Department's Albany command center and the Office of the Director of State Operations within the Governor's Office, according to an Insurance Department press release.

In addition, Serio issued Circular Letter 26, warning that he may follow state law and declare a moratorium stopping termination, suspension, or non-renewal of policies in areas in which officials declared a state of emergency because of the bombings.

Serio said the disaster plan has worked well; it was geared to launch in Albany assuming a downstate tragedy, or in Manhattan if something happened upstate.

New York regulators have conducted some financial analyses of domiciled companies and are looking at some market financial statements, and Serio said companies look sound so far.

He said his office has also met with company officials to discuss the claims process to come, and he's confident they won't resort to war or terror exclusions that would "get in the way of paying claims."

In general, Serio said, insurance companies have risen to the occasion.

"They have also responded very well in terms ... of the level of response they are bringing into New York City to deal with what will certainly be a torrent of claims coming out of this."

Very Few Complaints

Correspondingly, Serio said, he's heard of "maybe a handful of complaints" in reference to the claims process so far.

They've come mostly from a handful of agents misinformed about the claims process, according to reports.

"We put a mechanism in place to deal with them should they come up but we have not been inundated with phone calls," he said.

In Massachusetts, Ruthardt began calling domestic insurers as early as the day of the terrorist attacks to find out which companies could be impacted because of the tragedy and how they planned to meet their obligations. Those consultations continued last week.

So far, the DOI has determined that in Massachusetts, exposures are more on the commercial side.

With that in mind, DOI Spokesman Christopher Goetcheus said the impact on Bay State insurers is "far less than it is in other states."

And "our domestics," he said, "have been very responsive to communicating with us..."

Ruthardt said she isn't aware of any companies invoking war or terrorism exclusions so far.

For now, she and her staff have focused on talking to companies to "help them think about possibilities or strategies" as to how to respond.

Complaints on the claims process, she said, have been non-existent.

But their response will be complex, Ruthardt said, because claims will come in depending on where a beneficiary lives and "there may be different statutes to apply to different state laws."

In Connecticut, Commissioner Susan Cogswell has written domestic health and property insurers asking them to keep her office informed about claims relating to the terrorist attacks, and also submit updates as the process continues.

The office also worked to determine if domestic companies suffered any personnel losses from the attacks. They apparently hadn't, Scotti said.

In addition, he said, domestic companies haven't used any war or terror exclusions.

Though Connecticut insurers are not acing exposure levels like New York companies, Scotti said his office is still monitoring companies and soliciting exposure updates and plans to do so over time.

Claims processing in Connecticut, Scotti said, is proceeding very well.

"Companies are aggressively pursuing claims processing and assisting people in any way they can," he said.

He added that companies with exposures in New York, such as Travelers and The Hartford, already set up mobile teams to handle claims right in Manhattan.

"Everything seems to be going along very well," he said.

One of the more unique potential problems has already been addressed.

The life insurance side of the disaster became particularly complex in the wake of the New York tragedy, because many of the victims' families won't have a body to prove their loved ones have died.

New York has responded by establishing a standard life insurance proof of death affidavit to cover victims instead of a traditional death certificate.

Massachusetts regulators will issue a bulletin soon to officially adopt the standard affidavit form, Ruthardt said, adding that states like New Jersey and Connecticut have put out similar forms already.

Such a bulletin will make it clear, Ruthardt said, that an exception for affidavits doesn't change the rest of a life insurance contract or that they can be used "for any future death events."

In addition, Ruthardt said, companies have been asked to not process life claims from employee groups unilaterally

until survivors “are emotionally and intellectually ready to accept claims payments. “Some of the beneficiaries,” she said, “are not ready to accept the fact that they, in fact, have death benefits due.”

Future Effects

The future is uncertain

So what happens next? Will insurance companies survive the claims process? Will rates on all lines rise? Will the industry withstand the pressure of such a catastrophic event as the Sept. 11 terrorist bombings?

The regulators from New York, Massachusetts and Connecticut were hesitant to offer any solid predictions, though they reaffirmed their belief that the industry can absorb the losses in the long run.

Total loss predictions remain vague, ranging from \$20 billion to \$70 billion.

Some companies may reevaluate some of their concentration of risks, Serio said, but he said they’ve “steadfastly maintained their commitment to the New York market and getting through the disaster.”

He said he believes that the state’s insurance system, particularly workers compensation, is stronger after a number of reforms and that the crisis should be handled successfully.

But he said it’s premature to predict any rate increases in the long term.

“We’re going to monitor the market very carefully,” he said. “We’ve asked companies if they are going to make any changes as far as market presence or rate changes to contact us as soon as possible.”

No New York company made such an announcement as of Sept. 25, he said.

He also said the state and federal regulatory system has worked well since the disaster as well as elsewhere around the country.

“The network of insurance regulators around the country -- through (the National Association of Insurance Commissioners) who have provided us with great messages of support and offers of assistance --has been quite capable of responding to this,” he said.

Ruthardt, in Massachusetts, said companies and consumers must understand it will take years to grasp “the full effect” of the tragedy on rates.

For now, Ruthardt said, consumers should pay attention to renewal proposals they receive and should not assume it’s going to be a carbon copy of last year.”

Agents, she said, “really need to stay in close contact with their companies” to keep abreast of any changes or issues that may crop up.

Ruthardt also said some disruption of the international reinsurance market is likely, because they’re heavily affected by the Sept. 11 attacks.

“All insurers, not just the ones that had losses related to this event -- as is true after any major event -- are going to have to look carefully at their reinsurance programs and where they are going in the future,” she said.

Some disruption already took place, Ruthardt said, when the domestic airline industry lost its hull coverage leaving the federal government acting to replace it.

Considering effects on property casualty and workers compensation rates since the Sept. 11 tragedy will be an “international issue,” Ruthardt said, because of reinsurance.

Still, nobody knows the future for certain, Ruthardt said, and she said action by agents, companies or consumers based on the “speculation” going on is “not appropriate.”

As far as federal actions to limit airline liability, Ruthardt said the government didn’t have much choice. She said the federal government’s actions, for now, should be focused only where needed rather than anticipated need – such as providing hull coverage for airlines.

“The most important thing,” she said, “is to just keep track of what’s going on and see what really needs intervention and what does not.”

Scotti also would not venture predictions regarding long-term or even short-term effects on the industry.

Connecticut, he said, does have nine reinsurers and some larger companies that offer a reinsurance business.

Regulators, he said, believe the companies will be able to provide coverage and “it will not cause a problem.”

But he also cautioned that “it is early yet” and hard to predict an overall outcome.

“Insurers... are very good at spreading risk and recovering from major events (but) we will have to wait and see,” he said.

Perhaps most important, Ruthardt said, is that crisis periods like this one should show people certainty isn’t always possible.

“This is one time where it is very important for people to understand that saying ‘I don’t know’ may be the best information or response that one can give,” she said.

That response is better, she said, “rather than raise (problems) that aren’t there or other concerns you shouldn’t worry about or promises that can’t be kept.”

Insurance Times: Homeowners Insurance Market

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Despite trampolines, canines and coastlines, homeowners market mostly stable

by Mark Hollmer

InsuranceTimes

This year, dogs continue to breed apprehension among some homeowners insurers. Trampolines are upsetting others. Certain regions are seeing rising prices, but stable pricing and a soft market are the norm elsewhere.

In short, what seems clear about the homeowners insurance market in 2001 is that while there are some common threads, the New England/New York homeowners market lacks a consistent overall regional pattern.

InsuranceTimes interviews with agents in Connecticut, New York and Massachusetts revealed the regional differences. For example, some agents said they see a hardening market with rising prices. But others disagreed, insisting that the market is soft and relatively stable and would be in the future.

Case in point:

In Massachusetts, insurance agent Glenn Niinimaki, of D. F. Murphy Insurance in Marlborough, said he sees the state's homeowners market as "relatively stable" with rate increases lingering around three percent.

Paul Jones, a Norwalk, Conn. agent, agreed, saying he saw minor price increases on the horizon at best.

But David Bauer, an Albany, New York agent, said he saw the market hardening all around the metropolitan upstate New York market in which he does business.

"Pricing is definitely going up," he said, "anywhere from 8 to 15 percent."

Bauer said he's seeing the market harden tremendously in suburban Albany. "Many insurers are focusing on insurance to value, Making sure that they have the appropriate coverage homeowners coverage on the dwelling," said Bauer, an owner of the Robert F. Bauer Insurance Agency.

And "on renewal underwriting," he said, they are scrutinizing the risk very closely, both in regards to claims frequency and severity, and in certain cases either increasing the deductible and moving (risky insureds) either from preferred pricing to standard pricing or non-renewing the risk if appropriate."

Bauer said the World Trade Center bombing on Sept. 11 will likely accelerate the market hardening, preventing "any type of pricing relief over the next several years."

Not Been Profitable

The reason the market is hardening, Bauer said, is that homeowners insurance simply hasn't been profitable for most carriers.

Multi-line carriers, he said, used lower, attractive homeowners rates to get the more profitable auto business. But with automobile insurance becoming unprofitable, too, he said, homeowners prices will have to jump up to 25-30 percent over time to get adequate pricing.

Jones, president of the John H. Leonard Agency, said that aside from minor price increases, the market in his part of Connecticut – wealthy Fairfield County – is a solid one.

Companies, he said, even seem to be showing interest in coastal coverage as well in recent years after problems in the mid 1990s, "but it is at a higher premium."

"Many carriers have come in," he said, "and due to market pressure they have come up with other ways to do (coastal) coverage as opposed to just letting the business go away."

Spencer Houldin, vice president for personal lines at the Ericson Agency in Washington Depot, Conn., said he's seeing homeowners rates jump from 4 to 10 percent depending on the territory or insurance company.

"It's a noticeable increase to a homeowner," said Houldin, who handles business in both Connecticut and New York City.

On the other hand, Houldin said, availability doesn't seem to have "changed at all.

What's more, he said, "the underwriting guidelines for shoreline properties are starting to loosen slightly" compared to the dry times of a few years ago..

"We're starting to see a little more comfort level on the side of the insureds with shoreline companies," he said.

"I don't want to overstate it because it's still a serious problem ... (but) insurance companies were running scared from the shoreline (and)_ now they're starting to walk back."

Garret Ratcliffe, an agent and owner of Jones, Raphael & Oulundsen Insurance in New Britain, Conn., said regional companies "are still very open to markets" compared to the higher prices of some national counterparts.

"By comparing them to some of the national companies," he said, "they tend to be even 10 to 20 percent lower and in some cases more in terms of pricing."

Ratcliffe said he's seen regional rate increases fewer than 10 percent and national carriers hiking rates between 8 and 15 percent.

Coastal coverage, Ratcliffe said, has been an infrequent part of his business, and he hasn't much request for coastal properties within the last six months."

Even so, he said, coastal issues have opened up versus the tighter times of a few years ago.

"However," he said, some companies still have tough coastal requirements such as higher deductibles if you don't have storm shutter protection.

Companies also try to spread the risk of an insurer through a community, he said.

Dogs, Trampolines and More

What hasn't changed is the hesitancy by homeowners insurers to write coverage for dogs.

Jones, in Norwalk, Conn., said dogs are still a major concern with insurers he deals with, particularly pit bulls, and Akitas.

Some companies, he said, used to informally restrict coverage for dogs but at least one company now formally adds the restriction to its underwriting.

Over in New Britain, Conn., Ratcliffe said the market for dog coverage is getting noticeably tighter, "especially if you fit dogs into certain types of breeds."

Rottweilers, pit bulls and German shepherds are on the warning list, he said.

In Massachusetts, Niinimaki said insurers are increasingly concerned about dogs, with Dobermans among the warning breeds on the list.

In New York, Bauer said, some carriers aren't worried but others won't write the risk if they find out a dog like a Rottweiler is in the house.

Still, dogs aren't the only concern homeowners insurers face, and many are adding new exclusions and/or additional coverage to address perceived needs in the face of changing times and updated experience.

For example, new coverage to address backup of water and sewer "has become a popular endorsement added onto policies," said Jones in Norwalk, Conn.

Trampolines continue to cause concern with many carriers, according to Houldin, in Washington Depot, Conn.

"I had a risk just a months ago that was non-renewed by a carrier because they had a trampoline without sides," he said.

Expanding Coverage

Houldin added that homeowners coverage is expanding to areas including identity theft and cellular phones, reflecting changing high-tech times.

On the exclusion side, companies are beginning to limit sump pump failure and sewer backup coverage, said Bauer, in New York. He added that "there's been significant water damage claims" in both areas over the last few years.

Aside from new coverage or restrictions, Niinimaki in Massachusetts said agents must "work hard" to make sure customers have the right amount of insurance for their homes, particularly as construction costs increase.

"We have just found that when we had claims," he said, "that with labor costs being as high as they are, that's where" some coverage problems crept up.

Business-at home insurance is something that Houldin said his agency is looking at more closely.

"We're paying much more attention right now to in-home business endorsements," he said.

"It's an area that many agents overlook but yet a larger percentage of the population are telecommuters and work out of their home."

As a result, Houldin said, companies over the last year have enhanced their endorsements to offer some in home business coverage.

Jones said his agency tries to sell a separate business policy rather than extending it off their homeowners policy, though both are offered.

"Coverage is broader under the business side of it," he said.

Other agents, like Ratcliffe, in New Britain, Conn., said business-at-home coverage is a slowing trend in his coverage area.

"I haven't seen a widespread transference to home offices we were seeing last year," he said.

Irene Morrill is teaching MAIA members the new ISO Homeowners 2000 form -- which will likely be adopted over time by a number of companies as states sign off on the document. Massachusetts and Rhode Island are among the

states that have

Morrill, the Massachusetts Association of Independent Agents' technical department director, said the new form contains "some new endorsements that make sense in today's society."

New Endorsements

Among the new endorsements: coverage for household domestic partners who aren't married, assisted living care coverage, and an expansion of tenant coverage to let tenants have all risk perils rather than just open peril coverage. New exclusions or riders would offer restrictions such as covering a homeowner's lawnmower or snow blower if it is used on the homeowners' property.

Host liquor coverage may also be reduced because of a reduced definition for motor vehicle liability and watercraft liability in certain cases, Morrill said.

For example, she said, if you come to a home, drink alcohol and get in your car, the updated homeowners' policy may not cover the claim as easily as before if an accident happens.

In other changes, freezing peril coverage and coverage for frozen pipes would also apply to any building and not just unoccupied ones, Morrill said.

Tenant Insurance

Tenant insurance remains a small part of the homeowners insurance market, agents say.

"It's flat. Rates are basically the same and it is not a big part of our business," Jones said.

"It's a growing part of the business," said Houldin, "but ... we don't have a lot of apartment buildings and such."

Houldin added that apartment coverage is more common in urban areas like Hartford.

Ratcliffe said demand for tenant coverage is stable, as did Niinimaki in Massachusetts. Both add that tenants must be reminded that it is necessary to have because landlords only provide coverage for their own exposure.

In New York, Bauer said many apartment complex-owners in metro-Albany and other places require tenants to have the coverage automatically.

Looking ahead, nearly all the agents interviewed said they expect some price increases but they disagreed about the degree.

"We will continue to see increases in premium but I don't think in double digit" levels, Jones said.

On the other hand, Ratcliffe predicts a continued hardening market because of deteriorating experience through increased fires and freeze/thaw damage in recent winters.

