Insurance Times: Supreme Court to decide scope of federal disabilities act
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Is An Impairment A Disability If It Precludes A Worker From Performing Only Some Of The Tasks Associated With A Specific Job?

by Charles Wolfe
Associated Press

LEXINGTON, Ky. — Ella Williams worked on a Toyota assembly line until she said the repeated use of pneumatic tools damaged her arms and hands and made routine tasks nearly impossible. She was moved to a different department, but the new plant added a new chore that made the pain even worse.

The situation prompted Williams to sue, claiming Toyota had violated the Americans with Disabilities Act. The U.S. Supreme Court will hear the lawsuit in a case that could have far-reaching effects on the nation's businesses.

At issue is whether Williams actually has a disability, as opposed to a job-related injury that should be handled under workers' compensation, and what her case may portend for business.

Facing the justices is this question: Does an impairment qualify as a disability if it precludes an individual from performing only some of the tasks associated with a specific job?

Toyota argues that the ADA is meant to cover people excluded from a broad range of jobs, not those excluded from a single job or the worker's job of choice.

After her assembly line job, Williams was moved to paint inspection. The chore was to wipe down cars, at the rate of one per minute, with an oil that highlighted paint flaws. It required her to grip a wooden-handled sponge and keep her hands and arms at shoulder level for hours each day, causing tendinitis in her neck and shoulders, she said.

Paint inspection was one of the easiest jobs at the plant, and Williams was fine with it until 1996 when the new chore was added, according to the lawsuit.

Large Impact on Business

Williams' case “reaches far beyond just the Toyota operation," Latondra Newton, a spokeswoman for Toyota Motor Manufacturing Kentucky, said. “The decision itself has a large impact on businesses across the United States."

Toyota won at the trial level, where a federal judge dismissed the case. A panel of the 6th U.S. Circuit Court of Appeals reinstated the lawsuit, declaring there was evidence that Williams was “substantially limited as to a major life activity" — an ADA requirement.

The appellate decision said Williams' ailments were ”analogous to having missing, damaged or deformed limbs" that prevented her from doing the manual tasks associated with assembly-line work.

Toyota's attorney, John Roberts of New York, said in a brief that the appeals court “turned the logic of the ADA on its head."

The ruling “legitimates an entire species of disability claims that had heretofore been universally rejected: those based on an inability to perform a single job," Roberts wrote.

Williams' attorney, Leslie Rosenbaum of Lexington, said Williams cannot lift more than 20 pounds or perform any job that requires repetitive manual activity.

That excludes her from at least half the jobs in the labor market as well as “manual tasks associated with recreation, household chores and living generally," Rosenbaum said.

Even if the Supreme Court sides with Williams, much about her case remains in dispute.

She claims she was fired; Toyota claims she quit. She also claims the company failed to “reasonably accommodate" her disability by allowing her to return to her original paint inspection job, something Toyota disputes.

Insurance Times: Conn. WC insurers seek assigned risk rate increase
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HARTFORD — Connecticut workers compensation rates for the voluntary market should drop overall next year, but assigned risk plan rates need a double-digit jump, the NCCI is recommending.

Specifically, the National Council on Compensation Insurance is seeking an overall 3.5 percent decrease for voluntary market advisory pure premium loss costs and an 11.9 percent jump for the Assigned Risk Plan.

The Connecticut Insurance Department has scheduled a public hearing to address the recommendation on Nov. 15, 10 a.m. at Insurance Department headquarters on 153 Market St.

NCCI is also recommending a change on surcharges for Assigned Risk Plans whose annual premiums are higher than $5,500.

Right now, a 25 percent surcharge is applied to each qualifying policy, but NCCI wants to replace it with a 25 percent rate differential that applies to all policies.

While NCCI wants Connecticut workers comp rates to decline 3.5 percent overall, individual categories in the voluntary market would both see rate hikes and drops.

The NCCI proposal calls for manufacturing pure premium loss cost rates to drop 5.2 percent, 8.1 percent and 7.9 percent for manufacturing, office and clerical and goods & services, respectively.

Rates would climb 5.5 percent and 1.5 percent for contracting and miscellaneous.

Last year, Insurance Commissioner Susan Cogswell approved a 12.2 percent jump for the assigned risk plan and left the overall rates stay the same for the voluntary market.

Last year's rates followed a seven year stretch of decreasing workers compensation rates in the state.

Mass. to hire firm to again study universal health PLAN

BOSTON — Legislative leaders are entering into negotiations with the Illinois-based consulting firm LECG LLC, which will be charged with providing a fresh perspective and independent analysis of what it would take to deliver universal health care in Massachusetts.

The study is an outgrowth of the July 2000 managed care reform law, which dropped a consumer advocate-driven push for mandatory universal health care. Instead, the law set up an advisory committee to conduct what many are calling a "true study" of the financial impact and institutional dislocation that would be likely if all Massachusetts residents were guaranteed a minimum level of health coverage.

Currently, most citizens receive coverage through their private and government employers, or through government programs like Medicaid that serve the disabled and poor.

But for years, hundreds of thousands of Massachusetts citizens have routinely gone without health insurance either because they can,t afford it, are not eligible for government programs, or because their employers don,t offer it.

With estimates of the state,s uninsured population ranging from 300,000 to 600,000, LECG will be charged with developing creative ways to provide coverage by streamlining and consolidating the complex financial networks and delivery systems that make up the state's health care system.

LECG has pledged to use two analytical perspectives. One focuses on the revenue sources that pay for health care and the other explores delivery and use of health care services.

Committee members believe the study results could lead to reforms that completely overhaul health care financing or incremental reforms that build on strengths of the current system and address weaknesses.

LECG prevailed because of its experience studying Medicaid programs and experimental policies in Oregon, and its work analyzing universal health care access systems in other countries, said Mary Beckham, the state,s assistant secretary for health policy. Beckham led the search for a consultant.

LECG also promised to bolster its analyses with information culled from proprietary databases of employer-related health information owned by William M. Mercer Inc.

Advisory committee co-chairs Sen. Mark Montigny (D-New Bedford) and Rep. Nancy Flavin (D-Easthampton) hope to put the company to work in early November and expect a final report and recommendations next May and June.

MASS. FAIR PLAN SEEKS RATE CHANGES

BOSTON — The Massachusetts FAIR Plan wants to adjust insurance rates in several categories for 2002, affecting homeowners but also rentals and condominiums.

Members of FAIR – also known as the Massachusetts Property Insurance Underwriting Association – testified about their rate filing at an Oct. 24 hearing.

FAIR officials want the rate change to become effective on Dec. 31. If approved, homeowners' rates would increase .4 percent across the state. Tenants and condominium coverage would dip 5 percent.

Combined, FAIR's overall homeowners forms would reflect rates .17 percent cheaper than last year, said Avinash

Mehta, the FAIR Plan's technical assistant to the.
The filing also asks for a .6 percent overall decrease for dwelling fire and extended coverage for 1-4-family homes, Mehta said.
Homeowners' business reflects 85 percent of FAIR's total premium.
FAIR's commercial coverage, which represents less than 2.5 percent of total plan premium, wouldn't change.

NY ENFORCES CELL PHONE DRIVING BAN
ALBANY, N.Y. — Police have begun enforcing the nation's first law banning hand-held cellular phone use while driving, though offenders will be let go with a warning until Dec. 1.
First-time violators face a $100 fine after that. A second conviction could bring a $200 fine and subsequent violations could cost $500.
Until March, courts may dismiss tickets with proof that motorists have purchased a hands-free phone device.
But Paul Adams, a real estate developer who averages 25,000 miles a year on the road, wonders if the attachments will distract drivers.
“They're all fumbly with their headset, they're not sure how to use it, they're panicking," Adams said. “This is a new learning curve."
The ban drew national headlines and scorn from some politicians but similar legislation is pending in 42 other states.

Insurance Times: Terror Attacks Invite Renewed Emphasis On Disaster Planning
November 13, 2001, Vol. XX No. 23

World Trade Center Experience of Frenkel & Co. Shows How Planning Improves Ability To Act Quickly in Crisis; Others Reviewing Their Disaster Plans

by Mark Hollmer
InsuranceTimes

When the first plane smashed into New York's World Trade Center tower 1, Bob Wolf was working right next door.
Wolf, executive vice president and general counsel for the insurance broker Frenkel & Co., heard the explosions from the 36th floor of Tower 2. He and other company officials looked outside, saw debris flying and immediately decided to evacuate.
“We got people out,” he said. “We didn't listen when it was suggested that our building was fine.”
Luckily, the 170 Frenkel employees evacuated safely from two floors of the tower, most heading to safety nearly an hour before the building collapsed.
In a tragedy that has understandably knocked a number of companies out of commission, Frenkel & Co. was able to recover relatively quickly – getting back into business within a week of the Sept. 11 tragedy.
A disaster plan outline and some quick thinking helped make it all possible, Wolf said in an InsuranceTimes telephone interview from temporary offices in New Jersey.
“It gave us a line to start with and a direction to go,” Wolf said. “Then we could make the decisions we needed to, given the actual circumstances that we were in.”
Frenkel & Co., Inc. has offices in California and a total of 220 employees in New York City and New Jersey alone.
After everyone evacuated, some managers got on the phones and tracked down principal owners of the company in Europe. Wolf said they became “a hub for communications” to help relay information about how the company should proceed.
California played a big role in Frenkel & Co.'s disaster plan because offices there housed a backup computer system.
Frenkel lost electronic records from the last week before the disaster but preserved everything else, Wolf said.
The disaster plan called for the company to move its people to California as a backup. But managers, under the unique circumstances of the WTC disaster, quickly decided that shifting staff and operations to existing space in New Jersey would work better.
Wolf and other managers, meanwhile, set up operations at the company's Englewood Cliffs, N.J. subsidiary to coordinate recovery efforts.
Though the plan covered backup computer files, other actions by quick thinking Frenkel staff helped the company address its immediate needs after the disaster.