Bauer, in New York, said he expects some price increases in a hardening market, made more necessary because of the catastrophic damages during the Sept. 11 terrorist attacks.

Insurance Times: Cars could dial 911 to report accidents

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DES PLAINES, Ill. - Like everything else, cars are getting smarter these days - and soon may be able to automatically dial 911 to report you have been in an accident. The call also may be able to pinpoint your location and give an indication of how seriously you and your passengers are injured as an ambulance is dispatched to the scene.

"Reporting accidents is just one example of how technology can enhance the driving experience," said Donald Griffin, National Association of

Independent Insurers (NAII) director, business and personal lines. This technology, referred to as "telematics," combines wireless communications, global positioning systems (GPS) and onboard electronics.

"While telematics can provide a significant service to drivers, the overriding concern must be to not overburden them with gadgets that cause them to take their minds off the road and surrounding traffic," Griffin said. "The entire issue must be studied carefully."

In the interest of safety, some telematics vendors provide an audio interface for their services so drivers can hear the directions or advice without taking their eyes off the road. Some systems also provide an e-mail service that is voice-activated and converts text to speech, again so the driver's eyes can remain on the road. There is some concern, however, that even a voice-activated system may be a distraction for drivers, Griffin said.

Other benefits made possible by telematics, he said, are:

- Warning you of an accident or traffic congestion ahead on the highway and giving directions for an alternate route.
- Giving you turn-by-turn directions to your desired destination when you are lost.

- Advising you when your car needs preventive maintenance.
- Tracking family members as they travel around town. (The driver would have the ability to opt-in/opt-out of that feature.)

"Various high-market-end vehicles already have some automatic sensing and > diagnostic devices, or black boxes," said Daniel Kummer, NAIH director, auto insurance. "Those devices record several seconds of vehicle equipment and driver-related data before a collision, such as deployment of an airbag, whether seat belts were fastened and how fast the vehicle was traveling."

The NAIH Auto Insurance Committee members agreed that further research and analysis were needed.

established, in terms of saving lives or reducing the severity of injuries.

- Whether the motorist must have knowledge of and give consent to automatic notification.
- The effect, if any, that such notification might have on insurance claim payouts - whether additional claim activity will be generated, for example, if an ambulance and fire truck are dispatched to the scene of a mere fender-bender.
- Whether there is liability exposure arising from a failure of the vehicle communication equipment.
- Public attitude/perception of the use of the black boxes.
- Privacy rights and interests of consumers.
- The cost effect, if any, that damage to telematic equipment might have on insurance claims.

Kummer echoed Griffin's comment that the entire issue needs considerable study.

Insurance Times: Cost control portion of Mass. auto rates settled
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BOSTON — Regulators and the private passenger auto insurance industry have settled the cost containment portion for the Massachusetts 2002 automobile rate case.

The agreement, between regulators, the State Rating Bureau and the Automobile Insurers Bureau of Massachusetts, represents a .375 percent reduction in the 7.8 percent rate increase initially sought by the AIB.

The cost containment adjustment reflects acknowledgement by all parties that there will be continued cost savings through fraud-fighting efforts beyond the industry's current trends, said AIB president Daniel Johnston.

A cost containment agreement is not unusual, Johnston said. Cost containment hearings during the rate case are held to determine whether insurance companies adequately use programs to cut costs and expenses.

Johnston, at the start of the 2002 rate case, said the AIB wants a rate hike to restore rates to a level "more in line with real costs."

Insurance Times: U.S. cracking down on crop insurance fraud by farmers
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by Philip Brasher
Associated Press

WASHINGTON — The Agriculture Department is trying to crack down on farmers who cheat the government out of insurance payments on their crops.

The department traditionally has relied on tips from the farmers' neighbors or others to catch crooks.

Now, amid criticism it has been lax in overseeing the system, the department is using computers to study weather reports, soil data and other records to uncover farmers who cheat. The insurance policies are sold by private companies but heavily subsidized by the government.

"Obviously, all insurance is subject to abuse. Crop insurance is not immune to it," said Garland Westmoreland, a deputy administrator for the department's Risk Management Agency, which runs the insurance system.

The effort is paying off, officials say:

- The department is investigating cases in Texas and Oklahoma in which farmers took out insurance on cotton crops

that were planted where wheat was growing earlier this year. Since there was unlikely to be enough moisture left for the cotton, it may not have been eligible for insurance.

- Officials have identified about 100 soybean growers around the country who may have lied about production losses to get payments. Investigators studying several years of crop data believe that the growers may have falsified production reports to show losses high enough to qualify for insurance benefits.

The agency plans to start checking wheat farmers next. A wheat scheme may work this way: A grower who had a uniform yield of 50 bushels an acre would report production of 80 bushels on one unit of his farm and just 20 bushels on the other. He would then file an insurance claim on the second unit.

- The department also is using data to build cases against farmers who filed claims for allegedly damaged cotton crops. Sometimes, farmers are not acting alone. An investigation found that a single loss adjuster claimed to have inspected 5,000 acres of cotton in one day, Westmoreland said.

"This is pretty rudimentary detective work. They should have been doing this a long time ago," said Ken Cook, president of the Environmental Working Group, which has been critical of the insurance system. "Insurance companies should have been held accountable for it, too. They're making a ton of money."

The Agriculture Department's inspector general warned in 1999 that the insurance system was prone to abuse, conflicts of interest and errors because most of the risk for losses is borne by taxpayers rather than the private companies.

Investigators cited a case in which agents sold insurance to tomato growers for whom they were working and a second example in which farmers obtained insurance on a cotton that was not feasible to grow in their region.

Congress told the department to do more, but did not require companies to shoulder more of the risk for losses. Last year, Congress set aside \$20 million for improved oversight.

"Obviously, we need to do something," said Mike McLeod, general counsel for the American Association of Crop Insurers. His industry is concerned, however, that the data may raise unfair suspicions about agents and adjusters.

Congress did not provide more money to prosecute criminal cases. So the department is relying on word of its computer surveillance to spread around the country and discourage farmers from trying to cheat, Westmoreland said.

Insurance Times: Insurance WTO hurdle cleared
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GENEVA — Weary trade negotiators celebrated last month after agreeing terms of membership for China in the World Trade Organization after 15 years.

The deal came after China reached a compromise with the United States and the European Union over the status of life insurance companies in the Chinese market.

U.S. insurer American International Group, which has operated in China since 1994, wants guarantees that it can continue to expand without having to find Chinese partners. The draft WTO text states that new companies joining the life insurance market must be 50 percent Chinese owned. European companies, which operate as joint ventures with Chinese partners, insist that AIG must play by the same rules as they do.

The compromise left the main text unchanged — thus meeting U.S. demands — but with a footnote added to satisfy the EU insistence that it should be given equal treatment.

The formula allows the U.S., the EU and China all to claim that they got what they wanted, but leaves the likelihood of legal wrangles over interpretation of the paragraph once China is a member.

Insurance Times: Vermont weighs effect on insurance if civil union expanded
October 2, 2001, Vol. XX No. 20

by Ross Sneyd
Associated Press

MONTPELIER — Expanding health insurance benefits to couples legally barred from marrying or joining in a civil union could jeopardize Vermont's insurance market, a commission was told.

An unpredictable number of people with an unknown set of health issues might join in so-called reciprocal benefits

relationships simply to obtain health coverage, the Vermont Civil Union Review Commission was told. That would have the likely effect of driving up health care costs in general and insurance rates in particular, witnesses said.

Insurance companies would be forced to reconsider how and whether to do business in the state.

"They would either, A, increase prices to meet what they think would be the demand or, B, stop writing (policies) in Vermont," said Jackie Hughes of the state Banking, Insurance, Securities and Health Care Administration Department.

All Couples

Her testimony was nearly identical to what she told the House Judiciary Committee as it considered earlier this year a bill to repeal civil unions for same-sex couples and replace it with one that would provide marriage benefits to all couples who cannot legally marry.

That expansion would largely encompass people related by blood or through adoption. The House passed the bill but Senate leaders have said they have no intention of considering it.

The Civil Union Review Commission is charged with considering whether to expand reciprocal benefits _ a provision of the civil union law that extended limited marital benefits such as medical decision making and hospital visitation to those who cannot otherwise marry.

In the first 14 months of the law, no one has sought the reciprocal benefits coverage while more than 2,900 couples have entered civil unions.

Hughes and other witnesses said the problem with further expanding reciprocal benefits was that, unlike marriage or civil unions, couples might choose that new relationship status merely to gain access to a variety of benefits and not largely for symbolic or romantic purposes.

"The difference is the numbers (insurers) anticipate could sign up for this reciprocal benefits relationship," Hughes said.

"With reciprocal benefits, I don't think you could calculate the number of people that could qualify."

Insurance companies would have to presume that people who have some kind of poor health would be most likely to seek a reciprocal benefits relationship and they are the most expensive to cover, said Leigh Tofferi, an executive with Blue Cross-Blue Shield of Vermont.

"The problem that this poses for insurers is insurers will get a disproportionate share of people enrolled in what we call bad-risk categories," Tofferi said.

That therefore would drive up rates for everyone, he said. "Everyone would feel the impact."

With no way of predicting the number who would seek the benefits, the kind of coverage they would want or what their medical histories might be, insurers ``would require significant pricing changes. But I can't tell you what they are because we don't know who would be eligible to participate in this option," Tofferi said. ``I think we would find it difficult to support a change in that direction."

The commission did not hear from anyone seeking the extended benefits, even though it set aside time later in the day to take testimony from the public.

Another meeting is scheduled for Oct. 16, at which commissioners hope to hear from couples who have entered civil unions.

Insurance Times: OpinionExchange

October 2, 2001, Vol. XX No. 20

It is with great sadness and resolve that Americans of all backgrounds strive to help the families of victims and work to restore all that was lost in the tragic attacks in New York, Washington and Pennsylvania.

Through the tears, smiles break through at the sight of so many coming together to help.

The insurance industry is again at center stage, where it has been in so many times of tragedy and recovery.

All Americans can take pride in the role the insurance industry is playing and the way it is performing. Working closely with government officials, the industry is speeding payments to families and businesses in need.

Many in the industry are also reaching out beyond what their policies provide.

Agents and insurers, like so many others across the nation, have organized to help with relief efforts.

Some have pledged money, even millions of dollars. Others have volunteered, donated blood, signed up for military duty, and consoled families and friends of those struck down.

InsuranceTimes has compiled a list of some of the insurance industry-related relief efforts already underway. There are

probably many others we missed. Since these firms are unlikely to promote their commendable efforts, InsuranceTimes will:

- New York-based Citigroup, which owns Travelers Insurance, has established a \$15 million scholarship fund for families affected by the World Trade Center collapse.
 - New York Life Insurance company will donate \$3 million to the September 11th Fund – which was created to help support victims of the World Trade Center attack. In addition, the company plans to match its agent and employee contributions to the American Red Cross for relief efforts with “no less than \$1 million in matching funds.” New York Life is also providing \$1.5 million in television advertising to air American Red Cross public service amounts relating to the tragedy.
 - The MetLife Foundation is donating \$1 million to families of police, firefighters, emergency medical services and other rescue workers who died Sept. 11. In addition, the company donated \$100,000 to the American Red Cross Disaster Relief Fund and will match employee contributions up to \$5,000 per employee.
 - The Allstate Corporation and the company’s foundation will donate a combined \$400,000 to the National Fallen Firefighters Foundation, which will help the families of firefighters who gave their lives in New York. The company is also donating \$50,000 to the New York City Public Private Initiatives Fund to help families of fallen police officers.
 - The Independent Insurance Agents of America working with the Independent Insurance Agents of New York has established a relief fund to benefit victims and survivors from the tragedy. IIAA members, clients, industry professionals and others contributed nearly \$125,000 to the fund as of Sept. 21.
 - Manulife Financial Corporation will donate \$500,000 to the American Red Cross, the September 11th Fund and a number of other relief agencies.
 - The National Association of Insurance Commissioners has pledged \$10,000 to the Neil D. Levin Education Foundation in honor of the former New York Insurance Superintendent who died in the attack.
 - MassMutual Financial Group and Oppenheimer Funds, Inc., its affiliate, have established a charity fund to help victims from the Sept. 11 terrorist attacks in New York, Washington and Pennsylvania.
 - Nationwide Insurance’s Nationwide Foundation will donate \$1 million to the American Red Cross Disaster Relief fund to help victims of the terrorist attacks.
 - Aetna U.S. Healthcare employees have donated more than \$150,000 for disaster relief, and the company is offering a 5-to-1 match of the contributions, all to benefit a number of related relief funds formed after the Sept. 11 terrorist attacks. The company is also extending waivers and relaxing some of its rules for patients, employers, physicians following the tragedy.
 - The Starr Foundation, formed by the founder of the company now known as American International Group, will donate \$10 million to New York City non-profit institutions to support families of police and firefighters who lost their lives or were injured trying to rescue World Trade Center survivors.
- Readers looking to donate to relief and recovery efforts can also log onto www.libertyunites.org, a Web site listing a number of relief organizations taking donations.

Insurance Times: Homeowners learning to appreciate identity theft coverage
October 2, 2001, Vol. XX No. 20

by Mark Hollmer
InsuranceTimes

Somewhere right now, someone else could be claiming to be you.

Armed with your Social Security number or credit card, that person could essentially steal your identity to apply for a loan, rent an apartment, shop for designer clothes or golf clubs, or get a drivers license – all in your name.

“They stay far enough ahead of the curve that (a victim) may not know about it until a creditor comes calling,” said Mary Ann Avnet, vice president of marketing for The Chubb Group’s personal insurance division.

“It’s probably one of the fastest growing crimes out there.”

Identity theft is an increasing problem and will affect more than 700,000 people in 2001, according to statistics cited by Travelers Insurance.

Once a crime is reported, consumers aren’t held responsible for the bogus charges made in their name. But it can take months for police to catch a person using someone else’s identity, and affected consumers are faced with a large, time-

consuming task to undue the damage to their credit reports and lives.

Now property insurers are coming to the rescue. Homeowners' insurance policies are increasingly providing a new weapon against identity fraud.

In recent years, companies including Travelers, Merchants Insurance Group and Chubb have developed policy endorsements or additions to homeowners' policies themselves to cover the costs of identity theft crimes.

"It's been warmly received," said Sara Hanavan, product development specialist for the Buffalo, N.Y.-based Merchants.

"This was driven from requests from agents, from requests from their insureds and our insureds, that they've seen the rise of this type of crime and were interested in having protection from it."

Identity theft has grown more common with the advance of technology and trends such as the increasing use of Social Security numbers as identification on loan or college applications.

The Internet has helped revolutionize commerce, but it's also contributed to identity theft increases as credit card numbers are pilfered off the Web.

Much of the spike in the crime took place in the mid- to late 1990s.

In 1992, for example, credit-reporting agency Trans Union received 35,000 calls with questions or complaints about identity theft, according to the Travelers Insurance Web site's identity theft brochure.

But by 1998, identity theft questions or complaints jumped to more than 550,000 for the year.

900,000 Victims

And the crimes have a far reach. More than 900,000 Americans each year become new identity theft victims, according to the Web site identitytheft.org, a crime prevention site.

And the cost is significant.

Consumers and institutions lost \$745 million in 1997 because of identity theft, according to U.S. Secret Service statistics quoted on the AARP Web site.