For example, employees already had access to replacement computers because a Frenkel supervisor based in New Jersey made a quick decision to order new machines from a supplier after the first plane hit the Twin Towers.

"He decided that he could always cancel orders, and it was a prudent thing to do," Wolf said. "In retrospect it was a key event in getting us back as quickly as we were."

Managers also used telephone trees to keep communication open between supervisors and employees in the company's different business segments to keep track of efforts to return to full operations.

The day after the tragedy, Wolf and Chief Financial Officer Michael Glazer met with employees in New Jersey and talked to the company principals again, after which they made arrangements to lease space next to their existing Englewood Cliffs, NJ subsidiary offices. Other senior people found temporary office space elsewhere in Manhattan.

The company also updated its office Web site and rerouted its New York number to New Jersey, allowing customers a quick way to contact Frenkel & Co. as needed.

Wolf maintains a New York apartment but he and his family still keep their home in Charleston, S.C. Wolf said a client tracked him down there to find out "how his account executive was.

"It shows you," he said, "what lengths people went to try and get in touch, not that they needed service. They were interested in the well being of the people they worked with.

"We didn't have very many clients that suffered losses … Clients that were in the area and suffered losses were in the same boat we are so (they) certainly understood."

Within a week, however, employees were split between their temporary New York and New Jersey offices, computers were operational and employees could get online to check files, send and receive emails and conduct business.

Employees who hadn't had to commute to New Jersey before even found that potential problem taken care of. Frenkel & Co. set up a livery service to help ferry employees either to mass transit or directly to work. The service, Wolf said, will run as long as the company continues in its temporary locations.

Frenkel & Co.'s insurer, the St. Paul companies, has been helpful throughout, Wolf said.

Aside from a few bugs, Wolf said, the disaster plan outline and subsequent actions by company officials helped minimize any disruption Frenkel is facing.

That aside, Frenkel & Co. also made permanent plans for a new home. The company recently rented new permanent space in Midtown Manhattan and a new small office in Jersey City, with plans to occupy the areas by early December.

Of 170 Frenkel employees from the World Trade Center, 110 will move to the Midtown office, 40 will move to the Jersey City office and 20 will stay in the Frenkel subsidiary office in Englewood Cliffs.

In the end, Wolf said, the company looked at its recovery efforts as a chance to reevaluate how it does business from top to bottom.

"We used it as an opportunity to look at how we conducted operations, what would be the best space, and so we reformulated where we would conduct our operations," he said.

The disaster plan, he said, worked like "a road map, like a strategic plan or any other plan."

The basics of the outline helped the company cope, he said, even though "there were things we hadn't thought about that we had to deal with."

Other elements helped, Wolf said, like cooperation from both employees and clients.

The first few days were "hard and frustrating," he said, as employees struggled without phone numbers or up to date files.

"But people worked their way through, slowly but surely," he said.

Throughout the recovery, Wolf said, Frenkel & Co. principals have also tried to help employees recover emotionally by being sensitive to their needs.

The new Midtown Manhattan space will be on the fifth floor of a new building, he said, rather than on a higher floor that could create anxiety.

"They avoided high floors and avoided going into the downtown area where people may be exposed to unpleasant reminders," he said.

"They were very conscious … of making sure that people felt comfortable where they'd be working," he said.

Insurance Times: Acadia Exits Personal Lines

November 13, 2001, Vol. XX No. 23

by Penny Williams

InsuranceTimes

Acknowledging that personal lines business never became a viable part of its product offerings, Acadia Insurance Co. announced it will stop selling personal lines in northern New England to concentrate on its commercial and specialty insurance products.

The withdrawal from personal lines is across the board for Acadia and the other regional companies owned by W.R. Berkley effective January 1, 2002.

Company officials said that rising reinsurance costs for homeowners in the wake of the September 11 attacks and the need for investments in technology factored into the decision.

The company had small market share in northern New England: three percent in Maine, 1.5 percent in New Hampshire and one percent in Vermont.

In a letter to Acadia agents, Acadia President Bill Thornton explained the decision. “We have struggled with our position in personal lines and how to make it a viable part of our organization. In spite of our efforts, personal lines continues to overburden our resources and we lack the scale to justify needed investment in technology.”

The company was contemplating the necessary investment in technology when the September 11th attacks occurred. After that, reinsurers told Acadia that increases in renewal would be “significant,” said Thornton.

“When our results are marginal, the reinsurance costs proved to be the straw that broke the camel’s back,” he said.

Agents maintain that there are companies to absorb Acadia’s risks.

“There are adequate markets in Maine to absorb their business,” said Dan O’Halloran, president, Boothby & Bartlett . “We’ve already had several carriers calling us wanting to take over our block of Acadia business in its entirety. However, it makes a lot of extra hard work for agents.”

Neal Fox, Guy Wilson Agency agreed. “Not only are there ample markets, but they are vying with each other for the business,” Fox said.

Insurance Times: Hopes high for aviation security compromise

November 13, 2001, Vol. XX No. 23

WASHINGTON (AP) — House Speaker Dennis Hastert urged Congress to get an aviation security bill to President Bush by Thanksgiving, a goal that will require House and Senate negotiators to overcome formidable differences.

The House narrowly rejected a Senate-passed bill and approved its own package of measures to make airports and airplanes safer. As a result, the two sides must negotiate a compromise before the legislation can go to the president.

The two bills have many areas in common — including fortifying cockpit doors, increasing air marshals and expanding check-in baggage inspections — but take separate paths on how to tighten screening procedures. The Senate voted to make all screeners federal employees equivalent to Customs officials, while the House opted for federal controls over screening operations that would mainly remain in private hands.

Seven weeks after the attacks in New York and Washington, Congress was under pressure to move quickly to strike a deal. ``It will say to the American people that we are doing everything we possibly can to recover from the aftermath of Sept. 11,'' Bush said.

But there was also a recognition that House-Senate conferences can be the death of legislation. ``My greatest fear is that if it goes to a conference, it never comes out,'' House Democratic Leader Dick Gephardt of Missouri said Thursday.

Bush could institute some measures to improve security through executive orders if Congress fails to act, but he says he wants the more comprehensive authority from legislation.

Hastert said he hoped to get a bill to the president by Thanksgiving, ``to give holiday travelers the peace of mind that we have taken every step necessary to make air travel safer.''

Rep. John Mica, R-Fla., one of the chief authors of the House bill, said he didn't think the two sides were too far apart.

But signs that the going will be tough were already evident. Hastert made clear he felt the House bill was superior in several key aspects and pointed out that it was preferred by both the president and the attorney general.

Sen. McCain

Sen. John McCain, R-Ariz., a top advocate for the Senate bill, said the House version was significantly weaker and ``I expect my Senate colleagues to fight to restore these important security measures and give the American public the same level of safety that members of Congress insist on for themselves.''

In addition to the issue of whether screeners should be federally employed or just federally supervised, the bills differ

on what agency would have jurisdiction over aviation security. The Senate, stressing that security is a law enforcement function, would put it in the Justice Department; the House would create a new agency in the Transportation Department to oversee all transportation security.
The Senate is also certain to resist late additions House Republicans made to their bill, partly to win over undecided lawmakers. The most important, aimed at pleasing New York Republicans, extended liability protections already given to the airlines involved in the Sept. 11 hijackings and crashes into the World Trade Center and the Pentagon. The House language would include aviation manufacturers, office building owners and others in those protections.
“We would never agree," McCain said, to provisions that “have nothing to do with airport security, everything to do with campaign contributions."

Insurance Times: Bipartisan Senate agreement on terrorism aid for insurers reported

November 13, 2001, Vol. XX No. 23

WASHINGTON (AP) — Key senators of both parties reached agreement last week on a proposal to have the government help cover costs of future terrorist attacks for two years, with the insurance industry paying the first $10 billion in costs each year.
The Bush administration, which had proposed its own plan in which taxpayers would cover a larger share of terrorism insurance costs, expressed support for the Senate Banking Committee proposal.
“This bill addresses a real and critical need to assure the continued availability and affordability of terrorism risk insurance," Treasury Secretary Paul O'Neill said in a statement.
But Sen. Ernest Hollings, D-S.C., chairman of the Senate Commerce Committee, which shares jurisdiction with the banking panel in insurance matters, has not signed on to the proposal. Hollings expressed concern that taxpayers could end up footing the bill while insurance companies were “unjustly enriched."
Andy Davis, a spokesman for Hollings, said the Commerce Committee was proceeding with its own legislative proposal.
And in the House, Republican leaders of the Financial Services Committee are proposing legislation that would require insurance companies to reimburse the government for aid received. Under their proposal, the government would lend the insurers money to help pay claims from a terrorist attack that exceed a certain amount.
Under the Senate proposal, the industry would pay the first chunk, $10 billion, of insurance costs for attacks for two years. Beyond that level, the government would cover 90 percent of costs; the insurance industry would pay the remaining 10 percent.
The Treasury secretary would have discretion to extend the program for a third year, in which case the industry would be responsible for the first $20 billion in costs. There would be a $100 billion cap: the Treasury secretary would have to go to Congress if costs exceeded that amount.
Insurance companies that write policies protecting property could face payouts of $30 billion to $50 billion for the attacks on the World Trade Center towers and the Pentagon. Major reinsurance companies have said they won't renew terrorism coverage after Dec. 31, when many contracts expire.