Still, two Federal laws passed in 1998 are steps intended to address the crime by letting victims seek restitution for "identifiable losses" from the criminal, including expenses relating to clearing your name.

Consumers have only developed an awareness of the crime in the last few years, said Chubb's Mary Ann Avnet.

"When we first offered this coverage which was about a year and a half ago, there were a lot of people who had never even heard of identity fraud," she said.

But "with some of the front-page stories people have read about in newspapers or read about in Newsweek and Time, everybody is aware in some way of someone who has been effected by identity fraud."

Chubb, Merchants Mutual and Travelers each define identity fraud according to federal and state law: the act of using someone else's identification to commit a crime.

"It basically occurs when ... a criminal coops an innocent victim's identity for purposes of procuring credit cards or loans or utility services or any kind of financial gain they don't deserve," Hanavan said.

Robert Nighan is a Traveler's vice president who helped launch the company's identity fraud coverage in 1999. He said identity fraud could take place a number of ways.

A criminal can get a hold of a victim's credit card number or get access to a bank account through a credit card, or even obtain a Social Security card from a random form or application, he said.

Nighan added: "if someone has your Social Security card and applies for new credit, you're not going to know about those fraudulent charges."

After that, the criminal can cash checks out of a victim's bank account, run up a charge card or even apply for a bank loan in your name.

That's where the growing practice of covering identity theft through homeowners insurance comes in.

Federal and state laws say victims aren't responsible for fraudulent debt they face because of identity fraud.

But victims working to clear their names are on their own. They must spend days or weeks calling or writing letters to credit companies or financial institutions to reestablish clean records.

Identity theft coverage is intended to help customers recover from the crime by reimbursing them for much if not all of their recovery costs.

For example, Nighan pointed out that he himself was a victim of identity fraud when he realized someone used his credit card number to buy \$1,500 worth of golfing equipment.

He wasn't responsible for the bill, but spent significant amounts of money on long distance calls correcting the situation.

Merchants Insurance and Travelers offer their homeowners policyholders a \$25 annual endorsement, with a \$15,000 coverage limit that includes reimbursement for lost wages, phone bills or other expenses like legal fees or new loan applications. Travelers also has a freestanding separate identity theft policy it is now testing in New York and eight

other states.

The Chubb Group takes it a step further. Since May 2000, the company has offered identity fraud reimbursement coverage directly in its policies for all homeowner, condominium, co-operative or renter's policies through the company – affecting more than 500,000 policies nationally.

Insurance Times: Identity theft prevention tips

October 2, 2001, Vol. XX No. 20

Travelers, Merchants and Chubb offer a number of recommendations to reduce identity theft fraud. Among them: Go through your wallet and take out anything that includes a Social Security number.

Be careful what you put in your outgoing mailbox in front of the house. Put outgoing bills in a U.S. Post Office Mailbox in town so they're more secure.

Pay a credit bureau monitoring service a fee to monitor your account and notify you if something strange happens.

If you're a victim of identity theft, call all credit bureaus and put a fraud alert on your credit reports.

Be aware of how you disclose personal information like credit card or Social Security numbers and don't disclose them unless you have a good reason.

Don't carry your passport unless you absolutely need to.

Shred any credit card mail offers before throwing them out.

Get a copy of your credit report and see if you have any unfamiliar credit accounts listed.

Cancel any department store credit cards you've long since stopped using, rather than just shredding the card and forgetting about the account.

If you're a victim, don't pay a contested bill just because someone is harassing you to do so. Contact credit bureaus and take every step possible to fight charges you didn't make.

Insurance Times: A.M. Best: Insurers should weather tragedy

October 2, 2001, Vol. XX No. 20

OLDWICK, N.J. — A.M. Best Co. believes that the U.S. and international insurance companies, although challenged by this event, will be able to meet their commitments despite the projected magnitude of the potential losses.

A.M. Best believes that losses are likely to exceed \$30 billion, making this the costliest catastrophic event in history.

The nature and location of the tragedy dictate that the majority of the losses will ultimately fall on the largest commercial carriers, their reinsurers and the London market. The segments most affected will be property, aviation, business interruption, workers compensation, commercial liability and life insurance.

A number of factors contribute to the uncertainty of any projections made at this time. The ultimate determination of insurable losses involves legal definitions of whether this was a single event or multiple events and whether there are any exclusions for acts of terrorism. In addition, the complexity and scope of the events could give rise to claims not yet anticipated. While underwriting risk may be concentrated with leading commercial carriers and their reinsurers, the impact of these terrorist acts on the financial markets is yet another issue that will affect the ultimate financial impact. The greatest share of the property and commercial insured claims will be borne by the largest commercial insurers and reinsurers, both domestic and international. While this event will be costly to those companies, A.M. Best expects that the majority of these large insurance organizations will be able to fulfill their obligations without compromising their financial strength. A.M. Best will monitor the impact of this event on all rated organizations.

The greatest exposures to life insurers, A.M. Best said, will be in individual and group long-term disability, group life policies and corporate life insurance policies written on key executives. A.M. Best believes that life reinsurers will bear the brunt of the mortality losses arising from this incident, since they assume the lion's share of such risks from primary carriers. In addition to sharing in mortality losses, a limited number of primary insurers will likely be affected by a surge in stress-related disability claims.

Primary writers and reinsurers could be exposed to losses associated with the catastrophic layer of workers' compensation insurance. It is unlikely that health insurers will be materially affected, since many of the large employer groups involved are self-insured, and coverage for the smaller groups is generally distributed among several carriers. One sector that will not be seriously affected by the tragic events is health insurance, because many of the large

employers affected by these incidents are self-insured, with coverage for smaller groups typically distributed by smaller carriers.

A.M. Best will be evaluating the impact of these events in greater detail as additional information becomes available. The rating firm believes, however, that while individual ratings may be affected, the financial strength of the insurance industry will not be impaired. www.ambest.com

Insurance Times: A.M. Best identifies top NY insurers
October 2, 2001, Vol. XX No. 20

According to A.M. Best, Allstate is New York state's top auto insurer, with 18.58% of the private passenger auto physical damage market in 2000. The top five auto insurers in the state include Berkshire Hathaway Insurance Group, with 12.22% of the market; State Farm Group, 10.75%; Travelers/Citigroup, 6.71%; and Liberty Mutual Insurance Cos., 4.51%

The top five commercial multiple peril liability insurers in New York state in 2000, based on market share, were Travelers, with 14.71% of the market; CGU Group, 8.58%; CNA Insurance Cos., 6.57%; Chubb Group, 4.32%; and Hartford Insurance Group, 3.81%.

The top-five nonliability commercial multiple peril insurers in New York, based on market share in 2000, were Travelers, 9.65%; CGU, 8.15%; Chubb, 6.15%; Hartford, 5.67%; and CNA, 4.04%.

Also, according to A.M. Best, the top-five workers compensation writers in the state, based on market share in 2000, were AIG, 13.59%; Liberty Mutual, 9.82%;

Travelers/Citigroup, 8.31%; CNA, 8.24%; and Kemper, 6.96%.

Insurance Times: Fitch: Insurer failures unlikely
October 2, 2001, Vol. XX No. 20

STAMFORD, Conn. — Insurance losses from the attacks against the World Trade Center and Pentagon are expected to exceed \$30 billion, the industry's costliest disaster ever, the rating agency Fitch, Inc. said.

Fitch Inc. said property casualty losses should reach \$30 billion or more, while life insurance losses could total \$3 billion to \$5 billion. The agency cautioned that estimates of losses typically rise.

Claims will be shared roughly equally by insurance and reinsurance companies, Fitch said.

The largest insurance loss to date involved Hurricane Andrew in 1992, which generated \$16 billion in losses, or d\$19 billion adjusted for inflation, said Fitch managing director Keith Buckley.

"If it winds up being \$30 billion, it would be the largest catastrophic event the industry faced," Buckley said. "I think it's very likely to assume it will be the biggest."

Fitch officials said they expect to put 12 to 17 insurance and reinsurance companies on a rating watch.

A rating tells investors and customers a company's financial strength. But Fitch officials said they do not want to be too alarmist either. Most downgrades will involve one notch, while the worst will be a downgrade of two levels, they said.

The industry should be able to weather the losses because it was in a strong financial condition, Buckley said. He said insolvencies are unlikely at this point and most if not all claims will be paid.

Most companies do not plan to invoke an act of war exclusion in their policies to avoid paying claims, Fitch said.

www.fitchratings.com

Insurance Times: Reinsurers hit hard
October 2, 2001, Vol. XX No. 20

GENEVA (AP) —The world's two largest reinsurance companies said that the terror attacks in New York will produce far and away the largest claims they have ever faced, doubling their previous estimates to \$2.2 billion.

Munich Re, the largest reinsurer, said this year's damage claims from the U.S. terrorist attacks could cost it \$1.95

billion before tax.

"In absolute terms (that figure) represents by far the largest damages burden in the company's history," Munich Re said in a statement from its headquarters in Germany. It insisted that "our conservative estimate includes all conceivable scenarios."

In Zurich, Switzerland, Swiss Re said the strikes will have an after-tax effect of around \$1.25 billion) in the current year — about two thirds of 2000's annual profit.

It said it has yet to decide whether its reserves of \$1.58 billion would need to be tapped to cover the impact.

The companies said they had to revise their initial estimates because a number of buildings close to the World Trade Center have been damaged or destroyed. This will have an impact on business interruption claims, the company said. "The attacks have revealed a previously unimaginable risk potential," Munich Re said. "This not only affects the U.S. market but applies worldwide. Primary insurance and reinsurance coverage, as well as terms and conditions, will have to be completely rethought."

Analysts said the insurance industry was in some respects prepared for such a disaster because experts had long considered it possible that a plane could hit the 110-story World Trade Center and had shared the risk, but no one had foreseen two planes hitting the twin towers.

Insurance Times: Weiss: modest impact on property insurers
October 2, 2001, Vol. XX No. 20

Although the terrorist attack on the World Trade Center building is a terribly tragic event, the impact on the property insurance industry is likely to be modest according to a preliminary analysis by Weiss Ratings, Inc., a provider of independent insurance company ratings and analyses.

On the other hand, insurers with workers compensation or business interruption exposure are at the greatest risk since there is no limit to the amount of claims they might incur.

"In terms of property damage, this is roughly equivalent to the impact of a major hurricane. It is a blow to property insurers, but it is something they are generally prepared to absorb so we are unlikely to see a rash of failures," commented Martin D. Weiss, Ph.D., chairman of Weiss Ratings. "In terms of emotional damage and loss of life, however, the impact is obviously much more severe than a hurricane or any other catastrophe we could have imagined." Weiss noted that industry-wide, insurers collected \$13 billion in premiums in 2000 for commercial multiple peril (non-liability) insurance with \$1 billion in premiums written in the state of New York.

"We'll probably see an increase in premium rates and a decrease in coverage availability, especially for those properties that might be considered terrorist targets, but this will not cripple the property insurance industry," added Weiss.

Insurance Times: Estimates of Insurer Losses
October 2, 2001, Vol. XX No. 20

Insurer, reinsurer and other estimates are U.S. dollars unless otherwise indicated:

ACE	\$550 million
Aegon	\$30 million
Aetna	\$10-15 million
AIG	\$500-800 million
Allianz AG	\$637 million
Allmerica	\$17 million
Allstate	non-material
American Financial Group	\$20 million
Berkshire Hathaway	\$2 billion
WR Berkley	\$10 million
Chubb	\$500-600 million
Citigroup/ Travelers	\$500 million
CNA	\$200-350 million
Employers Re	\$600 million

Erie Indemnity	\$5.5-\$6.7 million
Everest Re	\$75 million
FM Global	\$250 million
General Re	\$2.2 billion
The Hartford	\$450 million
IPC Holdings	\$75 million
John Hancock	non-material
Kemper	\$60-80 million
Liberty Mutual	\$200-300 million
Manulife	\$100 million (Canadian)
Markel	\$75 million
Milliman	\$100 billion
Munich Re	\$1.95 billion
Nationwide	\$10 million
MassMutual	non-material
MetLife	\$250-300 million
New York Life	\$50-75 million
OneBeacon	\$175 million
Principal Financial Group	\$9-12 million
Prudential	\$75-125 million
Safeco	\$25-35 million
St. Paul Cos.	\$700 million
State Farm	non-material
Swiss Re	\$1.25 billion
UnumProvident	\$20 million

Insurance Times: Terrorist act raises technical issues for industry
October 2, 2001, Vol. XX No. 20

Standard & Poor's agreed that the direct financial losses relating to the disasters will in all likelihood exceed the largest insured losses ever yet seen.

"Any attempt to quantify the financial impact of the recent terrorist actions in the U.S. must be purely speculative until more information becomes available, which may take weeks," said Steve Dreyer, Managing Director for U.S. Insurance Industry Ratings at Standard & Poor's. "But the insurance industry is strongly capitalized and can withstand an enormous financial hit without threat to the stability of the system overall."

"While we cannot yet endorse a specific estimate, companies so far have acknowledged about \$4 billion in losses, a figure which will likely go much higher. Once insurable losses exceed \$10 billion or \$15 billion, we would expect to see a significant impact on balance sheets of individual insurers. However, the totals would have to exceed \$50 billion before we would begin to worry about the insurance system," he said.

Insurance losses from the latest tragedy are spread among many of the world's largest and strongest insurers, such as Chubb Group and Swiss Reinsurance Co.

Total life insurance losses are expected to be in the low, single-digit billions of dollars, which is not likely to cripple the industry.

Concerning the many technical questions that insurance analysts must now ask in relation to the terrorist acts, the most significant are considered to be as follows:

* Even if primary insurers in the U.S. do not usually exclude terrorism from their covers, did the reinsurance protection obtained by affected U.S. insurers exclude terrorism, as is common practice among European reinsurers?

* Will the crashes and subsequent building collapses be considered a single event or multiple events?

This is an important consideration for the industry as definition of the losses either as a catastrophic single event or as a series of separate large claims will have a major bearing on which insurers and reinsurers eventually prove liable for the

losses.

* Will the events further exacerbate the already ongoing slide in equity asset values, both generally across all markets and specifically in respect of the share values of individual insurers and reinsurers?

If so, how will this affect those individual insurers and reinsurers whose capitalization already appeared aggressive, and what will be the effect on those companies that were already well-advanced with new capital-raising exercises?

* What impact will this tragedy have on reinsurance pricing?

Reinsurance pricing could substantially firm in the wake of this catastrophe. After Hurricane Andrew struck in 1992, the reinsurance industry enjoyed substantial pricing flexibility over the two years that followed as the industry benefited from the hardest reinsurance market in memory. This much-needed pricing increase will help the reinsurance industry, which is only starting to see rate improvements after several years of underpricing.

Standard & Poor's confirmed that its insurer and reinsurer financial strength ratings already incorporate allowance for near-term volatility caused by changes in the economic cycle and the periodic occurrence of major losses. Nonetheless, certain individual ratings may come under pressure in due course if claims and asset value reductions are found to compound existing weaknesses and lead to a permanent reduction in financial strength due to a seriously depleted capital base or loss of financial flexibility.

www.standardandpoors.com

Insurance Times: Final tally on cost of business interruption claims could take insurers months to determine
October 2, 2001, Vol. XX No. 20

The large number of businesses affected by the terrorist attacks combined with the length of time it will take to repair the damages means that it may take several months before an accurate estimate on business interruption losses can be developed.