Insurance Times: OneBeacon, Liberty Mutual close business transfer

November 13, 2001, Vol. XX No. 23

by Mark Hollmer
InsuranceTimes

BOSTON — OneBeacon will be transferring $1.5 billion of its property casualty business – from 42 states and the District of Columbia – to Liberty Mutual.
Both Boston-based companies announced the tentative deal back in September but reached a “definitive agreement” only at the end of October.
Liberty already started assuming the affected new and renewal business as of Nov. 1 but OneBeacon will continue to handle reinsurance and some service agreements for up to five years.
OneBeacon business in New York, New Jersey, Connecticut, Rhode Island, Massachusetts, New Hampshire, Maine

and Vermont are unaffected by the deal.
Ray Barrette, OneBeacon's managing director and CEO, said in a written statement that both companies have worked well together and that he's "confident that this opportunity will continue to evolve with positive results for everyone."
Edmund Kelly, Liberty Mutual's chairman, president and CEO, said the move reflects Liberty's continued commitment of being a "a multi channel property and casualty company."

Focus on Northeast
In an earlier InsuranceTimes interview, OneBeacon spokesperson Carmen Duarte said her company wanted to concentrate on its property casualty and specialty lines business in the Northeast – which accounts for about half of the company's operations.
OneBeacon's agribusiness and ocean marine business in the affected states and the District of Columbia will not transfer to Liberty Mutual.
As planned, OneBeacon's business is being blended into Liberty Mutual Group's Regional Agency Markets Business Unit and group member Liberty Northwest will manage its Pacific Northwest business.
Most of OneBeacon's employees in affected areas will be offered jobs with Liberty's Regional Agency Markets companies.
Liberty has been developing regional property and casualty companies across the country that distribute insurance products just through independent agents, and the deal with OneBeacon helps the company expand its reach.
Liberty's regional companies are: Peerless Insurance in the Northeast, Indiana Insurance in the Midwest, Colorado Casualty Insurance in the Mountain region, Golden Eagle Insurance Corp. in California, Montgomery Insurance Companies in the South east.
Summit Holdings Southeast and GoAmerica Auto Insurance handle Liberty Mutual's specialty business.
Liberty Mutual will form two new companies in the wake of its partnership with OneBeacon: America First for the four-state Gulf region and Hawkeye-Security, a OneBeacon legacy brand, to cover the eight Central states.

Insurance Times: Mass. advances commercial deregulation bill

November 13, 2001, Vol. XX No. 23

by Mark Hollmer
InsuranceTimes

BOSTON — A proposed Massachusetts commercial lines deregulation bill reached a big milestone recently when legislators moved it out of committee with a favorable report.
The bill – H.2360 – would deregulate insurance rates and forms for larger commercial policyholders and also set eligibility requirements before insureds can participate.
Debate on the bill now moves from the State Legislature's Joint Committee on Insurance to the full House of Representatives.
"We're happy and pleased that the Joint Committee on Insurance has taken a step toward joining a number of other states on the road to enacting some form of commercial lines deregulation," said Frank O'Brien, regional manager and counsel for the Alliance of American Insurers.
The American Insurance Association also supports the bill and released an Oct. 31 statement outlining its reasons.
"This legislation will provide meaningful regulatory relief for many Massachusetts commercial insureds, (many who) are going to unregulated, off shore insurers to get the products they need," said James Harrington, AIA vice president, northeast region.
The bill apparently trumps a commercial lines deregulation bill filed by the Division of Insurance in December 2000, which lacks a threshold to keep small companies from participating. Both versions deregulate forms and rates but the bill approved by the Joint Committee includes greater limits before companies qualify.
According to AIA, an insured must meet a number of qualifications outlined in the Joint Committee bill before joining a deregulated market, including having aggregate property and casualty insurance premiums of $28,000 excluding workers compensation.
The company or business must meet two other criteria from the following: a net worth of at least $10 million; net revenues or sales of $5 million; employ 25 people or more in an individual company, 50 or more in a holding company; be a non-profit or public entity with annual budget or assets of $25 million, or be a municipality with more than 20,000

people, and retain a risk manager.
Frank Mancini, executive vice president of the Massachusetts Association of Independent Agents, said at the time that his association opposed the earlier bill because it was “extremely broad.”
The revised bill, Mancini said, is “getting … a lot closer to something we can support.”
Mancini said agents are glad companies would have to meet a minimum criteria to qualify and said the requirement is something “we can be supportive of.”
On the other hand, he said, the $28,000 premium level “troubles us somewhat” and should be “a little bit higher.”
Regardless, he said, the newer bill “does reflect the approach that other states have taken and we think that’s reasonable.”
O’Brien said he was hopeful the bill will pass, though the chance of that happening this year isn’t likely because the legislature is in its last month of formal sessions.
“I would like to see action sometime this year,” he said, “but realistically we’re looking at action sometime next year. That’s not atypical at all of how the Massachusetts legislature works.”

Insurance Times: OpinionlExchange
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The Bush administration plans to host a series of economic town meetings around the country in coming months to assess how businesses are coping in the wake of the terrorist attacks, according to Commerce Secretary Don Evans.
Evans said that he and other members of Bush's economic team would schedule round-table discussions in various cities and report back to the president on what more needs to be done to deal with the disruptions caused by the Sept. 11 attacks and the slumping economy.
He said that those invited to participate will include small business owners, workers, economists and chief executive officers of major U.S. companies.
“It will be a chance to listen and to learn," Evans said in speech to be delivered to the National Association of Manufacturers.
Various members of the administration's economic team, including Treasury Secretary Paul O'Neill, Office of Management and Budget Director Mitchell Daniels, Lawrence Lindsey, head of the president's National Economic Council, and Glenn Hubbard, chairman of the president's Council of Economic Advisers, will participate in the meetings.
The aim will be to assess how the government's various efforts to deal with the terrorist attacks and stimulate the economy are working and determine what more needs to be done.

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The Principal Financial Group, noticing a steady rise in interest by individual and group clients for its life and disability products, issued an unusual response: slow down.
The Principal, its financial representatives and insurance marketers are encouraging consumers to not purchase life and disability insurance out of anxiety in response to recent events.
The Principal suggests those individuals and employers seeking to supplement their financial planning portfolio meet with their financial advisor and assess their total situation.
"Having a solid financial plan in place is important at any time," said the company. "Including life and disability insurance in your portfolio is a prudent way to protect the futures of your family and employees, however these products should be part of a more comprehensive financial plan. For this reason, we encourage clients interested in adding insurance policies to their portfolio to speak to a trusted advisor, such as a financial representative or accountant. The goals people should be seeking are financial security and peace of mind. The tools for achieving these goals include life and disability income insurance. However, to be truly successful, a financial plan is needed."

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The Justice Department is seeking public comment on a government program that will provide money to the relatives of those who died or were injured in the Sept. 11 terrorist attacks.
The victims' compensation program, established by Congress in September, is to begin Dec. 21 and will dispense money — the amounts have not been determined — to cover lost wages and victims' pain and suffering.
The amount of the awards will depend on “the harm to the claimant, the facts of the claim, and the individual

circumstances of the claimant," the department said.
The Justice Department is in charge of setting up rules for the program and is seeking comment on many complex issues that must be ironed out.
Among the issues: how people should apply for compensation, whether the program should pay for victims' lawyers and whether people who are not satisfied with their payment can appeal.
One of the most contentious issues is whether government compensation should be reduced by the amount victims' families receive from pensions, insurance payments or gifts from charities.
The law creating the program says awards should take into account the amount of “collateral source compensation" applicants have or will receive but does not specify what sources should be included in determining reductions in awards, department officials said.
The program was set up to serve as an alternative to filing lawsuits against the airlines and other entities. Those who receive awards will forfeit their right to sue.
A special master, similar to a judge, will be appointed by Attorney General John Ashcroft to oversee the program. Payments are to be awarded within 120 days.
The Department's Office for Victims of Crime can be found at www.ojp.usdoj.gov/ovc/vfa. The email address for comments on victims' fund is victimcomp.comments@usdoj.gov.