The loss figure may escalate over time if telecommunications problems persist — particularly for financial services companies — and "contingent business interruption" losses for those companies not directly affected by disaster mount.

"Business interruption claims will be among the first to be submitted and paid," said Donald Griffin, National Association of Independent Insurers (NAII) director, business and personal lines.

"Moreover, payments for many of these losses will continue for months to come. This is one of the most important ways insurers can help businesses get back on their feet after this terrible tragedy."

Griffin indicated that while claims costs for business interruption policies are expected to be significant, NAII does not anticipate any insurer being unable to meet its financial obligations. The industry is well capitalized and the risk is adequately spread among many insurers and reinsurers, according to the NAII.

"Business interruption insurance is very complicated and not everyone buys it," said Griffin "Professional firms, such as law offices, accounting firms and consulting companies, may not be as likely to buy such insurance as would a retail store or a manufacturing plant. Time frames for coverage varies from a month or two to a year or more, which will further delay a final accounting.

Individual policies will have to be examined to determine the extent of coverage and a realistic projection of the total insured loss.

"The most important element of business interruption insurance is coverage for lost profits," said Griffin. "Insurance claims representatives work with their policyholders to determine the companies' actual expenses and revenue in order to calculate lost income and pay the claims."

Payroll also is a major expense of normal operations that may be included in business interruption insurance. The coverage can be purchased for all employees or just for executive officers - again with a specific time frame spelled out in the policy.

Many small businesses purchase "businessowner" policies that include broad coverage provisions similar to a homeowners policy that automatically covers basic losses when business is interrupted, Griffin said.

While coverage limits and details will vary from policy to policy, a basic element of business interruption insurance is for extra expenses needed to conduct business in a new location, such as higher rent, equipment costs or site alterations.

Options that can be purchased in addition to a basic policy, again with wide variations to meet the specific needs and resources of the business, Griffin said, include co-insurance (like a deductible), the extent of payroll coverage and a specific time period for anticipated return to normal operations.

Policies may also may have a specified maximum total dollar amount or an agreed value — providing a specified regular payment, such as \$10,000/month, which is accepted rather than requiring voluminous financial records to be submitted to document all lost profits while the business is trying to rebuild or set up operations elsewhere.

Other options could include income that is lost from renting space to another business or extra contingency expenses to cover higher prices paid to an alternate supplier when the original supplier is shut down and cannot provide crucial items.

Because of the wide variety of coverages available and the extended time periods that may be involved, Griffin said, the full cost of business interruption insurance resulting from the World Trade Center attacks may not be known for as long a year.

www.naii.org

Insurance Times: Workers comp insurers to assume major role
October 2, 2001, Vol. XX No. 20

Workers' compensation insurers are playing an integral role in repairing the economic damage resulting from the tragedy.

"Our first concern is for those injured in the disaster and for the families and friends of those killed in the attacks," said Nancy Schroeder, assistant vice president workers' compensation for the National Association of Independent Insurers (NAII).

Although media coverage has been focusing on the potential impact t the life and property insurance markets, many analysts have overlooked how the tragedy will affect the workers' compensation market.

"With over 5,000 people reported as missing in the World Trade Center collapse, there could be hundreds of millions, or even billions of dollars in workers' compensation losses. This is an unprecedented amount for one event," Schroeder said.

Pricing in the workers' compensation market has been rising over the past year, with many employers experiencing premium increases in 2001. The primary reasons for these increases are a return to more adequate prices plus an increase in many of the underlying costs.

As a result, some analysts have speculated that the catastrophic losses could have a major impact on workers' compensation availability and affordability in New York. "It is too early to predict what the long-term ramifications on the workers' comp market in New York and across the country might be," Schroeder said. "We still do not have an accurate estimate of the total insured loss."

Schroeder pointed out that workers' compensation insurers are well capitalized and ready to meet all their financial obligations. "The exposure appears to be spread out among many companies and reinsurers. It is not likely that this disaster will result in any major insolvencies," she said.

The World Trade Center, which housed roughly 50,000 employees, was home to 430 businesses, including several large corporate tenants, many of whom would likely have been self-insured, Schroeder noted. However, smaller companies probably maintained standard business insurance packages through private insurers, perhaps with higher coverage layers covered through the reinsurance market.

"The workers' comp implications are staggering when you consider that so many people in the buildings or in the vicinity at the time of the blast and collapse were there to work - and therefore covered under the New York workers' comp law," Schroeder pointed out.

These would include not only employees in the building, but business travelers in the area, delivery people whose work took them to the area and emergency personnel.

Schroeder also predicted increases in workers' comp litigation. New York has broad rules on what is compensable under the workers' comp system compared with many states. However, these are extraordinary events that could result in new types of claims that are not now compensable. For example, employees who worked in the area and witnessed the disaster might claim mental disability under their workers' comp coverage.

In contrast, the Pentagon blast is unlikely to have much of an impact on workers' compensation since federal employees are covered under the Federal Employee Compensation Act, which is paid by the federal government,

Schroeder noted.

According to a spring survey by Conning and Co., renewal quote for workers' comp coverage were up 14 percent from last year, and a 22.5 percentage point turnaround from the rate declines of 1999.

"Given the fact that the comp market is already experiencing a severe upswing in pricing, this massive exposure could affect future pricing and availability," Schroeder said.

www.naii.org

Insurance Times: Insurers looking for federal help covering any future terrorism
October 2, 2001, Vol. XX No. 20

HARTFORD (AP) — The nation's insurance industry, rocked by a possible \$70 billion in claims from the Sept. 11 terrorist attacks, is seeking federal help to pay the price of any future terrorism.

In a meeting with President Bush at the White House last week, insurance executives suggested the nation set up a terrorism insurance pool similar to the one established in the United Kingdom in the early 1990s.

Ramani Ayer, chairman and chief executive of The Hartford Financial Services Group Inc., said President Bush was receptive to the idea and urged them to work with his administration and Congress to develop a program.

It isn't certain how the U.S. terrorism pool would be designed or how much federal money could be tapped.

However, one scenario is that each insurer would pay terrorism claims up to a certain amount on each customer before an industry-backed pool would take over. Then if the pool isn't sufficient, government funding would kick in.

In the United Kingdom, insurance companies that provide terrorism coverage pay premiums to "Pool Re," and if losses exceed those premiums, the government steps in, Ayer explained.

U.S. insurers are worried that private reinsurance for future terrorism risk here will shrink dramatically in the wake of the attacks, making a federal program necessary, Ayer told The Hartford Courant.

Insurance experts say most companies will be able to handle the claims from the Sept. 11 attacks, but that it could bankrupt some smaller or weaker insurers and reinsurers — companies that take on some of the primary insurers' risk.

Analysts have voiced concerns that another major attack or natural catastrophe could ruin even more companies.

The insurance executives told Bush the industry is "prudently managed" and that "we believe that we can appropriately deal with the losses from the Sept. 11 terrorist attacks and still stand strong," said Robert E. Vagley, president of the American Insurance Association.

The executives also pledged to Bush that they would not invoke exclusions in their policies for "acts of war" to avoid paying claims from the disaster.

Ayer, though, said "this is an industry where capital is finite. We've got to make sure American businesses have the confidence that they have coverage in this area terrorism, and the way to achieve this is to have a federal backstop."

Insurance Times: Bush seeks airline bailout and protection from liability lawsuits
October 2, 2001, Vol. XX No. 20

WASHINGTON (AP) — President Bush is asking Congress to give the nation's beleaguered airlines \$5 billion in immediate cash aid plus significant help with their insurance liability — but not, for now, the loans that the industry says it needs to avert bankruptcies, an administration official said.

Bush will immediately spend \$3 billion of the emergency funds that Congress gave him last weekend to pay for airline and airport security improvements such as fortified cockpits, sky marshals and additional airport searches.

Under Bush's proposal, the federal government would give airlines "temporary terrorism risk insurance" on all their domestic flights for 180 days. Currently, only international routes have such coverage.

Bush is also proposing to help shield airlines from inevitable lawsuits related to the recent terrorist hijackings. He would bar punitive damages and consolidate all lawsuits into a single federal court, the U.S. District Court for the Southern district of New York. The government would also pick up whatever cost of compensating victims for damages ultimately exceeds the limits of the airlines' insurance policies.

An administration official said Bush believes such measures are the "essential steps for immediate safety and stability" and, once they are enacted, he and the Congress will talk about loans in order to bolster the airlines' longer-term

solvency.

Delta Airlines Chairman Leo Mullin told Congress on the industry wanted \$12.5 billion in credit and loans, in addition to \$5 billion in immediate grants.

Congressional leaders were hoping the House would approve an airline rescue bill quickly. Many lawmakers of both parties have expressed a desire for quick action to help the airlines, which have suffered big losses and laid off tens of thousands of workers after last week's terrorist attacks.

"The financial damage is and continues to be devastating," Mullin told the House Transportation Committee. He cited the shutdown of service last week and prospects of sharply reduced business in coming months.

After a White House meeting between Bush and congressional leaders, House Speaker Dennis Hastert, R-Ill., told reporters that Transportation Secretary Norman Y. Mineta would give Congress recommendations by Oct. 1 for legislation addressing other, more complex airline problems.

These include future airline security and the legal liability for the Sept. 11 attacks, in which four airliners were hijacked and crashed into the World Trade Center, the Pentagon and woods in western Pennsylvania.

Mullin said the industry could suffer anywhere from \$18 billion to \$33 billion in losses related to the attacks, when hijackers seized four planes.

"I think it's safe to say that among the top 10 airlines that there are three who are on the brink" of bankruptcy, he said. Mullin did not specify those three, but Douglas Parker, chairman of America West Airlines, said his company was one of several that could go under if the federal government does not step in.

Mullin also asked Congress to pass separate legislation specifying that, because the terrorist attacks were an act of war, the airlines should not be liable for fatalities and property damage occurring on the ground.

Insurance Times: Tragedy could lead to higher rates, tighter restrictions for terrorism
October 2, 2001, Vol. XX No. 20

NEW YORK — The collapse of the World Trade Center seems destined to be the most expensive man-made disaster in the U.S. ever faced by the insurance industry, and could lead to more policies that restrict liability in acts of terrorism. Estimates of the payout vary greatly but most agree the figure will far exceed the cost of the largest man-made disaster to date — the 1992 Los Angeles riots, which cost \$775 million, or \$1 billion in today's dollars.

Natural disasters tend to cost more than those created by man and often hurt insurance companies more, because claims are concentrated in one kind of insurance, homeowners' policies. The biggest disaster so far was Hurricane Andrew in 1992, which resulted in \$5.2 billion in insurance claims, an amount equal to \$19 billion.

Claims resulting from the hijacked plane attacks that destroyed the World Trade Center are likely to have a less severe impact on the industry, because they will be spread across different kinds of policies — property, life and casualty — and because many insurers in different countries shared the risk.

"In a property this large, there are dozens of companies who would be participating in some way in these losses. ... That way, the risk is spread across companies and across the world," said Robert Hartwig, chief economist at the Insurance Information Institute.

Analysts say that many insurers are likely to raise rates and, in writing new policies, create more exclusions or restrictions on future claims related to acts of terrorism.

Exclusions for acts of terrorism are uncommon in the U.S., but did begin creeping into the industry after a 1993 bomb attack on the World Trade Center as well as the Oklahoma City bombing in 1995.

"This really opens up everyone's eyes to the level of risk from terrorism," said Matthew Mosher, group vice president of the Property and Casualty division of A.M. Best Co., a ratings firm.

Mosher said the combination of the psychological impact of the attacks and the weak performance of property and casualty insurance firms will cause premiums to jump next year.

Hartwig said policies excluding terrorism will become more commonplace, or the likelihood of terrorism could become a factor in determining rates.

"Looking ahead, people will write policies and consider whether we are in a period of accelerating terrorism activity and make that an underwriting consideration," he said.

The biggest payout in this instance may not be for property claims. "Life insurance could be the sleeper of this disaster" said Hartwig.

There is still no estimate of the total lives lost, but many of the people who worked in the trade center were highly paid executives who may have substantial life insurance policies, purchased both privately and by their companies.

Life insurance policies typically carry riders that revoke coverage if someone dies in a war zone. Numerous government officials have called the tragedy an act of war. But Jack Dolan, a spokesman for the American Council of Life Insurers, pledged insurers would not use that as a way to avoid paying benefits.

In a recent meeting between President Bush and insurance industry executives, Robert J. O'Connell, chief executive officer of Springfield-based MassMutual, told the president "that all of the companies were financially sound enough to handle the claims,

"This is an unprecedented disaster, but it will in no way threaten the foundations of the insurance industry," O'Connell said.

Insurance Times: Attacks could happen again, experts warn
October 2, 2001, Vol. XX No. 20

The capture of terrorists and increased security measures inside the United States won't eliminate the chance of another national nightmare in the future, terrorism experts say.

More than 4,000 agents and 3,000 law enforcement officers are devoting 24 hours a day to the investigation into the attacks against the World Trade Center and the Pentagon.

"But these suicide terrorists are heroes in their homeland and among their people. In the long run, we're going to have to face that this mentality's out there. And we need to find out how this was missed by our intelligence agencies," said Gregg McCrary, a former FBI profiler.

"Now it's a matter of looking for accomplices," McCrary said. "This was a large and almost flawlessly executed act. They couldn't have pulled this off on their own."

Stephen Bowers, a terrorism expert at James Madison University, said guarding against similar attacks is not easy. Because the hijackers were killed, he said, we may never be sure what their method of operation was.

Efforts to improve security at airports and on planes can't eliminate all vulnerability, said Bowers, director of the William R. Nelson Institute at JMU, which studies political violence and terrorism.

"You can't always have U.S. fighter jets circling Washington, D.C., or New York City," he said.

Terrorists recruit like-minded individuals over the Internet, he said, so there likely will be pressure to allow law enforcement officials to monitor all international Internet traffic.

Insurance Times: Insurance firms' employees among thousands lost in attack
October 2, 2001, Vol. XX No. 20

NEW YORK — Companies that leased office space at the World Trade Center were still trying to account for colleagues who remained missing nearly two weeks after terrorists destroyed the sprawling complex.

The twin towers were home to nearly 300 companies, including such corporate giants as the Bank of America, Kemper Insurance, Morgan Stanley Dean Witter, Credit Suisse First Boston, Citigroup/Travelers, Aon Corp., Marsh & McLennan Companies and Sun Microsystems.

Hundreds of employees of Marsh Mac and Aon Corp. remained among the missing.

Citigroup/Travelers reported five employees missing, while Kemper Insurance reported that all of its World Trade Center workers escaped safely.

Normally 50,000 people work there, but officials estimated that 10,000 to 20,000 people were in the buildings during the September 11th attack. Insurer Marsh & McLennan Companies reported that more than 1,900 people from MMC's businesses worked or were visiting the World Trade center towers at the time of the attacks. More than 300 were still unaccounted for, said spokesman William Pitt.

MMC officials believe that all colleagues from Two World Trade Center, who were on floors 48 through 54, were safely evacuated. In this building were Guy Carpenter's headquarters and smaller groups from Mercer, seabury & Smith and MMC Enterprise Risk.

MMC colleagues still missing were all on One World Trade Center, where Marsh and Guy Carpenter occupied floors 93 through 100 — where the first aircraft hit the building.