Insurance Times: Maine ends workers comp pool surcharge ahead of schedule

November 13, 2001, Vol. XX No. 23

by Penny Williams
InsuranceTimes

Maine has eliminated its 6.32 percent workers compensation policy surcharge designed to erase a high risk pool deficit three years earlier than originally planned.
Policies issued or renewed after November1, 2001 will no longer include the surcharge.
Governor Angus King said the achievement means “ millions of dollars can be returned to our economy."
King added the warning that the elimination of the surcharge would not necessarily lead to a dollar for dollar decrease in workers compensation insurance costs due to the hardening insurance market and the overall economic turndown
The Workers' Compensation Residual Market Deficit Resolution and Recovery Act enacted in 1995 created a mechanism to fund the workers compensation residual market's $220 million deficit resulting from the years 1988 through 1992.
The act applied assessments to insurers, employers and the Maine Insurance Guaranty Association (MIGA) to defray the deficit. It required state employers to pay $110 million; major insurers contributed $58.5 million; minor carriers paid $6.5 million; and the MIGA was assessed $45 million— all over a 10-year period. The insurers and the MIGA were to pay their share by 1996 while the employer community was to pay its share spread over the 10-year period.
Steven Hoxie, who took over as executive director of the Maine Workers Compensation Residual Market Pool in 1995, has remained at the helm of the bailout plan.
In March of this year, Hoxie suggested that the deficit would be fully funded within the next 12 to 24 months. "I would expect it to be fully funded at the latest by the end of 2002," he said. "And that will end the employer surcharges because the remainder of the claims will be fully funded."
His prediction of termination of the employer surcharge ahead of time has proven correct. At the September meeting of the Board of Governors that oversees the operation of the Residual Market Pool, the board voted to suspend the surcharges effective November 1, 2001.
Hoxie credited a combination of initial conservative projections and consistently favorable loss development.
Peter Gore, chairman of the pool's board of governors and a business representative to the pool, agreed. Lower projected losses, high investment income, the settlement of adverse litigation and a reduction in pool administrative costs by about one third of the pre-1995 costs were among the major factors leading to the early termination.

Insurance Times: RI’s disability tax to increase by 12% in 2002

November 13, 2001, Vol. XX No. 23

PROVIDENCE, R.I. (AP) — The maximum tax that Rhode Island workers pay under the state's Temporary Disability Insurance program will increase by 12 percent next year.
Starting in January, the tax will increase to $660 from $588, a hike of about $1.38 a week.
The amount subject to tax will also be raised, to $44,000 from $42,000.
The tax is used to pay benefits to insured workers who become unemployed by a disability that is not work related.
State officials say the raise is needed to pay for an increase in benefits payments.
Most people who work in Rhode Island, including those who live out-of-state, pay the tax.
Those exempt from paying it are federal, state and some municipal employees, as well as partners and non-incorporated self-employed workers.

Insurance Times: Conning: Insurers facing considerable cyber-security exposure

November 13, 2001, Vol. XX No. 23

HARTFORD — The somewhat laggard entry of many insurers into online' distribution of policies and services now may be exposing their customers, business partners and themselves to massive losses caused by breaches in security, according to a new study from the insurance investment and research firm, Conning & Co.
The Conning study, Cyber-Security for Insurers: The Virtual Fortress?, explains that insurers may be very attractive targets for attacks. First, insurers manage substantial liquid financial assets of their own as well as others'. Second, they may be specifically targeted by aggrieved hackers to avenge perceived ill treatment. Finally, insurers may be considered by some to be relatively easy targets because of their heavy reliance on “legacy" computer systems, relatively recent ventures into Internet-based processes, and growing interconnectivity with a large number of business partners.
Structural changes associated with mergers and acquisitions and recent “downsizing" also may increase insurers' security vulnerabilities.
“It is critical that insurers address their cyber-security vulnerabilities because of the substantial costs associated with breaches and the serious reputational damage that could result," warned Clint Harris, vice president at Conning and author of the study. “The trends are ominous for all industries," he continued.
Losses associated with cyber-security breaches, as we defined in the study, are projected to increase to $46.3 billion by 2005, more than twice the amount as in 2000.
Even this considerable cost likely underestimates potential losses because it does not include so-called “soft costs", such as degradation of brand image.
In addition to holding important “information assets", insurers maintain highly sensitive, personal information such as medical records.
“What is the cost of having a person's life devastated because sensitive information was stolen and publicized? The monetary settlement cannot replace the trust insurers have built with their customers and business partners," said Harris.
The study maintains that the proliferation of rules, regulations and standards regarding cyber-security is more likely to escalate than abate in the near future. However, too great a focus on the security-related privacy provisions of the Gramm-Leach-Bliley Act of 1999 (GLBA) or the Health Insurance Portability and Accountability Act of 1996 (HIPAA) may actually result in reduced security. The difficulty in concentrating on complying to external standards is that those standards can be ambiguous, subject to change and may actually distract the company from its true internal cyber-security objectives.
“In conducting this study, we discovered that some insurers may be in denial about their cyber-security risks," said Harris. “Their argument is ‘We haven't had a major incident so there's no reason to panic. We spent millions on Y2K, perhaps unnecessarily, and we have no intention of repeating that.’ Insurers need to recognize that systems vulnerability is a very different exposure than the Y2K bug. First, there are large losses resulting from breaches already. Second, unlike Y2K, there is no end date for the exposure. Finally, cyber-security exposures are projected to escalate due to insurers' increased reliance on more open technologies, growth and maturity of cyber-security attackers, and structural changes that continue to change the industry."
The study is available at the company's Web site at www.conning.com.

Insurance Times: Expert advises: mold prevention works better than clean-up

November 13, 2001, Vol. XX No. 23

by Mark Hollmer
InsuranceTimes

It's no secret that the insurance industry is buzzing about mold and its potentially far-reaching affect on homeowners' claims costs.
But Dan Bernazzani doesn't use numbers, charts or figures to illustrate the damage mold can create. Instead, he makes his point by describing the voracious appetite most mold has.
"Its job is to eat up product," explains Bernazzani, a cleanup consultant.
"Mold looks at sheet rock and sees a sandwich."
Bernazzani, president of Liberty Carpet & Flooring Analysis in Vermont, spoke about mold and the damage it can cause during a recent meeting of the New England 1752 Club, held Nov. 2 at Ken's Steakhouse in Framingham, Mass.
Early on, he acknowledged that mold is becoming a "huge issue" in the industry.
"The insurance industry is really running scared about mold. There's no doubt about it," he said.
As part of his presentation, Bernazzani gave a primer on mold and some facts and figures about its impact on people.
Mold is everywhere, he said, but acceptable or insurance coverable-levels are hard to establish because there are so many varieties and everyone reacts to it differently.
Reactions, he said, can be non-existent or allergic and others can die from prolonged exposure to it in their homes.
"It's the dose that makes the poison," he said.
Homeowners and insurers also can spend less by working to prevent mold rather than trying to clean it up after it appears. Mold can be killed, he said, but it's hard to remove and it still releases "endotoxins" even after its dead.

Mold Facts
Among Bernazzani's facts about mold:
• Mold spots on walls, sheet rock or rugs can represent millions of spoors. The spots represent the waste products mold produces after it digests a given material.
• Mold mostly affects young children, people with poor immune systems and the elderly.
• New York City, in 1993, developed guidelines to address contamination from one kind of mold – Stachybotrys, which is suspected to cause cardiopulmonary problems. But health officials, Bernazzani said, still haven't been able to establish a definitive connection between the two.
• Mold grows between 68 and 86 degrees Fahrenheit. Ingredients that promote mold growth include darkness, a stagnant area and water. Food sources such as sheet rock or wallpaper paste also feed mold, he said.
• Regulators are split on how to address mold contamination. Some want more regulations and others less, he said. Consumers are also widely split on the issue.
• The Center for Disease Control and Prevention says mold doesn't always cause indoor problems. But all mold should be treated as a potential health risk and removed, he said.
• Experts are split on whether residents should leave their home after mold contamination. The CDC says each case should be considered individually and involve consultations with your physician, he said.
• Property owners and insureds should keep detailed records of all mold-related repairs and restoration.
• After a flooding, when a room is dry, mold can go dormant but isn't necessarily gone from the area.
• Lead paint used to help prevent mold growth.

Insurance Times: Vermont Mutual ends up where it started more than 170 years ago

November 13, 2001, Vol. XX No. 23

The Regional Property/Casualty Insurer Has Been Around Since 1828, Aligning Itself With Independent Agents and New Englanders

by Penny Williams
InsuranceTimes

MONTPELIER, VT — "The con is raising capital. The pro is that being a mutual provides the opportunity for the long

view as opposed to the quarterly view," explains the chief executive officer of one of the region's leading mutual insurers.
Having been around since 1828, Vermont Mutual knows about taking the long view. This long view has always encompassed selling through independent agents, emphasizing service improvements, and building a strong regional presence, according to president and CEO Tom Tierney.
"We are trying to concentrate on our commitment to our agents and to our policyholders to make things more expeditious and more available," Tierney said. "We want to close the turnaround time in responding to them both. It's a matter of service - service - service.
"Our commitment to the Independent Agency distribution system is stronger than ever. From every poll and survey that I read, I see that what people want is to deal locally with someone they can trust. The independent agent is, to borrow a phase coined by State Farm, a 'good neighbor.'"

Among Seven Oldest
Vermont Mutual Insurance Co. was chartered in 1828, making it one of the seven oldest active mutual insurance companies in the country. It provides property and casualty insurance through independent agents and is currently operating in seven states: Connecticut, Maine, Massachusetts, New Hampshire, New York, Rhode Island and Vermont.
The company is part of the Vermont Mutual Insurance Group which also includes Northern Security Insurance Co., Inc., chartered in 1904. This wholly-owned subsidiary of the Vermont Mutual is used to provide additional products for independent agents in the Maine, Massachusetts, New Hampshire, New York and Vermont.

Others in Group
The group also includes Granite Mutual Insurance Co., which was chartered in 1906 and joined the group in 1995. It is licensed to do business in the New Hampshire and Vermont and operates through independent agents.
Finally, through its own Baldwin Agency, the insurer offers products in partnership with specialized insurance carriers, such as workers compensation insurance written through Kemper.
About 65 percent of the company's business is personal lines and 35 percent is commercial lines.
Its continued emphasis on the same values has in some ways landed Vermont Mutual back where it started.
Vermont Mutual's first home was a very modest clapboard building that also served as the law office of the first secretary, Joshua Vail. Set to the rear of his residence, this small wooden building actually stood on the land where the insurer's present home office, a Federal-style brick building that it bought in 1954, is located.

Insurance Times: Four insurers join Trusted Choice
November 13, 2001, Vol. XX No. 23

Four leading insurance carriers have signed on as founding sponsors of Trusted Choice, the new consumer marketing brand created by the Independent Insurance Agents of America (IIAA) and independent agency insurance companies, said IIAA CEO Robert A. Rusbuldt.
"These companies understand, as do others, that Trusted Choice agencies will be the valued and preferred choice of consumers," said Rusbuldt.
The companies that have committed to the program are Safeco, of Seattle Wash.; National Grange Mutual/Old Dominion Insurance, of Keene, N.H.; Encompass Insurance, of Chicago, Ill.; and The Hartford, of Hartford, Conn.
Investment varies for each company and is based on a percentage of the company's property-casualty premium written through independent agencies. Combined, their commitment in the program totals more than a half million dollars.
"These companies understand that by investing in their sales force, they are ensuring their own future," said Ronald A. Smith, CPCU, chairman of IIAA's Communications Committee.
Promotion of the Trusted Choice brand will be accomplished through advertising, public relations, local agency marketing and a Web site. All forms of media will direct consumers to www.TrustedChoice.com , where they will find an agency locator and current consumer insurance information.
Trusted Choice is also supported financially by member agencies, which pay a fee to participate in the program: $250 for agencies with nine or fewer employees, $499 for agencies with 10 or more staff. Agency sign-up for the program began last week and is available at www.TrustedChoice.com .

Insurance Times: AMS discontinues TowerStreet
November 13, 2001, Vol. XX No. 23

Windsor, Conn. — AMS Services, Inc., a provider of insurance software and services,has discontinued TowerStreet, a hosted point of sale system for insurance processing. Several indicators within the agency and exchange/integrator markets led to the determination that the goals of the product would not be achieved in a reasonable timeframe for AMS customers and investors.
”As we have been working through our realignment into market-oriented business units, it has become clearer that in addition to facing challenging economic conditions for the next several months, our customers need new products now," said Euan Menzies, CEO of the AMS Holding Group. "This has forced us to take a hard look at our investment and delivery efforts, and resulted in the decision to end the TowerStreet initiative."
TowerStreet customers will be contacted and presented options for other rating services, including AMS Windows-based systems.

Insurance Times: Insurance Revolution promises workflow product
November 13, 2001, Vol. XX No. 23

Princeton, N.J.— Insurance Revolution Inc., the parent company of InsureHiTech, has launched a second wholly owned subsidiary, Insurance Revolution Technology, Inc. (dba IR Technology, Inc.). As the technology segment of Insurance Revolution, IRTechnology now holds all of the technology assets once under InsureHiTech. IRTechnology licenses the platform, as well as provides integration services to insurance carriers, brokers, and agency management systems providers.
According to founder and CEO, Rick Maloy, Jr., InsureHiTech,”Our solution is unique because it was built by insurance professionals with both the carrier and the broker experience. Our unique XML based operating platform provides insurance agents connectivity to multiple insurance companies coupled with enhanced workflow processing bringing great efficiency to the work force of both sides of the equation. “

Insurance Times: CPCU Sept. 11 panel to air on web site
November 13, 2001, Vol. XX No. 23

From now until November 23, 2001, the CPCU Society’s President’s Panel discussion “Impact of Terrorism on the Insurance Industry,” will air on the Society’s web site, www.cpcusociety.org, free of charge for all Internet users. The program, which took place on October 23, 2001, was part of the CPCU Society’s 57th Annual Meeting and Seminars held in Seattle, WA, October 21-23.
The panel discussion features noted industry leaders discussing a number of timely issues centering on the impact of the September 11 terrorist attacks on the insurance industry.
The 2001 President’s Panel discussion, sponsored by Andersen, runs approximately 80 minutes. Log on to www.cpcusociety.org.

Insurance Times: J.D. Power & Associates Erie Tops Home Insurers’ Ranking
November 13, 2001, Vol. XX No. 23

Homeowners Report 50% Fewer Claims
Than Auto Insurance Policy Holders

Erie Insurance Group ranks highest in overall satisfaction for homeowners insurance, according to the inaugural J.D. Power and Associates 2001 Homeowners Insurance Study.
Liberty Mutual and The Hartford Financial Services Group closely follow Erie Insurance Group in the rankings.
The study found that consumers place the most importance on the actual coverage their policy provides if they need to file a claim. Customer service, especially among those who have filed a claim, is also of paramount importance with respect to customer satisfaction and loyalty.

First Measurement

The study marks the first time J.D. Power and Associates has measured consumer usage and shopping behavior as well as customer satisfaction with regard to homeowners insurance. The results of the study are based on more than 11,200 responses from homeowners across the country.
Erie Insurance Group, which is headquartered in Erie, Penn., performs especially well on several service attributes: ease of contacting the insurance company; the courtesy and friendliness of the insurance representative; and the ability of the insurance representative to answer questions. Consumers are least pleased with the billing practices and the price they pay for their policy; however, they also indicate that pricing is relatively unimportant in determining their overall satisfaction with their provider.

Downplays Price

“Price doesn't appear to be as important because the annual premium consumers pay for their homeowners insurance policy remains relatively stable year-to-year, and they do not review their policy very frequently," said Frank Forkin, partner at J.D. Power and Associates.
Aside from sending a bill or account statement to policy holders, the claims process is one of the few touch points a homeowners insurance company has with its insureds. Only 18 percent of consumers report that they filed a claim against their homeowners insurance policy in the last three years, compared to nearly 35 percent of those who filed a claim against their auto insurance policy during the same period.
The study identifies that those who have filed a homeowners insurance claim are just as satisfied with their insurance company as those who haven't filed a claim. When policyholders do file a claim, they place the most importance on the fairness of the claim settlement and the length of time to settle it.
“While these are important areas to consumers, insurance companies are only doing an average job at satisfying them; therefore, these areas, along with keeping policyholders informed during the claims process, provide the greatest opportunity for improvement," Forkin said.
Homeowners show great loyalty to their insurance providers, with 87 percent remaining loyal to their insurance company for at least three years. More than one-half of all consumers have maintained a relationship with only one company for their entire homeowners insurance experience.
“Loyal homeowners are generally far more satisfied with every aspect of their current insurance experience, with the only exception being premium prices," Forkin said. ``Loyal policyholders share similar satisfaction levels, in terms of premium prices, with those who have recently switched to a new insurance company. Consumers become content with their insurance company because they typically have multiple policies with their homeowners insurance company, making it more cumbersome to change carriers."
USAA and Amica Mutual also receive high ratings but are not included in the official rankings. USAA has a closed enrollment policy and is open only to the military community and their immediate families. Amica Mutual is not included in the rankings because it did not meet the sample size criteria established by J.D. Power and Associates prior to conducting the study. However, Amica's sample size is large enough that the data is statistically sound.
“Erie Insurance Group, USAA and Amica Mutual are the benchmarks for the industry in terms of customer satisfaction," Forkin said.
For more on the survey, visit www.jdpower.com/homes/insuranceratings.

Insurance Times: Lloyd’s group sees terrorist attacks as ‘historic’ profit opportunity

November 13, 2001, Vol. XX No. 23

LONDON (AP) — A trade group for members of the Lloyd's of London insurance market aroused criticism recently for describing September’s terrorist attacks as a “historic opportunity" to make money.

Since the Sept. 11 attacks on the United States, premiums for disaster insurance had “shot up to a level where very large profits are possible," the Association of Lloyd's Members said in a newsletter to the individuals, or Names, who help underwrite the market.

‘Maximum Advantage’

Rates had risen by an average of 40 percent since the attacks, and the group said it had taken measures to help members “take maximum advantage" of the improved conditions.

“The combination of a strongly improving market before the terrorist attacks and the massive increases after mean that Lloyd's is currently enjoying one of the strongest markets in living memory," the newsletter said.

Aviation insurance premiums, for example, have surged by between 400 percent and 600 percent since Sept. 11, while rates for aviation war policies have ballooned by 1,400 percent, it said.

Even business segments not directly affected by the attacks, such as motor insurance in Britain, have seen premiums increase.

“Names may now have a historic opportunity for profitable underwriting," the association said.

Vincent Cable, Trade and Industry spokesman for Britain's opposition Liberal Democrat Party, described the report as unseemly.