Marsh & McLennan also said all the key portions of its business had been restored and were operating. Trading firm Cantor Fitzgerald and its two subsidiaries were missing 670 of their 1,000 employees.

Chicago-based insurer Aon Corp. said it had 1,350 workers in the towers and the vicinity at the time of the attacks. As of last week, 200 hadn't been accounted for, said spokesman Stephen Ban.

Oppenheimer Funds, a mutual fund company owned by MassMutual, said all of its 598 staffers were safe.

Morgan Stanley, one of the largest employers at the Trade Center with 3,700 workers, said the number of employees who were missing had narrowed to 15 people, company spokeswoman Judy Hitchen said.

Insurance Times: Wife of Marsh Inc. World Trade Center attack victim urges President Bush not to retaliate
October 2, 2001, Vol. XX No. 20

WETHERSFIELD, Conn. (AP) — Judy Keane wants the killing to stop.

Keane's husband Dick, a senior vice president with Marsh Inc., a risk and insurance firm, was at a business meeting Tuesday inside the World Trade Center when it was attacked by terrorists. He is among the missing.

While many are calling for revenge and retaliation for the attack, Judy Keane, mother of five, Dick's wife of 31 years, is certain that is not the answer.

"This is my thought, but this is also Dick's thought," Judy Keane told The Hartford Courant. "The killing has to stop. Retaliation for this is just going to be perpetuated. I know that Dick would never want us to bomb another country in retaliation for this. The reason that we have this event is because it is in retaliation for other events. It is out of control now."

"I don't want to think that some family in Afghanistan or wherever is going to have to suffer the way we are suffering now."

The Keane family was still holding out hope last week that Dick, 54, is alive.

His company had put his name on a list of their employees that they are calling 'third party sightings'— "somebody who knows somebody who knows somebody who says that they saw Dick," Judy said. "This was after the explosion."

Judy's brother, Brendan Murphy, drove to New York with an armload of homemade fliers with Dick's picture on them.

"New York was shocking to me because of the emptiness of it, the stunned feeling and the empty streets, immense police presence," said Murphy, an Internet executive who moved recently from New York to Middletown.

"The one thing that struck me the most was that as I was going to hospitals and looking and giving people a picture of Dick, and as I went on through the evening, I realized there were just so many people in my situation who were going around and doing the same thing," Murphy said.

"I realized everyone is hoping for a miracle in this."

Insurance Times: NCCI apologizes for banning U.S. flag display at workplace
October 2, 2001, Vol. XX No. 20

by Amanda Riddle
Associated Press

BOCA RATON, Fla. — An insurance rating organization recently apologized to its employees and handed out American flags as they came to work, three days after removing flags from their desks on a national day of remembrance for victims of the terrorist attacks.

Michael Bullard, a spokesman for National Council of Compensation Insurance, said management changed its position after employees complained and Gov. Jeb Bush urged state residents to fly American flags.

"We missed that the governor had requested that people be allowed to fly the flag," Bullard said.

Chief executive Bill Schrempf had sent a memo to his 850 employees Friday saying the company prohibits flags in the workplace.

"Divisive statements or actions, political or religious discussions and anything else that could be divisive or mean different things to different people are not appropriate in our work environment," the memo said.

But after news reports that 10 flags had been removed from employee cubicles, management met over the weekend and decided to lift the ban, Bullard said.

Schrempf met with employees to explain the policy change. He also apologized for not allowing them to display a flag in their work space.

The company, which compiles workers compensation insurance data, scrambled over the weekend to find American flags to purchase for its employees. Because most stores were sold out, it ordered the printing of 2,000 paper flags, two per 8 1/2-by-11 sheet of paper, that employees could pin to their cubicles.

"We had flags when they came in this morning if they wanted them, as well as red-white-and-blue lapel pins," Bullard said.

Said computer programmer Enrique Alamo: "I think the feeling is simply, 'Let's not fight and let's support our country.'"

But as NCCI tried to return to business as usual, news of the flag ban circulated on the Internet and created a backlash from Americans who perceived the company as being unpatriotic.

Insurance Times: Life insurers showing flexibility with death claims

October 2, 2001, Vol. XX No. 20

NEW YORK (AP) — State insurance regulators made it easier for relatives of terrorist attack victims to claim life insurance benefits, deciding to eliminate their need to provide death certificates.

The state Insurance Department said insurers licensed in New York must accept affidavits from the families of those missing as proof of death when death certificates are not readily available. It made a standard affidavit available on its Web site.

As of press time, there were 252 confirmed dead in the destruction of the World Trade Center and 6,333 missing. No survivors have been found since Sept. 12.

"With using DNA it could take months to identify the bodies — and in some instances there won't be bodies,"

Insurance Department spokeswoman Joanna Rose said. "This way we can process life insurance claims much quicker." Even before the department's announcement, life insurance companies had vowed to simplify claims procedures and ignore clauses that would stall benefit payments.

Companies have indicated they will accept flight manifests as proof-of-death for victims who were on the hijacked planes, and are looking into getting employment records for those who were in the World Trade Center towers, said Herb Perone, spokesman for the Washington, D.C.-based American Council of Life Insurers.

Insurers also say beneficiaries don't need to worry about filing quickly.

"These companies are very strong and the tragedy will have very little impact on any of the life insurance companies that we are aware of," said Len Savage, a life insurance analyst at the Fox-Pitt, Kelton firm.

Savage estimates life insurers will pay out claims of between \$2 billion to \$3 billion — only about 1 percent of the industry's net cash capital of \$231 billion.

When there is no body, it usually takes seven years to declare a missing person dead and claim life insurance benefits. Insurers say they will not invoke any clauses that would absolve them from paying because of a terrorist attack or act of war.

The industry cautioned that other customers should not expect special exemptions will become the norm.

"We hope these are seen as acts of compassion and not as a precedent," said Jack Dolan, an ACLI spokesman.

Aetna, Inc. had received five claims as of last week, all for policies held by passengers on the hijacked airplanes, said company spokeswoman Julie Brown. Those claims were submitted using the airline manifest rather than a death certificate, she said.

Aetna only deals in group-life insurance, where employers buy policies for their staffs. Brown said the company has developed a claims form that the deceased's employer would fill out to confirm employment history and provide reasonable evidence that the policy-holder was in the World Trade Center at the time of the attacks.

"This is unprecedented in terms of the number of life insurance claims that will arise from a single incident," ACLI's Perone said.

The Phoenix Companies, Inc. said that proof of death could be supplied through flight manifests, employment verification and statements from family or employers.

Companies have been quick to promise that they will not revoke coverage on the grounds that attack victims were killed in an act of war.

"Nobody should really worry about the acts of war exclusion," Perone said. "Many life insurance companies have publicly stated that they're not common, that they don't believe that the war exclusion would apply, and even if it did they would not apply it anyway."

Companies were making an effort to expedite the claims process. Brown said Aetna would attempt to process claims within 48 hours as opposed to the usual five days.

Insurance Times: NY agents on front line in rebuilding effort
October 2, 2001, Vol. XX No. 20

by Mark Hollmer
InsuranceTimes

Not long after the catastrophic Sept. 11 terrorist attacks in New York, insurance agents from New York and nearby Connecticut had already begun trying to reach affected areas.

Their goal early on was to reach trouble spots near or affected by the World Trade Center rubble, help clients and walk them through the claims process, said Jeff Myers, a vice president for the Independent Insurance Agents of America.

“The industry has been on the ground since day one of this disaster, both insurance company personnel and agency personnel, to take care of the needs of their shared clients,” Myers said.

“It’s a coordinated effort, both on our part and on the companies’ parts to respond to this as expeditiously as possible and to facilitate quick processing of claims.”

Relief Site

Myers has helped coordinate setting up the America’s Survivor Relief fund on the Big I Web site. He’s also been involved, he said, in calls with state associations in coordinating agent response to the disaster.

But even as insurance agencies are gearing up to help clients, some have been affected themselves by the World Trade Center attacks, said Myers and Richard Poppa, CEO of the Independent Insurance Agents Association of New York.

Brokers including Marsh & McLennan Companies and Aon lost employees in the bombing. Other insurance companies with offices in the World Trade Center complex were also affected.

The Frenkel & Co. Inc. insurance brokerage firm had dozens of employees working out of offices on two World Trade Center tower floors, Myers said, but all the employees got out safely.

The firm has already located temporarily in offices elsewhere in Manhattan, New Jersey and Long Island.

Poppa said agents in general in New York are now focused on, “making sure they’re communicating with their insurance companies to understand what companies are doing from an emergency claim perspective.”

So far, Myers said, the industry and agents are working well together to respond to the disaster. Both are focusing on communicating with government officials and the public about the status of the industry today and “its strong financial standing and its ability to handle a disaster of this magnitude.”

Agents are generally pleased with how companies are responding.

“Up to this moment I’ve heard that the insurers are working very well, very closely with the agents to try and deal with this in a forthright and humane way,” Poppa said.

“I’ve not had any calls or complaints at all from agents relating to company practices.”

Claims have only started to trickle in — the expected influx is probably a while away, both men said.

But claims filing has already begun. Just a few days after the tragedy, Spencer Houldin, vice president of personal lines for the Ericson Agency in Washington Depot, Conn., said his agency had already received four claims, some for smoke damage and a more serious filing closer to the World Trade Center.

Myers, meanwhile, cautioned that no one should expect a quick resolution.

“The magnitude of this has never been experienced before in the world, and it’s a loss that’s going to take a long time for everybody to sift through and get processed.

“There’s going to be a mountain of claims from this disaster – property casualty/structure, to workers comp, to life, to health, to business interruption policies (and) auto insurance claims.”

“You can basically run down the list.”

Beyond preparing for claims, however, agents have focused on even more important matters first, according to Poppa.

“The insurance side will kick in at some point,” he said, “but where most people have been spending their time, (is) trying to make sure people are safe,” or taking care of those with injuries or those with losses in their families.”

Insurance Times: Conn. hole-in-one insurer balks as state ends its sales
October 2, 2001, Vol. XX No. 20

NORWALK, Conn. (AP) — The owner of a contest insurance company ordered to shut down last week by state insurance regulators said he is being treated unfairly.

The state Insurance Department issued a cease-and-desist order to Kevin Kolenda, claiming his Golf Marketing Worldwide was selling insurance without a license.

“We've been in business for over 14 years, and we've had over 20,000 clients over that time period,” Kolenda said.

“We've done over 10,000 events, and we've given out over \$2 million to 1,000 clients over that time period.”

The company provides “hole-in-one insurance” and collects premiums from tournament organizers or promotions directors.

If a contestant makes the shot, Golf Marketing is responsible for providing disbursements of cash, cars or vacations.

The company also insures other events, such as field-goal kicks, half-court basketball shots or guessing the number of Ping-Pong balls in a car.

The company was the target of a handful of lawsuits alleging it failed to pay out more than \$1 million in prizes.

Kolenda said he has no unpaid claims but added the company has denied claims when clients have not abided by specified rules.

Kolenda said he has been unfairly targeted after a disgruntled employee began complaining to the state and FBI. He said state insurance regulators put him out of business without due process.

The state Insurance Department will hold a hearing on the matter Oct. 26.

Insurance Times: Mold proving unhealthy for Texas homeowners market
October 2, 2001, Vol. XX No. 20

AUSTIN, Tx. (AP) — Mold. It's creepy, ugly and scaring the heck out some people who find it in their homes.

And it's proving downright unhealthy for the Texas property insurance market.

Despite a proposal by state regulators last week to limit mold damage coverage for homes, two of the state's largest property insurance providers, Farmers Insurance Group and State Farm Insurance, say they won't be writing any new policies in Texas. Together, they hold more than 50 percent of the homeowner's insurance market in Texas.

Farmers already had stopped writing new policies. State Farm, claiming mounting financial losses because of mold and other claims, announced its decision the day state regulators released their plan aimed at both preventing big rate hikes and protecting insurers.

Texas Insurance Commissioner Jose Montemayor said he was “terribly disappointed” by State Farm's decision. “I had hoped for more restraint. There are other options available to them,” he said.

The companies don't think so.

Insurers say they're worried about their business as mold damage claims and lawsuits increase.

State Farm Senior Vice President Ron Dodd said the company has five times as many mold claims this year as it did in 2000. Underwriting losses have hit \$504 million this year and the company has incurred \$1.77 in claims losses and expenses for every dollar collected in premiums, he said. Much of the loss is related to mold claims.

State Farm said it plans to raise rates for current policy Texas holders by an average of 14.5 percent. The moratorium on new policies announced last week does not affect current policyholders.

In June, a Travis County District Court jury awarded a Dripping Springs family \$32 million after finding that a subsidiary of Farmers Insurance Group mishandled their claim for black mold damage.

The jury said the insurer committed fraud and failed to adequately and swiftly cover repairs for a water leak, allowing the toxic mold stachybotrys to overrun the 22-room mansion and damage the family's health.

Farmers has asked Montemayor to let the company drop mold coverage from homeowners policies in Texas.

“Our costs for mold-related claims are skyrocketing,” said Dodd, the State Farm vice president. “To continue would jeopardize the financial condition” of the company, which has about 1.7 million policies, he said.

Still, regulators saw the latest moratorium as unnecessary.

“This is an obvious effort to pressure the commissioner,” said Rod Bordelon, the state consumer advocate.

Montemayor said he wants to protect the companies and homeowners. He has scheduled an Oct. 16 public hearing.

Currently, all expenses related to mold damage are covered in the standard policy as long as the mold results from a water leak.

Experts say nearly all mold problems in homes including toxic black mold are caused by water leaks, such as from a broken washing machine hose, a leaky dishwasher or a cracked water or sewer pipe. The proposal aired last week would scale back coverage significantly. Mold coverage would be capped at \$5,000 in all policies while allowing homeowners to buy more protection at additional cost. Montemayor said analysis of mold claims indicates the cap would cover more than half the mold-related claims. He is convinced that without some sort of compromise, the residential property insurance market faces a major crisis. Industry representatives insist Montemayor's plan wouldn't avert an insurance crisis. "The real solution to this problem is to give customers an opportunity to decline mold coverage and allow those wishing the coverage to buy it at a properly determined price," said Jerry Johns of the Southwestern Insurance Information Service. Montemayor said consumers and companies alike can work together to avoid costly mold claims. Homeowners should immediately stop leaks and dry out wet areas. Insurers should respond quickly to claims with good customer service, he said. "Mold has become a tremendously emotional issue," Montemayor said. "It's important we deal with it calmly, responsibly and rationally."

Insurance Times: Ameri-Med fraud settlement finalized in Mass.
October 2, 2001, Vol. XX No. 20

by Mark Hollmer
InsuranceTimes

Finally, Massachusetts consumers taken advantage of in the Ameri-Med insurance scam a few years back will get their bills paid.

The state Attorney General's office announced an agreement recently that will require a regional network provider to pay approximately \$100,000 in health care bills from affected consumers who paid out-of-pocket expenses.

Health Care Value Management will pay the reimbursements to hundreds of policyholders with Fraternal Insurance Group of Fall River, which marketed under the Ameri-Med brand name.

Health Care Value Management was under contract with Fraternal for use of its network and hadn't verified if the company was legally licensed, according to the Attorney General's office.

"We're very pleased we were able to work out a deal" with Health Care Value Management, said, Joanna Connolly, an Assistant Attorney General and deputy chief of the office's Regulated Industry Division.

Attorney General Tom Reilly, in a written statement, offered similar comments and added that "it is unacceptable that Fraternal Insurance would deliberately defraud consumers in search of quality health care for themselves, their families and their employees."

He also spoke positively of HCVM for being willing to help consumers.

Health Care Value Management admits to no wrongdoing in the case.

Several hundred Massachusetts policyholders were affected by the fraud, Connolly said, mostly in New Bedford and Fall River.

Fraternal Insurance Group owner Paul Pereira launched an unlicensed health insurance company in 1996, mostly under the Ameri-Med name and targeted to small business owners and individuals.

The Attorney General's office began to suspect problems after consumer complaints began to pour in about overdue bills from providers because Ameri-Med hadn't paid them.

Fraternal Insurance was shut down in 1998 and the U.S. Attorney's office prosecuted Pereira, who was ultimately sentenced to federal prison for his involvement in the case.

Any Fraternal Insurance policyholders that paid out of pocket expense and haven't filed claims yet face an Aug. 31, 2002 deadline.

For more information, call the Attorney General's insurance hotline at 1-888-830-6277.

Insurance Times: Insurance magnate begins serving sentence
October 2, 2001, Vol. XX No. 20

ALBANY, N.Y. (AP) — A fallen insurance mogul began serving his 37-month prison sentence after arriving at the Federal Medical Center in Lexington, Ky.

Albert Lawrence, 73, was convicted in June 1999 of 20 counts of wire and mail fraud, embezzlement of insurance company assets and pension benefit funds, and tax evasion.

Lawrence was also ordered by a judge to pay \$37 million in restitution to companies, policyholders, employees and the government.

It's unlikely much of the money will be paid by the former owner of the now-defunct Lawrence Group Inc., who has declared bankruptcy.

All inmates are required to work at the facility if they are able, but Lawrence's health may prevent him from working. Lawrence suffers from coronary artery disease and diabetes, as well as stomach cancer that has spread to his liver and his lymph nodes.

Insurance Times: City considers mandatory insurance on 'vicious' dogs

October 2, 2001, Vol. XX No. 20

EAST PROVIDENCE, R.I. — "Vicious" is in the eye of the beholder, but East Providence might try to define it and make owners of such dogs buy \$100,000 liability insurance.

City leaders are considering an ordinance making the insurance mandatory. Pawtucket passed a similar law in July, requiring owners of pit bull breeds and Rottweilers to purchase \$25,000 in liability insurance.

The City Council was expected to cast a final vote last week. It gave initial approval this week, on a 3-2 vote.

At issue for some is how to define "vicious."

"It's unconstitutional to allow an authority or committee to deem that a dog is vicious before it behaves that way," council member Roland Grant, who voted against the legislation, told The Pawtucket Times.

The measure calls for an appointed panel to determine viciousness. It originally was aimed at pit bull breeds and Rottweilers, but was amended to include all dogs displaying vicious tendencies or approaching people in a "threatening" manner.

Council member Patrick Rogers, who proposed the bill, said the city needs to act before a tragedy occurs.

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: Hawaii issues 100th captive insurer license

October 2, 2001, Vol. XX No. 20

HONOLULU (AP) — Hawaii has become one of only two states to issue 100 captive insurance licenses.

Captive insurance is a type of self-insurance in which a company sets up a separate, licensed legal entity to provide insurance to the company and its affiliates. It is a means for companies and organizations to better control their insurance costs.

Insurance Commissioner Wayne Metcalf said that the 100th license was issued to Aquablue Insurance Co. Inc., which is owned by Citizen Watch Company Ltd. of Japan.

The issuance of the 100th license represents a milestone for Hawaii's captive insurance industry, Gov. Ben Cayetano said.

"It is the result of the coordinated efforts of the public and private sectors in developing a regulatory framework and infrastructure for the specialized business," he said.

Insurance Times: Tropical storm Allison to cost insurers \$2.5 billion

October 2, 2001, Vol. XX No. 20

Property insurance companies will pay at least \$2.5 billion nationally to settle claims from Tropical Storm Allison, twice as much as initially expected, according to figures from a claims-tallying company.

A representative for the Louisiana insurance industry says the number could grow by the time all claims are actually settled.

In July, New Jersey-based Insurance Services Office Inc. said damage from the storm would total \$1.2 billion. ISO has since revised its figure because of heavy flooding in the Houston area that delayed accurate damage assessments.

Claims in Louisiana remained unchanged at \$65 million.

Allison also generated \$350 million in flood claims, which are insured through the federal government's National Flood Insurance Program and separate from homeowners' claims.

But Jeff Albright of the Independent Insurance Agents of Louisiana said the figure could go much higher because actual figures are not known for several years until after all claims are settled.

Insurance Times: MS/B product identifies unclear claims costs
October 2, 2001, Vol. XX No. 20

Marshall & Swift / Boeckh (MS/B), a provider of building cost estimating data and "outsourcing" solutions to the property insurance industry, has unveiled its claims communication and data management system, the "Administrator." The Administrator analyzes property claims severity, measures trends that affect overall productivity, and helps insurers analyze best practices in the property claims environment.

When the software is incorporated into a company's property settlement process, claims departments can identify trends and deviations as they occur, in time to take action to improve indemnity savings and increase productivity. All of the analysis and reporting capability of Administrator is real time, so companies can now understand what affects their business as it happens.

The Administrator, for example, analyzes severity in loss settlements. It helps users understand how they stack up in four crucial areas: how a company looks internally; how the same company compares with MS/B third-party database; how house adjusters, independent adjusters, contractors and suppliers compare with established norms, as well as with each other; and how individual insurers contrast with others in the same i

Files that deviate from the norm are flagged, alerting the examiner to exceptions, infractions and potential fraud.

Calculating reserves within 24 hours from reporting a loss and showing indemnity exposure are some additional elements in the Administrator.

Insurance Times: Courts continue to reject diminished value in auto claims
October 2, 2001, Vol. XX No. 20

DES PLAINES, Ill. — In spite of an ongoing influx of litigation, U.S. courts continue to reject class-action lawsuits involving diminished value, a concept referring to the difference between the value of a vehicle before and after it was involved in an accident.

"Courts across the country have continuously rejected the diminished value concept as a legal theory, and the trend is growing," said Robert Hurns, counsel for the National Association of Independent Insurers (NAII). "Since 1999, courts in more than a dozen states have summarily kicked out these cases, underlining the fact that insurance companies don't owe policyholders an arbitrary amount of 'value' on top of the cost of auto damage repairs."

The language used by the courts in dismissing many of these cases is "dramatic and unambiguous," Hurns added.

"It's clearly stated that diminished value, particularly those in class-action cases, are a waste of time and resources.

We're confident that this tenor will carry over to cases that are still pending."

NAII's most recently compiled chart indicates that diminished value cases were dismissed in the following states:

- ARIZONA – In *Kenger v. GEICO*, CV 1999-001522, the plaintiff alleged that a single replacement radiator was not "like kind and quality" to a Honda radiator and pleaded breach of contract, violation of the Arizona Consumer Fraud Act, violation of the Arizona Civil RICO statutes, and violation of the Arizona Insurance Code. In November 1999, the court granted the defendant's motion for summary judgment, stating "a void of evidence" to support the plaintiff's

contention the competitive part was inferior.

* FLORIDA – So far, Florida courts in four separate jurisdictions have sustained the defendants' motion to dismiss in four separate cases: Morrison, et al. v. Allstate Indemnity, Siegle v. Progressive, Casas v. United Services Automobile Association, and Thames v. United Services Automobile Association. The courts were adamant about the lack of evidence against the inferiority of non-OEM parts, stating their use is expressly permitted in Florida state law, and in the Thomas case, rejected a request for a class action.

• ILLINOIS – In Rios et al. v. Allstate Ins. Co., the court denied the plaintiff's motion for class certification.

• INDIANA – In Vietez v. Meridian Mutual Insurance Company, the plaintiff asserted breach of contract and unjust enrichment. The court found that the contract language was unambiguous and that it did not provide for loss in value damages and granted a motion to dismiss in March 2000.

• LOUISIANA – In Graham, et al. v. Allstate Property and Casualty Insurance Co., et al., the trial court found that Allstate's contract clearly did not allow for diminished value and issued a ruling in favor of Allstate for no cause of action. The case was dismissed with prejudice in May 2000.

In Johnson v. Illinois National Ins. Co., the plaintiff sued for breach of contract and sought damages equal to the difference in value between the pre-damaged car and the value after the repair. The trial court ruled for the insurer, finding no coverage for diminished value in the policy. Johnson filed an appeal. NAII will file an amicus in the appeal case asking the court to uphold the trial court's ruling.

In Townsend, et al. v. State Farm Mutual Auto Ins., the plaintiff filed a class-action suit claiming the adjuster did not consider compensating him for purported diminished value. The court ruled in favor of State Farm, granting its motion for summary judgment in August 2000, stating the policy language is clear and unambiguous and does not cover diminished value.

In Entremont, et al. v. American Central Ins. Co., the trial court dismissed Entremont's diminished value lawsuit. Entremont is currently appealing in the first circuit.

• MASSACHUSETTS – In Roth v. Amica Mutual Ins. Co., the plaintiff alleged breach of contract, fraudulent misrepresentation, fraudulent inducement, negligent misrepresentation, breach of fiduciary duty, and breach of the implied covenant of good faith and fair dealing. On September 3, 1999, the court granted the defendant's motion for summary judgment on the issue of diminished value, finding the policy language clearly did not provide for it, and observed nothing in the policy precluded the insurer from using non-OEM parts. However, the court denied the defendant's motion for summary judgment on this point, stating there was an issue of material fact regarding the quality of the non-OEM fender.

• PENNSYLVANIA – In Munoz v. Allstate Ins. Co., the plaintiff's claim was based on diminished value, suing for breach of contract, breach of the implied covenant of good faith and fair dealing, breach of fiduciary duty, and bad faith. On November 15, 1999, the court sustained the defendant's preliminary objections to the plaintiff's class action complaint, concluding the plaintiff could not reasonably expect the policy to provide for diminished value "in light of the current common practice in Pennsylvania." The Pennsylvania Superior Court heard the appeal of this case in July 2000 and ruled in favor of Allstate.

• RHODE ISLAND – In Cazabat v. Metropolitan Property and Casualty Ins. Co., plaintiff's motion for class certification alleged that "Metropolitan uniformly failed to estimate and assess the inherent diminished value when conducting the initial inspection of the first-party property damage claims of its insured's vehicles" and failed to advise policyholders in Rhode Island, Louisiana, Arkansas and Georgia that coverage was included in the contract. The court denied the plaintiff's motion for class certification and concluded that "the possible individual questions involved in the present case lead this Court to the conclusion that class certification is not the best, most efficient method for adjudication. The number of mini-trials needed for this case renders the class action unmanageable and henceforth, not superior."

• TEXAS – In Carlton v. Trinity Universal Ins. Co., plaintiff contended Trinity was obligated to pay an additional amount for the "inherent diminished value" of the car, defined as the difference between the pre-loss value of a car and its value after proper repair. On January 4, 1999, the court granted the defendant's motion for summary judgment, finding Trinity's policy did not provide for diminished value. This case is currently on appeal.

In Berry v. State Farm, an appeals court unanimously held that the Texas Insurance Code did not prohibit the use of like, kind and quality parts under the standard Texas auto insurance policy and that insurance companies were not required to pay for new OEM parts.

• WASHINGTON – In Schwendeman v. USAA Casualty Ins. Co., the court refused to accept the testimony of purported experts Paul Griglio and Charles Kendall Clarke. Plaintiff's Motion for Class Certification was denied on October 20, 2000.

Insurance Times: EPA targets clean-up of region's storage tanks
October 2, 2001, Vol. XX No. 20

Environmental Protection Agency Administrator Christie Whitman and Robert W. Varney, regional administrator of EPA's New England Office, announced that EPA will provide \$4 million to states to clean up contamination from leaking underground storage tanks around the nation.

EPA will select up to 40 pilot projects to help states and cities clean up these properties and foster redevelopment by returning them to productive economic and public use.

In New England to date approximately 70,000 substandard or abandoned leaking underground storage tanks have been removed from the ground.

"These sites have caused problems that, in many cases, have very costly solutions. With this pilot money, recipients will be able to accelerate cleanup and return properties to viable use," said Whitman. "Fostering clean up at these sites not only restores the land but helps protect our water resources from petroleum contamination. The new pilot program is similar to our Brownfields initiatives in that it can help revitalize industrial areas and communities."

While officials claim that Brownfields has been successful, it has been unable to address abandoned petroleum tanks. These new pilots are building on the successful Brownfields program by bridging that gap.

The pilot project, called USTfields, involves abandoned or under-used industrial and commercial properties with perceived or actual contamination from petroleum that has leaked from underground storage tanks, or USTs.

The deadline for submitting proposals for the USTfields Pilots is October 22. For information, visit www.epa.gov/swerust1/priority.htm

Insurance Times: Mergers can strengthen agencies, if done right, advises expert Bakst
October 2, 2001, Vol. XX No. 20

CANTON, Mass. — Agency pricing is strong," and agencies are selling for from 1.6 times to as high as 2.0 times last year's commissions, David Bakst, CPCU, a leading national expert on agency acquisitions and mergers, told members of allMass Group Inc., Massachusetts' largest network of independent insurance agencies, at its business meeting and annual golf outing at the Brookmeadow Country Club.

Bakst, a lawyer with the Boston firm Morrison, Mahoney and Miller, laid out six keys to agency success:

- the ability to run the agency as a business,
- ample markets
- up-to-date computer systems,
- capable producers,
- quality support staff and
- a written marketing plan that helps the agency distinguish itself from its competitors.

An acquisition or a merger can strengthen an agency in all six areas, he said.

An acquisition adds customers and staff-or just more business if the agency simply buys the book. Many agencies already have enough staff, automation and office space to easily accommodate more business.

Fixed Costs

"Salaries, rent and computers are the biggest fixed costs. The more business you can push through the agency without adding costs, the more profitable you'll be," Bakst said. A few top-performing agencies produce \$130,000 of revenue per employee; well-run agencies should have \$85,000 to \$115,000 in revenue per employee.

An acquisition usually brings new markets to the agency-and profit opportunities. Some insurers will pay a 2% to 5% bonus for moving business to them, he pointed out.

Furthermore, a deal usually brings in one or more new producers, who are the "life blood" of an agency.

But an acquisition is hardly the only choice for agency growth. "A merger can provide all of the same benefits," he said.

In a merger, since the management of both agencies stays in place, it's important for the principals to have "complementary skills."

For instance, one may be a super salesperson with few business skills while the other may be a topnotch business

manager but have few sales skills. Merging these skills can be a "catalyst for continued growth, he said."

Finding Sellers

Bakst often represents sellers. When they come to him, they usually already know whom they want to sell to.

But if you're looking to buy an agency, how can you identify potential sellers? Since there are relatively few business brokers selling agencies, Bakst recommended "meeting and greeting" other local agents, maybe even helping out a competitor write a piece of business.

Solo owners who are in the 50s and 60s and have little backup are the best prospects, he said. When that individual is ready to sell, he or she will turn to you if you've established a relationship, he said.

Company field people are good sources because they know which owners are looking to sell because they're tired of the business-or even going under.

Consider buying a distressed agency. "Bankruptcy doesn't mean the book is bad. The book can be valuable," he pointed out.