“Boasting about profits seems rather distasteful. I was baffled and thought it was insensitive," he said.

Norman Baker, a Liberal Democrat lawmaker for Lewes, agreed.

‘Distasteful’

“I think it's very distasteful ... to (focus) on the opportunity for increased profit as a result of a tragedy for a large number of people."

The Association of Lloyd's Members refused to comment on the newsletter.

Lloyd's spokesman Adrian Beeby noted that that the letter had not been issued by the market itself but by a voluntary memberships organization.

“Prices were rising before the World Trade Center attack," Beeby said. “Rates at Lloyd's were already up 30 percent over the previous year. That has simply now been accelerated by the impact of the World Trade Center loss."

The rate increases were not a function of profiteering, he said, but of “simple economic facts" such as higher costs of reinsurance since the terror attacks.

Insurance Times: New IIAA study helps agents figure out where technology is headed

November 13, 2001, Vol. XX No. 23

Honolulu — A new study designed to help agents make decisions about technology was released at last month’s Independent Insurance Agents of America’s (IIAA) Hawaii InfoXchange by the Agents Council of Technology (ACT).

According to ACT Executive Director Jeffrey M. Yates, the study, titled A Vision of the Future for Agency Technology Including the Essential Next Steps for Independent Agents, provides agents and industry leaders with a helpful framework to evaluate potential technological decisions.

ACT sought input from a wide cross section of technology opinion leaders in the industry to create the most credible product possible. The report creates a picture of the future so that decision-makers can put their current technology decisions into a larger context based upon where industry computing is likely to go.

“The Internet has fundamentally changed our business, and agents and companies need to adapt their technology capabilities accordingly,” said Yates. ”Consumers want to interact with our industry electronically and expect immediate service. At the same time, companies and others want to do business with agents in real-time over the Internet.”

“There are no perfect solutions, but investing in technology provides a definite bottom-line payback to the agency,” said Edgar J. Higgins Jr. CPCU, principal of Thousand Islands Agency located in Clayton, N.Y. and chairman of ACT. “It positions the agency for increased profitability, growth, efficiency, and heightened standing with clients, companies, employees, and potential purchasers.”

The vision lays out eight major technology trends that will significantly affect how agents do business in the future. The trends include:

- Internet hosting services
- Real-time interaction

- Integration platforms
- Prospects and customers do business electronically
- Single-step process
- Collaborative computing
- Ability to compute, and
- Personalized marketing and service

The ACT report recommends several essential steps that independent agents can undertake to position themselves to profit from these emerging technology trends.

The critical first step is for agency owners to establish a culture that views technology as a strategic opportunity and an integral part of the process of running an agency. The agency should organize itself so that there is a chief information person or its equivalent focused on maximizing the benefits of technology in the agency. Technology should be implemented to respond to a defined need in the agency, such as improving a particular business process or workflow.

"The ACT vision is for agents to initiate transactions in their agency management systems wherever located, or in other front-end systems, and access multiple company Internet sites to complete processing in real time and on a single-entry basis," said Higgins.

Yates encouraged agents, "to take advantage of the new opportunities being created, agents need to stay current with their hardware and software, have broadband communications capability to the Internet with an always-on connection, and implement new vendor and carrier technologies when they become available."

Agents should also use their current agency management systems and other technology more fully and consider adopting digital imaging technology, by exploring the benefits of electronic filing, adopting scanning, eliminating paper and using digital cameras.

Agents are urged to adopt 24-7 customer service to increase efficiency and respond to new customer expectations. In addition, the agency Web site offers a effective method to brand the agency and attract new prospects.

Finally, agents need to focus on the security of their systems because the new functionality creates new risks that must be managed.

The full ACT report is available www.independentagent.com.

Insurance Times: Homesite enters Conn. HO market

November 13, 2001, Vol. XX No. 23

BOSTON — Homesite Insurance in Boston has begun offering home insurance products and services to Connecticut residents. The state addition marks the expansion of Homesite's sale of insurance in 24 states.

Connecticut residents can now access Homesite's Apply-'n-Buy proprietary insurance technology to purchase homeowners, condominium owners, or renters insurance directly online during a single visit at www.homesite.com. The insurer says the entire process typically takes five minutes for renters and condominium owners and 10 minutes for homeowners. Homesite also has a staff available by phone at 1-800-Homesite.

Insurance Times: NY Surplus Lines Law Modernizes Process For Excess Insurers And Insurance Buyers

November 13, 2001, Vol. XX No. 23

ALBANY, N.Y. — A new law that grants flexible powers to the New York Superintendent of Insurance to cover excess insurance lines is a major step toward addressing the modern business needs of the surplus lines insurance buyer. "The adoption and implementation of this law will streamline and facilitate the surplus lines process in New York," said Michael G. Koziol, senior director and counsel for the National Association of Independent Insurers (NAII). "By permitting insurers to use electronic methods to stamp policies and otherwise adopting high-tech methods to speed up the process, this law assures that New York insurance consumers will get the best service possible."

The new law allows the Superintendent of Insurance to approve procedures for the filing, receiving, recording and stamping of excess line insurance documents by electronic or media transmission techniques. Excess line insurers may submit declarations pages, cover notes, binders, endorsements, affidavits, notice of excess line placement, and other documents for processing as long as the superintendent has already approved the means of transmission.

The law also extends the sunset date of the Excess Line Advisory Organization of New York (ELANY), a coalition of insurance industry representatives that worked closely with the New York insurance department in developing the new law.

Ripple effects from terror attacks
begin to take toll on companies

NEW YORK (AP) — From a drop in film use at tourist sites to declining copy paper purchases in corporate offices, the ripple effects of Sept. 11 are reaching into the far corners of the economy.

Many businesses reported an impact, direct or indirect, from the airliner hijack attacks on New York and Washington in their quarterly earnings statements issued last month.

While some consequences, like the toll on airlines, already were well-reported, others are emerging for the first time or in unexpected ways, such as shrinking sales in toilet paper and tissue to hotels. There have been some beneficiaries, too, like canned soup, video rentals and florist companies.

In some cases, companies were already struggling in a slowing economy and may be rushing to blame the attacks for poor performance. But for others, a dramatic shift in consumer behavior after Sept. 11 could well be providing an unexpected boon — or bane —for corporate profits.

Eastman Kodak Co., the world's largest photography company, reported a 77 percent drop in third-quarter earnings. The reason? Flat film sales as the terror attacks dampens travel by tourists, who usually take pictures on their trips.

Also hit hard were forest products makers International Paper and Weyerhaeuser, which reported deeper losses after corporate layoffs and reduced advertising cut into paper production.

It's not all bad news.

Blockbuster Inc., the world's largest video rental chain, said it expects a long-term earnings boost as consumers stay home more.

COVERAGE, RATING
FACTORS NOW PART OF ISO POLICY SYSTEMS

JERSEY CITY, N.J. — Insurance Services Office, Inc. (ISO) has expanded ISO IntegRater to electronically deliver commercial property and commercial package policy, loss costs and rating factors, so insurers can directly incorporate the information into their rating and policy-issuance systems.

ISO IntegRater initially delivers loss costs and rating information for all states for which an insurer participates on a CD-ROM.

The first product on ISO IntegRater — general liability advisory loss costs information and rating factors — became available in first-quarter 2001.

NAII: Reinsurance Tax Threatens NY Business Insurance Market

ALBANY, N.Y. — The insurance industry won a preliminary round in a battle with the New York Department of Revenue last month when the department agreed to reconsider its position on franchise tax credits for reinsurers dealing with surplus lines insurers.

"The department's consideration that surplus lines transactions are indeed 'authorized' and legal in New York is a big step forward," said Michael G. Koziol, senior director and counsel for the National Association of Independent Insurers (NAII). "We're hoping that this is the first step toward elimination of a position that essentially double-taxes New York consumers."

Industry representatives met to outline their objections to the current provisions. Under the system, reinsurers, which pay a franchise tax on transactions in New York, receive a tax credit if they are dealing with an admitted insurance company, but not if the transaction is with a surplus lines carrier.

"In light of the September 11 terrorist attacks, the pricing and availability of business insurance is of tantamount importance. If the current provision stands, consumers will pay both surplus lines tax and the portion of the franchise tax – in what amounts to double taxation," Koziol said. "It's important that the department rethink this position, which could further destabilize the market for business insurance in the state."

Insurance Times: Businesses Urged To Keep Disaster Plans Simple

November 13, 2001, Vol. XX No. 23

AN AGENT, REGULATOR, SAFETY EXPERT AND ASSOCIATION LEADER OFFER ADVICE ON HOW BUSINESSES CAN MINIMIZE DISASTER LOSSES

by Mark Hollmer
InsuranceTimes

Garbage cans and a checklist form the two basic elements of Nancy James' office disaster evacuation plan.
First, James keeps a list of critical files, which comes in handy in case they ever need to evacuate the building. If that happens, James and her employees will empty their wastebaskets in the middle of the floor, fill them with critical files from the list and then exit the building.
"And that's that," said James, owner of N.P. James Insurance in Concord, Mass.
James' plan serves as an example of what experts say every business needs and many lack – a disaster recovery plan.