Put It in Writing

For sole owners of agencies, a perpetuation plan "is more important than a will," Bakst said. "Companies don't like it when there's no succession plan."

In a merger, it's imperative to draft a written agreement that, like an employment contract, spells out duties and says that partners must work full-time. Otherwise, you could get stuck with a no-show partner, and, under the law, "you can't kick out a minority stockholder easily."

The agreement should state that all commissions are to be paid to the agency so that a partner can't simply pocket life insurance commissions. The agreement must provide for the death or disability of a principal and include a non-compete clause.

On the valuation front, Bakst said prices have rebounded sharply from the depressed levels of the mid-1990s. The highest prices usually are in deals in which the risk of loss is taken off the buyer. These deals are based on retained business.

In Massachusetts, exclusive representative producer agencies are also fetching good prices because of moratorium on new ERPs.

Legal Advice

Get legal and accounting advice and negotiate the fine points even before signing a letter of intent to buy, he said. While the letter is non-binding, it's less expensive to work things out before putting them in writing, and the letter makes it more difficult to negotiate changes. The buy-sell agreement should be specific, and define exactly what "renewals" mean.

It's also important to consult with a CPA to avoid tax traps. For instance, the owner of a corporation that has not elected subchapter S status who sells just the assets of the business faces double taxation.

Early professional advice is particularly important for sellers. Typically, the seller has never sold the agency before, but the buyer has probably bought other agencies. "Buyers are usually more sophisticated than sellers.

They often know a little more," Bakst said.

Insurance Times: American Skandia issues Plus 40 term rider
October 2, 2001, Vol. XX No. 20

SHELTON, Conn. — American Skandia Life Assurance Corp. has introduced Plus40, an optional guaranteed issue term life insurance rider issued in conjunction with its deferred variable annuities.

American Skandia believes that the Plus40 rider, which is funded with after-tax dollars, will be a particularly popular way to offset income taxes due at the death of the annuitant on rollovers from 401(k)s, 403(b) Tax-Sheltered Annuities, or IRAs. It is designed to offer an option to the tens of millions of Americans who will be retiring with tax-deferred retirement plans and are concerned about the income taxes their beneficiaries may owe.

Available as an option on newly-issued American Skandia variable annuities beginning Sept. 17, the Plus40 rider:

- Can pay beneficiaries a federal income tax-free amount equal to 40% of the annuity's Account Value at the owner's death, in addition to the annuity contract death benefit
- Is available to new purchasers of the company's variable annuities between the ages of 40 and 75, and coverage may

continue through age 95

- Does not require purchasers to answer any medical questions or undergo examinations - purchasers of Plus40, ages 40-75, cannot be turned down
- Includes a charge that is based on a percentage of Account Value.

Insurance Times: ACLI opposes latest variable regulation
October 2, 2001, Vol. XX No. 20

The American Council of Life Insurers (ACLI), which represents the leading writers of variable annuities and variable life insurance, is strongly opposing a proposal to extend regulation of the variable products business to state securities departments.

According to ACLI, the National Conference of Commissioners on Uniform State Laws (NCCUSL) plan would introduce redundant oversight by regulatory authorities.

"Variable life insurance and variable annuities are already among the most heavily regulated financial products in today's broad marketplace. Drawing these products into state securities codes provides no added regulatory value," said Carl Wilkerson, ACLI chief counsel – securities.

"The NCCUSL proposal, if adopted, would impose a fourth layer of regulation on variable products on top of comprehensive regulation by the Securities and Exchange Commission, the National Association of Securities Dealers and state insurance commissioners," Wilkerson said.

NCCUSL is made up of more than 300 lawyers, judges, and law professors appointed to NCCUSL by the state as well as the District of Columbia, Puerto Rico, and the U.S. Virgin Islands. Its mandate is to draft proposals for uniform and model laws on subjects where uniformity is desirable and practicable, and work toward their enactment in legislatures. However, this proposal conflicts with 47 state insurance codes that give insurance commissioners exclusive jurisdiction to regulate the issuance and sale of variable products, and contradicts 37 state securities codes that exclude all insurance and annuity contracts from the definition of a security, according to the ACLI.

If adopted, insurance companies that manufacture variable products could be charged certain filing fees by state securities offices.

NCCUSL is slated to vote on the proposal next year.

Insurance Times: College grads may find insurance missing
October 2, 2001, Vol. XX No. 20

"Too many graduates risk their financial well-being by going without health insurance when their school-sponsored plan expires," comments Kathy Clark, market development director for specialty products at Fortis Health. "Many graduating students already leave college burdened with substantial bills from school loans and credit cards. If he or she has a medical accident while uninsured, the debt incurred may become insurmountable."

Fortis Health cautions this group to explore their options, as the financial risks are not worth taking. For example, out-of-pocket medical costs for a broken ankle can range up to \$15,000 for someone who is uninsured, far exceeding the premium of a Short Term Medical policy.

"For college graduates, the flexibility of Short Term Medical is invaluable," adds Clark. "Fortis Health enables individuals to customize the plan to meet their budget. For example, they can choose between one and six months of coverage, apply using several different methods, including the Internet and choose from a range of deductible options." Fortis Health's Short Term Medical coverage is designed for generally healthy individuals in a variety of situations. It's designed to cover a gap in health insurance coverage that might range from one to six months. Typical situations include: college graduates whose school-sponsored plan expires; college students who lose parent plan coverage upon graduation; independent workers; workers who have been laid off or are between jobs; new employees stuck in a health insurance "waiting period"; temporary or seasonal employees and early retirees with a short wait for Medicare coverage

Visit www.temporaryinsurance.com

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- Is available to new purchasers of the company's variable annuities between the ages of 40 and 75, and coverage may continue through age 95
- Does not require purchasers to answer any medical questions or undergo examinations - purchasers of Plus40, ages 40-75, cannot be turned down
- Includes a charge that is based on a percentage of Account Value.

Insurance Times: Supplemental Insurance: The Untapped Market
October 2, 2001, Vol. XX No. 20

Potential for success awaits agents in supplemental sales
by Glenn Maykish
Colonial Life & Accident

If producers knew of an insurance market with huge potential that was only barely penetrated, would they be interested?

What if premiums in that same market were expected to grow by 20 percent within the next four years and profits were expected to soar by an incredible 33 percent?

And how about if employees at large and small companies alike were pressuring their employers to make these insurance products available? Think that would get their attention?

That's exactly the situation the supplemental insurance market is in now.

According to a Datamonitor 2000 study, the current market potential is \$20 billion dollars yet penetration is only \$2.5 billion, about 12 percent. Clearly, offering supplemental insurance at the worksite offers producers a tremendous opportunity for success.

Value to Employers

Employers look to their insurance providers or brokers for help in managing their benefits programs, and that responsibility is more challenging than ever. Employers face a lot of tough issues, including health care costs rising by double digits, a tight labor market, and an increasingly diverse workforce that wants a voice in choosing its benefits. In fact, an overwhelming majority of employees — 80 percent — say choice in their benefits programs is very important. Offering supplemental insurance can provide employers:

- An enhanced benefits program at no additional cost.
- Benefits that meet individual employee needs.
- Benefits that help recruit and retain quality employees.
- Reduced pressure to increase spending on benefits.
- Ease of administration.

Value to Producers

Offering supplemental insurance products to employees at the worksite allows producers to provide their clients with the best products and services available, while maximizing their revenue potential. Employers can enhance their benefits programs while producers create a new profit center for their agencies.

Offering supplemental insurance allows producers to:

- Provide their clients with a cost-effective benefits alternative.
- Help their clients maintain competitive benefits programs.
- Solidify their relationships with clients.
- Become a more comprehensive benefits provider.
- Enhance client satisfaction.
- Create an additional income stream.
- Attract new clients.
- Keep competition out of their accounts.

Worksite Marketing:

New Opportunities

Some experts predict that 75 percent of all insurance products will be available at the workplace by the year 2000.²

That's why worksite marketing of supplemental insurance offers tremendous potential for producers.

One study says 50 percent or more of employees prefer to obtain supplemental products at the workplace.² And offering supplemental insurance at the worksite is obviously meeting employers' needs too: 79 percent of employers say they are satisfied or very satisfied with their supplemental insurance program.

No Hard Sell Here

Although supplemental insurance products themselves can offer great value to employers and employees, one of the greatest values can come in the form of the benefits communication and enrollment support a top-notch supplemental provider can offer. Employers need help with benefits communication more than ever before. Many employers are making cutbacks in their human resource staffs, which leaves less time available to communicate benefits to employees. And today's better-educated work force wants to know more about their benefits packages.

The ideal supplemental sales situation is a one-on-one meeting between each employee and the producer. This type of sales environment creates a relationship of trust as the producer reviews the employee's existing benefits and helps identify needs. Together, the producer and employee look at options for coverages to bridge those gaps and create a customized benefits package that meets the employee's individual and family needs. Most producers find this cooperative, partnership approach both more comfortable and more productive.

A Win-Win Solution

With its barely tapped potential, the opportunity for producers in worksite sales of supplemental insurance is tremendous. Supplemental programs also offer employers and employees alike an excellent solution to their benefits needs. By working with a carrier with expertise in benefits communication and enrollment ó along with top-quality supplemental products ó producers can help create a win-win solution for themselves and their customers.

Insurance Times: What is Supplemental Insurance?

October 2, 2001, Vol. XX No. 20

As the name implies, supplemental insurance supplements or complements an existing insurance. Supplemental insurance products don't replace or compete with the employer's existing benefits package. Instead, they're optional plans employers make available to their employees, who choose and pay for the coverages that meet their individual needs. Typical supplemental insurance products include term life, disability, accident, cancer and hospitalization coverage. These plans are usually sold to employees at their worksite and paid for through convenient payroll deduction, sometimes on a pretax basis.

Insurance Times: Medicare found overpaying for seniors' drugs
October 2, 2001, Vol. XX No. 20

WASHINGTON (AP)— Medicare paid \$1.9 billion more than necessary for 24 popular prescription drugs last year, according to congressional auditors.

The overpayments are the result of rules put in place by Congress at the urging of drug companies, according to the inspector general of the Department of Health and Human Services, which oversees the government's health insurance program for senior citizens.

The system "allows the price to be set arbitrarily by drug manufacturers, not the marketplace," George F. Grob said.

Two House subcommittees planned a joint hearing to investigate why Medicare pays so much more than other agencies, such as the Departments of Defense and Veterans Affairs.

A report by the General Accounting Office, an investigative arm of Congress, also found Medicare pays too much for prescription drugs. It too will be presented at the hearing.

Medicare reimbursement payments are based on a pricing formula called "Average Wholesale Price." The price is set by drug manufacturers but most purchasers negotiate a lower price. The report said the price bears "little or no resemblance to the actual wholesale prices."

For example, Medicare pays \$118 for a month's supply of albuterol, an asthma drug, while consumers can get the same amount for \$95 at a drug store, according to the report.

The chairman of one of the panels holding the hearing said he hopes to change the payment formulas in this year's spending bills.

"We hope to get a fix on it this year, because the current system is costly to the taxpayer and an overall outrage," said Rep. Jim Greenwood, R-Pa., chairman of the House Commerce Subcommittee on Oversight. But he acknowledged lawmakers have not worked out the details for any changes.

Insurance Times: Secrets of selling 400 LTC policies a year revealed by The LTC Coach at NAIFA
October 2, 2001, Vol. XX No. 20

SALT LAKE CITY — Long-term-care insurance sales are booming, and financial advisors can cash in by using proven marketing and sales methods, Wilma G. Anderson, The LTC Coach, told attendees at the National Association of Insurance and Financial Advisors, career conference.

Anderson, a practicing producer who sells more than 400 LTC policies a year, outlined the success secrets any advisor can use.

Use direct mail effectively. A market-tested direct-mail piece sent to senior citizens will always draw a 2% to 4% response rate. Regular mailings will create an unending stream of prospects.

Take advantage of prepackaged seminars. „Find one that fits you and your market and passes muster with your compliance department," she said.

Speak to community group that look for guest speakers. "Most people who attend will ask you for help and you, ll end up with at least 10 new clients each time you do a small-group talk," Anderson said.

Learn proven sales techniques, including how to make the sale real to the client and overcome objections. "The LTC sale is about painting a picture about how the prospects, lives will change when their health changes," she said. "It involves closing on the first appointment and providing a solution to protect the assets they worked so hard to achieve."

Insurance Times: Report stresses women's need for disability coverage
October 2, 2001, Vol. XX No. 20

The Women's Institute for a Secure Retirement (WISER) says every woman of working age should be carrying disability income insurance, an important form of financial protection that's designed to replace employment income lost to illness or injury. But the fact is that most working women either have no disability coverage at all or are underinsured.

"Most of us are aware of how important life insurance is to our families," says WISER Executive Director Cindy Hounsell. "A good case can be made that disability insurance ought to be at least as high a priority as life insurance, especially if you're a single mother or you are bringing home a substantial chunk of total household income."

To educate working women about their disability risks and about how to evaluate disability insurance policies, WISER has released a Special Report on Disability Insurance. The Special Report is available by writing to WISER at 1920 N Street NW, Washington DC 20036.

"The fact is that at age 35, people have about a one in four chance of suffering a disability that will prevent them from working for 90 days or longer sometime during their working lives," Hounsell says. "The risk of facing a disability that keeps you from providing for your family is a very real one."

WISER is a non-profit organization committed to improving the opportunities for women to secure retirement income, and to educating lower income women about financial planning and retirement. WISER's Special Report on Disability Insurance was funded by a grant from the American Council of Life Insurers (ACLI).

A survey by ACLI and the Consumer Federation of America (CFA) shows that the overwhelming majority of American workers - 82 percent - either have no long-term disability income coverage, or coverage they believe is inadequate. The survey also shows employees do not understand their disability income benefits at work nearly as well as they understand health insurance, life insurance, pension and other benefits.

ACLI and CFA have produced a consumer brochure, Long-Term Disability Income insurance - "Financial Protection for You & Your Family" - that is available free by calling 1-800-589-ACLI. The publication number is 7200004. The brochure is also available on CFA's Web site, www.consumerfed.org, and on ACLI's Web site, www.acli.com.

Insurance Times: Mass. domestic partner benefits bill advances
October 2, 2001, Vol. XX No. 20

BOSTON (AP) — Gay, lesbian and unmarried state workers would be able to get health insurance for their domestic partners under a bill approved by a key state Senate committee.

The bill, approved by the Senate Ways and Means Committee, would also let cities and towns decide to offer domestic partner benefits as a local option.

A domestic partner is defined by the bill as someone of the same or opposite sex who shares financial responsibilities and a home with a state employee.

They must also say that they are in a relationship of "mutual support, care and commitment" and plan to live together indefinitely.

The Senate has approved two similar bills in recent years. None became law.

"I approach it as a matter of basic fairness," said Senate President Thomas Birmingham, D-Chelsea.

The full Senate is scheduled to vote on the bill this week and on bills that would allow Cambridge and Brookline to extend domestic partner benefits to their employees.

Opponents of domestic partner benefits say they places homosexual relationships on the same level as heterosexual marriages. They also say that giving unmarried heterosexual couples the same benefits as married couples weakens the institution of marriage.

In 1998, the Legislature passed a bill allowing Boston to provide the benefits — known as a "home rule petition" — but the bill was vetoed by former Gov. Paul Cellucci.