List Creation
A disaster recovery plan serves as one part risk management and one part list creation. Insurance coverage can play a crucial third element of the plan to protect any part of your business with a risk of damage that can't be reduced any other way.
Disaster recovery planning helps a business carry on someway or somewhere else should disaster hit. Elements of the plan can incorporate everything from backup files to pre-arranged substitute office space.
The Sept. 11 terrorist attacks of the World Trade Center, which disabled or shut down hundreds of businesses, reinforced the realization that a disaster – natural or manmade – can cause serious problems that can either disrupt or destroy a business outright.
And though some may see themselves helpless to prevent damage or problems for businesses in the face of disasters, experts argue otherwise.
"Every business owner is exposed to disasters whether they're natural or manmade, but the level of risk is subject not just to chance but also to choice," said Diana McClure, a New England consultant for the Institute for Business & Home Safety.
"We believe that effective disaster preparation -- that means planning ahead, including planning for recovery – is possible, and that it can fit into a company's budget."

* * *
Many small businesses, unlike their larger counterparts, fall short in their disaster planning, McClure said.
"A lot of larger businesses do disaster planning because they are either required to because of (regulation – i.e. financial services) and also the larger businesses very likely can afford to have a person that's responsible" for planning, she said.
Small businesses, she said, don't typically create disaster recovery planning for themselves because "they're too busy just running the daily operations or keeping their business going."
McClure said businesses should look at disaster recovery planning as "businesses continuity planning" that serves as a natural part of corporate strategic goals.
McClure works with the IBHS Commercial lines committee, which has produced the Open for Business disaster planning tool kit for small businesses.
The kit offers tips beyond insurance coverage to help with disaster planning, like working with municipal disaster managers, town officials, suppliers and others to promote loss prevention or ensure financial survival in the wake of disasters like a flood, fire or widespread power loss.
"Insurance covers certain things but to actually make a difference the companies really need to communicate with a much broader segment of the community than just themselves," McClure said.
McClure is working with Rhode Island businesses through local chambers of commerce and the Independent Insurance Agents of Rhode Island to help promote disaster planning.
Agents in particular, she said, can help make a difference in business recovery after disaster strikes.
"Agents can really be front line advocates and promoters of preparedness and loss reduction and protection of life and property, partly because agents are dealing with policyholders all the time," she said.

* * *
Richard Padula, executive vice president of GenCorp subsidiary Glover-Padula Insurance, agrees.
Padula said he started working with IBHS in Rhode Island in August, after a chamber of commerce meeting. In the wake of Sept. 11, he said, he and other agents have increased their interest in disaster planning efforts and

communicated their concerns to clients.
While awareness of the issue is high, Padula said he's been trying to get the disaster-planning word out to customers as they renew or purchase new policies.
"I have been trying to let them know insurance coverages are available to them that could help them get back in business sooner and help with their financial loss," he said.
"A lot of people in Rhode Island say these types of things don't' happen to us, but some of the businesses here have suffered loss of businesses as a result of" the Sept. 11 terrorist attacks, he said.

* * *

Linda Ruthardt is the longtime Massachusetts Insurance Commissioner, but she's also a veteran risk manager with 20 years experience working for the Girl Scouts, the Barry Wright Group and others.
Ruthardt said companies often make disaster recovery planning "much harder than it needs to be because they decide they have to do it hazard by hazard."
"You can do it that way," she said, "but you're going to have a very thick book."
Instead, risk management and disaster recovery planning should amount to a simple task, she said: Playing 'what if.'
Translated, businesses are better off working to "identify the necessary components to operate" as a business, Ruthardt said, "and then have plans if those components do not exist or are interrupted."
"Often, a lot of the things you can discount," she said, "other things you say, 'wow, that one matters.' And when you get to ones where that one matters, then you do the risk management process."
Business owners should then take higher risk practices, evaluate the risk involved and shift those practices toward lower risk behavior. Next, they need to form contingency plans to address disasters that could evolve from the risks, Ruthardt said.
Then and only then, Ruthardt said, should businesses buy insurance to cover potential loss.
Insurance in disaster planning is a last option, she said, meaning companies have reached a point of risk management where "there is nothing you can do that will help or make enough sense or is cost effective" to sufficiently prevent the risk.
Paying insurance premium for flood or fire or other coverage amounts to a cheaper, known loss of money, she said, trading away from an unknown loss potential fueled by uncertainties created by tornado or terrorist or other kinds of risks.
What's more, risk management/disaster planning can lead to cheaper insurance rates because many companies believe you're a better risk with a plan in place, Ruthardt said
And the action has other benefits, too, she said.
"Anything you do that also helps prevent disaster where it can be (prevented) not only makes rates lower, it also makes your life better," she said, because you're simply prepared.

* * *

Padula said business must ask themselves a number of questions when putting together disaster plans, like who else can sign checks, open office doors, sign payroll checks.
Businesses also need to make sure they have perpetuation plans in place if owners are out of the country and disaster strikes, he said.
In addition, Padula said, companies should make sure they have enough business interruption insurance to pay expenses during disaster recovery but they also need a plan in place that every employee is aware of, he said.

* * * *

If nothing else, companies should have some sort of backup system in place to allow recovery after disaster hits, said Madelyn Flannagan, vice president of education and research for the Independent Insurance Agents of America.
The association offers agents Project MAP (Make A Plan) and Best Practices of Disaster Planning Recovery, a handbook and CD, respectively, that give ideas to help agents guide homeowners, small businesses and their own businesses on how to plan for disasters and recovery.
Among her suggestions: keep backup files in a safe location either in paper copy or on a computer disc.
"This will get you up and running quicker than anything," she said.
Flannagan also recommended that companies communicate their loss to a carrier, supplier or vendor within 24 hours, she said, to allow for an immediate recovery effort to begin.

* * *

Concord, Mass. agent James offers a number of practical suggestions companies can follow to plan for disaster recovery.
For example, some businesses may rely on parts that take three months to order. Businesses can order extra inventory to be kept off site, find a secondary supplier or insure for the lost income over three months and hope for the best.
Company officials would also be smart to hold drills to practice their disaster plans, she said.
"Do a live drill and come back in the building and itemize what you left behind," she said. That list, she said, can form a basis of a disaster plan addressing how to replace or preserve items you need to run your company.
Technology can also be a friend in disaster recovery planning, James said.
For example, phone lines can be rerouted and employees can theoretically reach computer networks from other locations.
That way, she said, a company can continue operations even if a disaster has hit.
Customers may never be the wiser, she said.
"Your customers will never know you had a fire if your phones are up … (and) the records are on computer," she said. "Think about how virtual your office is in order to get a really good grip on disaster planning."

*   *   *

In the end, the more employees from a company or office are involved in disaster planning the better, Ruthardt said.
"If you can get your employees involved, it makes your company so much stronger because everyone is staying awake," she said.
A case in point, Ruthardt said, is when the Division of Insurance first moved into its South Station headquarters. Ruthardt made sure everyone knew where to meet in case of a fire.
And then there was one, and everyone evacuated to the street, right during a public hearing.
Because the staff was prepared, Ruthardt said, they had grabbed their files and "finished their hearings on the pavement because they had their act together.
DOI workers even remembered to close a fire safety door and evacuate employees with mobility problems, Ruthardt said, adding the quick action simply came from being prepared.
"It wasn't that we had 35-inch (safety) manuals that we thought about."

Insurance Times: Inn-suring a business with character: the unique needs of bed & breakfasts

November 13, 2001, Vol. XX No. 23

by Mark Hollmer
InsuranceTimes

The phrase "one of a kind" is often overused, but it arguably fits with inns and bed & breakfasts.
Consider that most operate in old historic buildings and homes filled with ornate wood, antiques and unique folksy touches added by their owners.
"There is, if you will, more personality involved in the bed & breakfasts and the inns. It's why people like to go to them," said Abbi Seward, marketing director for Pawtucket Mutual Insurance in Rhode Island.
"They have character."
Naturally, insurers say, that unique character prevalent in both segments of the hospitality industry gives them unusual insurance needs beyond standard policies issued to motels, hotels and other places that house overnight guests.

Different Character
"Their overall intent is the same but each one has a different feel, different character, a different personality of the owner and their approach to their guests," Seward said.
For example, she said, bed & breakfasts tend to be smaller properties that only provide breakfast, excluding the general public. An inn, she said, might also include a restaurant, which increases exposures because it is open to the general public.
Pawtucket Mutual offers a specialty line for bed & breakfast coverage and handles a small amount of inn business. Smith, Bell & Thompson in Burlington, Vt. actively covers both kinds of business. As a result, both companies have had experience customizing unique coverage for each business they represent.
Peter Wellman, an underwriter for Smith, Bell & Thompson in Burlington, Vt. said the age of many bed & breakfasts is

the main reason why insurers must address their needs individually, compared to other hospitality hotel/motel clients.
"The age of the buildings can be anywhere back to the 1700s and 1800s," Wellman said. "Sometimes the value of those buildings are all over the place either due to the quality of construction they were originally built with, due to frills like special woodwork or special carpentry and cabinetry."
And these old, unique structures, as "showplaces in a local community" could cost anywhere from $100 to $200 per square foot to replace if fire hits and the owners must rebuilt, he said.