Insurance Times: CVS pays \$4 million in prescription-claims case
October 2, 2001, Vol. XX No. 20

WASHINGTON (AP) — CVS Corp. paid \$4 million to settle allegations that it submitted false prescription claims to government health insurance programs, the Justice Department said.

CVS and Revco Drugstores Inc., a pharmacy chain acquired by CVS in 1997, billed the government for full quantities of prescriptions for beneficiaries of federal health insurance programs when they actually dispensed only partial prescriptions, the department alleged.

Woonsocket-based CVS paid \$4 million to the federal government, the District of Columbia and 20 states. The company cooperated with the investigation, the department said.

CVS officials said partially filled prescriptions arise when a pharmacy does not have the full amount of requested medication on hand.

The company claims customers are told to return later to pick up the remainder but sometimes fail to do so.

"Unfortunately, in those instances in the past state and federal health programs may have been mistakenly billed for a full prescription," the company said in a news release.

"Any isolated instances of overbilling for partially filled prescriptions were inadvertent," CVS spokesman Todd Andrews said.

The 20 states are: Alabama, Connecticut, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia and West Virginia.

Insurance Times: Ameritas enhances its high/low dental plan
October 2, 2001, Vol. XX No. 20

LINCOLN, Neb. — Ameritas Group Dental recently enhanced its expertise in the high/low dental plan quoting process. While not many dental insurance carriers offer this type of plan, Ameritas has been offering its high/low plan administration for more than 10 years.

High/low dental plans are unique in that one policy can accommodate a variety of employee and employer needs while offering several options.

Sold in a pretax, employee-pay-all environment, these plans offer a high or low dental procedure reimbursement level with a corresponding higher or lower premium. Employees opt for the plan that best suits their dental needs and financial situation — two characteristics that drive selection of a dental plan.

To further manage costs, an Ameritas Participating Provider Organization option is available in many states. And as employee needs change, high/low participants may switch between plans during annual enrollments.

Schools, banks, hospitals, factories and other companies with diverse employee needs and income levels are excellent candidates for high/low plans. While high/low plans are ideal for employers that cannot afford to fund dental benefits, employers also have the option to fund only the low plan, allowing employees to buy-up to the high plan.

Visit www.YourDentalSolutions.com to learn more. In New York, visit www.NY.YourDentalSolutions.com.

Insurance Times: Maine seeks ways to measure, contain rising health costs
October 2, 2001, Vol. XX No. 20

Data-gathering panel to uncover cost drivers
by Glenn Adams
Associated Press

AUGUSTA, Maine — An alarming number of Maine businesses will drop or reduce their health insurance coverage for employees in the months ahead, Gov. Angus King predicted as he launched a new effort to rein in costs.

King's prediction of escalating health insurance costs received an emphatic second by a businesswoman who will serve in the newly formed Maine Health Care Performance Council.

80% Cost Hike

Kathie Leonard, president of Auburn Manufacturing Inc., said health insurance costs for her Mechanic Falls business would have risen 60 percent this year if she had kept the same carrier.

"I think we are in a crisis," said Leonard. "We are at our wits' end."

King's announcement in his State House office came 10 months after a Blue Ribbon Commission on Health Care issued a report saying Maine's total annual health care cost is \$4.7 billion.

The report also said costs are increasing faster than the rate of inflation and could nearly double to \$9 billion a year by 2010. Among the Blue Ribbon Commission's recommendations was the creation of a data-gathering panel.

Collect Data

The new council, modeled after the Maine Economic Growth Council, will collect and organize data on health care costs so policy makers have a better idea what is driving the increases.

The council will also compare Maine's experience with that of other states, develop goals and formulate ways to measure the performance of Maine's health care delivery system over time.

"As far as I can tell, this is the first effort of this kind in the nation," said King. Its uniqueness is one reason why the Robert Wood Johnson Foundation decided to fund the council's work, he said.

Indications are that increases in health coverage are in the 20 percent-plus range. The King administration budgeted increases of about 10 percent for health coverage, but that had to be doubled to 22 percent, the governor noted.

"I'm hearing from Maine businesses who are having to make agonizing decisions every day" on whether to continue covering their employees, said King.

"I believe that within 12 to 18 months, we're going to see an alarming number of businesses dropping or significantly scaling back coverage because of the cost," King predicted.

Multiplier Effect

He noted that rising health costs have a multiplier effect in the state's economy because the more money people have to spend on insurance, the less they can spend on other goods and services.

The 14-member council does not include representatives from the industry because they would have a vested interest in the outcome, said King. The council includes employers, legislators and former legislators, a women's advocate, and two Cabinet members.

The co-chairmen are Kevin Gildart, a vice president at Bath Iron Works, and Brunswick Town Manager Donald Gerrish.

Insurance Times: Congress asked to require birth control benefit in plans
October 2, 2001, Vol. XX No. 20

WASHINGTON (AP) — Health insurance that helps patients pay for medications must start including birth control pills and other contraceptive medicines, said a Seattle woman who won such coverage in a lawsuit.

Jennifer Erickson, a pharmacist who won a court decision in June that forced Bartell Drug Co. to cover contraceptives, told Congress that federal action is the best answer for millions of women who can't afford birth control because their health policies exclude it.

"I have seen women leave the pharmacy empty-handed because they cannot afford to pay the full cost of their birth control pills, and it breaks my heart," Erickson told the Senate Health, Education, Labor and Pensions committee.

"Women should not have to file federal court lawsuits to get their basic health care needs covered."

Lawmakers from both parties say a federal law would help women avoid unwanted pregnancies and reduce health costs associated with pregnancies. Employers, who provide the bulk of health policies, argue that the requirement would drive up the cost of providing coverage and leave many women uninsured.

States have their own laws, but plans not offered through an employer or regulated by state law remain excluded. On Monday, Democrats and Republicans in the Senate promised to push the contraceptive proposal, first introduced in 1997.

With about a third of traditional health plans covering birth control pills, millions of women still have to pay at least \$300 a year out of their own pockets, supporters say. Other prescription methods, such as intrauterine devices, injections, implants and diaphragms, can cost even more, they said.

"If men had to pay for contraceptives, I believe the insurance industry would cover them," said Sen. Harry Reid, D-Nev., who sponsored the plan with Sen. Olympia Snowe, R-Maine. "Ironically, most insurance companies routinely cover more expensive services, including abortions, sterilizations and tubal ligations."

Insurers say such coverage is too expensive to offer and keep a package affordable for employers and their workers.

"Mandates for particular benefits, no matter how popular, are a bad idea," said Kate Sullivan, who directs health policy for the U.S. Chamber of Commerce, which represents more than 3 million businesses.

Giving women access to better birth control would lower costs and improve the health of entire families, said Dr. Anita Nelson, who directs the obstetrics and gynecology program at Los Angeles County Harbor-UCLA Medical Center, Torrance, Calif.

Nelson told lawmakers that women would have healthier babies, avoid pregnancies when they were ill and reduce risks

of sexually transmitted diseases, because they would get counseling and education along with greater access to medicines.

"Women must not be limited from choosing the best method because of insurers' arbitrary coverage decisions," she said.

The contraceptive coverage fight resurfaces as Congress tries to pass a larger slate of medical treatments insurers must cover.

The patients' bill of rights legislation, which is subject to negotiations between the Senate and House, would require plans to pay for emergency room visits, trips to medical specialists and other services that patients have said they've been routinely denied.

Birth control has proven more difficult. But recent legal decisions, which affected a small group of women, have given supporters new momentum.

In June, a federal judge agreed with Erickson that women got less complete coverage than men under the plan offered by her employer and declared that unlawful discrimination under federal law. Only nonunion employees of the drugstore chain are affected.

In December, the Equal Employment Opportunity Commission ruled it was against federal law for employers to exclude contraceptives from their health insurance plans when they cover other preventive treatments. The decision affected two women only who had complained to the commission.

And about 16 states require so-called contraceptive parity.

Still, President Bush proposed eliminating from his budget money spent on contraceptive coverage for federal employees. Many lawmakers want not only to save the federal program but extend benefits to everyone.

Insurance Times: Court upsets \$30 million Humana verdict
October 2, 2001, Vol. XX No. 20

A Florida appeals court overturned a nearly \$80 million verdict against Humana Health Insurance Co. for improperly terminating treatment for a girl with cerebral palsy.

The 4th District Court of Appeal ruled that the lower court judge made a series of "glaring errors" in the case including not telling jurors they were not obligated to award punitive damages.

The parents of 10-year-old Caitlyn Chipps, who sued the company in 1996 when the girl was 5, can ask for a new trial to determine how much Humana owes the family.

A trial found that Humana had violated its own rules when it removed the girl from a special program for chronically ill patients for 10 months and had misled her parents about the reasons.

A County Circuit Court jury handed down a \$79.6 million verdict in January 2000 against Humana and its subsidiary, Humana Health Insurance Co. of Florida. The jury awarded \$1.1 million in compensatory damages and \$78.5 million in punitive damages.

The jury's ruling came after Circuit Judge James Carlisle entered a default judgment against the company when Humana failed to turn over documents on time to the Chipps family's attorneys.

The default judgment stands. But the appellate court ruled that Carlisle erred when he gave jurors instructions that characterized Humana's conduct as "gross and flagrant." He also failed to tell jurors they had the discretion not to award punitive damages, the court ruled.

Louisville, Ky.-based Humana said in a statement that it was gratified by the ruling.

Theodore J. Leopold, the attorney for the parents, Mark and Barbara Chipps of Loxahatchee, did not immediately return phone calls seeking comment.

Cerebral palsy is a birth defect of the brain that results in loss of motor control and coordination.

After Humana terminated Caitlyn from a high-intensity treatment program, her family said, her physical abilities and speech regressed.

Humana's attorneys had said during the trial that the company made mistakes in cutting off special care coverage to Caitlyn and some other children. According to the appeals court, the plaintiffs showed that about 100 children were improperly removed from the program in an effort to save \$78 million.

Insurance Times: A.M. Best adds health site

October 2, 2001, Vol. XX No. 20

A.M. Best Co. has announced a significant enhancement to its website -- www.ambest.com -- with the launch of the Health Care Center.

The Health Care Center includes the latest health care ratings, news and research from A.M. Best. In addition, the Health Care Center features a search engine that enables viewers to access A.M. Best Financial Strength Ratings of HMOs, Blue Cross/Blue Shield and other health care organizations paired with Health Plan Accreditation Outcomes and Star Ratings from the National Committee for Quality Assurance (NCQA).

Care Center and the ratings search engine will also be accessible from NCQA's website at www.ncqa.org.

Insurance Times: Nelson leads NAIFA; NHAHU elects Harte; Allmerica names Meyers; Starkweather & Shepley announces key appointments
October 2, 2001, Vol. XX No. 20

NAIFA

Robert Nelson, CLU, LUTCF, vice president of the Life and Estate Planning Division of Grace/Mayer Insurance of Omaha, Neb., was elected president of the National Association of Insurance and Financial Advisors (NAIFA) during its 112th Annual Convention and Career Conference in Salt Lake City, Utah.

Nelson is a past president of the Nebraska State Association of Insurance and Financial Advisors and the Omaha Association of Insurance and Financial Advisors. He is a qualifying and life member of the Million Dollar Round Table (MDRT), a member of the Omaha Estate Planning Financial Consultants and a former CLU instructor on "Planning for the Business Owner and the Professional."

In a world of increasing industry challenges, Nelson said the future success of NAIFA is based on the importance of teamwork and commitment to involvement. "NAIFA has already done the 'hard stuff' by changing its name, selling its building, buying a new headquarters and planting seeds for exciting new member services ~ while preserving the best of the past. With our strategy firmly in place it's now time for everyone to get on board and effectively implement our game plan and mission. Let's let go of the baggage of the past and take this organization to the next level."

NHAHU

The New Hampshire Association of Health Underwriters revealed its new board of directors recently: President, Tom Harte of Landmark Benefits, Inc., Hampstead; Vice President, Granite Group Benefits, Nashua; Secretary, Leigh Maglia, Insurance Solutions Corp., Plaistow; Treasurer, Deborah Mijal, Lakeside Insurance, Windham; Membership Chair, Donna Cardoso, Risk Management Inc., Bedford; State Legislative Chair, Andy Dilman, Sadler Insurance Agency, Nashua; Federal Legislative Chair, Jim Scammon, Cigna Healthcare of NH; Communications Chair, Denise McDonough, Harvard Pilgrim, Bedford; Public Relations Chair, Jim Better, New England Medical Services, Chelmsford; Education Chair, Marsha Dixon, IPG Consultants & Brokers, Keene; and Delegate-at-Large, Bob Bergan, Anthem Blue Cross Blue Shield of NH, Manchester.

Starkweather & Shepley

Richard S. Fassnacht has been appointed assistant vice president of marketing at Starkweather & Shepley Insurance Brokerage in East Providence, Rhode Island. He will be responsible for marketing for new and renewal commercial business. Fassnacht joins Starkweather & Shepley with more than 20 years of experience. He was an assistant vice president with Aon Risk Services of Rhode Island since 1992 and also worked as a marketing representative with Sedgewick James in Portland, Maine.

Also at Starkweather & Shepley, Sabrina C. SanMartino has been promoted to assistant vice president, responsible for maintenance and development of commercial business. SanMartino began working for the agency in 1986 as an administrative assistant, and was promoted to account executive in 2000.

Jordan M. Silverman has been appointed assistant marketing manager, responsible for negotiations with insurance companies. He also serves as a vice president responsible for account management and commercial insurance production.

The agency also promoted Paul Taubman as senior vice president. He is responsible for employee education, analysis of company products and services, coordination of continuing education, and the management of marketing commercial lines. Taubman joined the agency in 1985 as assistant vice president and was promoted to vice president in 1992.

Allmerica

Barry P. Meyers has been elected managing director, Premier Partners, at Allmerica Financial Services, Worcester, Mass., the retirement and financial planning division of the Allmerica Financial companies.

In this role, Meyers is responsible for developing new strategic partnerships for Allmerica, further expanding the company's distribution network.

Meyers is a senior executive with more than 25 years of business development, sales, marketing, product management and consulting experience in financial services.

AIG

American International Group, Inc. (AIG) has announced that Gregory Flood has joined AIG member company National Union Fire Insurance Company of Pittsburgh (National Union) as executive vice president and chief operating officer, and that Michael Mitrovic has been named president, American International Companies Worldwide Financial Lines Claims.

Both Flood and Mitrovic were previously executives at Global Specialty Risk, Inc., and in addition to their new responsibilities, will continue to manage servicing and claims relating to specialty lines insurance policies issued by Axcelera Specialty Risk, Inc., a wholly owned managing agency of Global Specialty Risk.

Flood had 14 years experience at AIG in various underwriting roles.

Mitrovic had 17 years experience in key claims management positions at AIG before joining Global Specialty Risk.

The BISYS Group, Inc.

The BISYS Group, Inc. of New York, a leading provider of outsourcing services to the financial services sector has promoted Dennis Sheehan to be president and chief operating officer. In his new role, Sheehan will be responsible for BISYS' day-to-day operations, strategic business development and corporate marketing, and will continue to report to Lynn Mangum, chairman and chief executive officer.

Sheehan joined BISYS as senior vice president of finance in 1995 with the acquisition of Concord Holdings, and became executive vice president and chief financial officer in 1998.

BISYS also announced that Andy Corbin, has been promoted to the position of senior vice president and chief financial officer, replacing Sheehan.