Coverage Issues
A number of factors can affect coverage of an inn or bed & breakfast, Wellman and Seward said.
Among the issues and coverage they recommend for consideration:
Remodeling. An old building can have old wood or and old heating system and that can increase the chance of fire hazard, Wellman said. Insurers can offer credits if the owners update heating, electrical and plumbing systems as well as a new roof – all of which can reduce risk.
Higher deductibles/insurance to value. Owners can also get credits if they carry a higher deductible, or increase insurance to value coverage to close to the actual value of the building. The latter change especially can reduce coverage costs, Wellman said.
Dual business/home coverage. Bed & breakfast coverage through Pawtucket mandates that the owners live in the building, Seward said, "as most of them are."
But owners of inns and bed & breakfasts face double risks because they maintain a separate private space as well as the business/lodging part of the building.
Pawtucket requires business coverage first and then the owners pick up personal exposure coverage on an endorsement basis, Seward said (policy revamps will include automatic dual coverage in the future).
Some businesses pick up homeowners coverage first and then add business endorsements, she said.
Wellman, at Smith, Bell & Thompson, said businesses tend to pick both personal and business coverage. General liability and personal coverage would also address the issue, he said.

Local regulatory compliance issues. Inn and bed & breakfast owners, if their property faces severe damage, should consider the costs of rebuilding in relation to local building codes, Wellman said.
Older buildings are often grandfathered in with older building code standards he said. But some towns eliminate that clause, he said, if more than 50 percent of a building is destroyed. This creates higher rebuilding costs as a building is made handicap accessible and modernized according to fire and electrical codes.
"You may have to do the type of things that the value of the building doesn't reflect when put on insurance policies," he said. But Ordinance and Law coverage, he said, can place an additional value on a building to anticipate upgrades should damage occur.
Business income coverage. Inn and bed & breakfast owners should consider business income coverage, Wellman said, especially if the business provides a primary source of income.
For example, Wellman said, the business could take a year to rebuild after fire or flood. Income coverage comes into play because it covers loss of receipts during that period. Insureds would have to establish a past record of room receipts, however, to justify claiming the loss of income as a result of their business being shut down.
Fine arts. Unlike many motels or conventional hotels, inns and bed & breakfasts often feature fine sculpture, paintings "or antiques that make up the ambiance," Wellman said.
But those fine touches may require unique coverage. Some owners decide on personal property coverage, he said.
Others pick something called a "fine arts floater," which offers predetermined value coverage for individual pieces.
"It makes the adjustment process much easier," Wellman said, because you can get an appraisal ahead of time.
Seward, of Pawtucket Mutual, said property owners need to determine whether they'll cover their antiques or unique items under a fine arts or antiques floater or just a regular "day-to-day business policy."
Incidental operations. Some inns or bed & breakfasts incur incidental exposure costs from offering extras like restaurants, horse boarding, cross country skiing, bicycles, canoes or kayaks. Incidental operations or recreational coverage can help foot the bill, Wellman and Seward said.
Inn and bed & breakfast owners may also need incidental coverage if they choose to serve customers a complimentary drink, Wellman said, or if employees drive their car for business purposes.

Insurance Times: Commercial Umbrellas What Businessowners Need To Know

November 13, 2001, Vol. XX No. 23

by Marilyn K. Wojcik, CPCU
Senior Underwriting Specialist
Zurich-American Insurance Group Nashville, TN

Determining the amount of property coverage to buy is a fairly objective task for most businesses. The value of buildings, contents, and equipment must be considered, as well as loss of income and other property exposures generated by operations. With a little research and input from resources such as real estate, accounting, and insurance professionals, a sound number can be calculated.

Unfortunately, determining an adequate amount of liability coverage is not as objective. How much is enough? Business Insurance, The Wall Street Journal, and many of publications contain articles on multi-million dollar verdicts, often stemming from exposures thought to be relatively innocuous. In selecting liability limits businesses need to consider:

- Current operations — what loss exposures can be foreseen from products and/or operations? Have acquisitions been made which have generated additional exposures?
- Prior operations — was a product manufactured in the past which is still in use and could result in liability claims?
- Auto exposures — too often businesses are only concerned if they operate a fleet of large trucks. Businesses should not overlook private passenger and hired and non-owned auto exposures.
- Contractual obligations — what limits of liability has the business committed to in contracts with others?
- Business needs — As a subcontractor, what limits are required to bid on desired jobs? As a product manufacturer, what limits are required by retailers and/or wholesalers to carry the product?
- The value of the business — what is the business worth?

Building Limits

In building liability limits, most businesses begin with standard commercial general and auto liability policies providing limits of $1,000,000. Additionally, they will usually carry a workers compensation and employers liability policy. This policy typically provides primary employers liability limits of $500,000.

To increase these limits, an umbrella policy is usually purchased. Unlike most of the primary general, auto, and employers liability policies, there is no standard umbrella coverage form. Each insurer has developed its own umbrella coverage form and there are dramatic differences. In selecting an umbrella insurer, businesses should go beyond comparing the premium. They should carefully review the financial strength of the insurer and all coverage forms. It is recommended they seek an extensive amount of input from an insurance professional. The following list provides a good start for things businessowners should consider when selecting an umbrella policy:

"Indemnify" versus "Pay on Behalf" Wording — Forms vary as to which of these wordings are used in the Insuring Agreement. With the "Indemnify" wording, the insurer is not required to reimburse the insured until a legal obligation is determined. It may become necessary for the business owner to use their own funds for defense and damages before the insurance company is obligated to reimburse them.

Defense — Some forms provide defense in addition to the policy limits while other forms include defense within the policy limits. Still others offer no defense protection. If defense expenses will erode the policy limit, higher limits of liability should be considered.

Punitive Damages — Some forms will cover punitive damages if it is not disallowed by state law. Other forms exclude such coverage.

Occurrence — The definition of "occurrence" varies by form. Be sure the wording is adequate to cover Personal Injury, Advertising Injury, and Occupational Disease claims.

Umbrella Aggregate Limit(s) — Does a single aggregate limit apply or does the aggregate apply separately for the various coverages? If the umbrella policy has only one aggregate, the overall coverage provided is reduced.

Retained Limit — If a retained limit applies, is it met by indemnity payments, only, or will defense expenses also be included in this amount?

Drop Down Provision — This provision describes the extent to which the umbrella policy will replace or continue in force as primary insurance in the event of the exhaustion or reduction of underlying aggregate limits. This wording varies dramatically from one form to another and it is important to understand how the policy responds.

Policy Territory — Most, but not all, forms are worldwide in scope.

Who Is An Insured? — Is this wording at least as broad as the wording in any primary policies? Are restrictions imposed as respects contractually required insured status?

Uninsured/Underinsured Motorists Coverage — Some forms will provide this coverage over primary auto policy and

some will not.
Pollution Coverage — Some forms provide limited coverage while others exclude pollution on an absolute basis.
Care, Custody, and Control Exposures — Some forms provide limited coverage.
Discrimination Coverage — Most forms exclude employment related discrimination, but some umbrellas exclude all forms of discrimination.
Occupational Disease — Some forms exclude such claims while others do not.
Aircraft and Watercraft Liability — Some forms will provide coverage over primary limits. Others will not.
Notice of Occurrence — The requirements of this condition vary by carrier. Is the notice of an occurrence required in writing? Within a specified time period? Review this condition carefully as failure to comply could jeopardize coverage.
Maintenance of Underlying Insurance — If there is a change in the underlying program, is the businessowner required to notify the umbrella carrier? What happens if an underlying aggregate is exhausted?
Insolvency of the Insured and/or an Underlying Insurer — In the event of such an occurrence, how will the umbrella respond? Will the umbrella policy remain in effect or will the umbrella insurer's obligations cease?
Cancellation/Non-Renewal Provision — While insurers must comply with state requirements which are generally 30 - 60 days, many will provide extended cancellation and non-renewal notices up to 90 - 120 days.
And the list goes on. The importance of each of these issues will vary from buyer to buyer, but a business cannot assume it is adequately protected just because it has an umbrella policy in place. If a business encounters a liability loss which may impact its umbrella policy, the question which will most likely be asked is not "what was our premium?", but rather "are we covered?" By doing his homework and utilizing the resources of an insurance professional, a business owner will be confident the answer will be "YES!"

Insurance Times: Blue collar death rates higher, actuaries show

November 13, 2001, Vol. XX No. 23

Blue-collar workers show significantly higher mortality rates than white-collar workers, according to a new actuarial table developed for the IRS.
At age 65, blue-collar men score a mortality rate 42 percent higher than white-collar men. The table also shows that job status has a greater impact on mortality than gender; the mortality difference between 65-year-old men and women is only 29 percent.
If adopted by the IRS, the Society of Actuaries RP-2000 Table will determine how much employers should put away annually to cover their pension obligations.
The table is the largest study ever based upon the actual experience of pension plans, using nearly 11 million life-years of data.
A committee of the American Academy of Actuaries recommended last spring that the IRS adopt the table, including its adjustment for the differences between white-collar and blue-collar mortality rates. According to James Turpin, Academy vice president, the new table could mean a reduction in pension costs for some employers. "If the table is adopted as we proposed, employers would be able to more accurately value their pension liabilities," said Turpin. "In addition, companies with large numbers of blue-collar employees could see the costs of their defined-benefit pensions go down."

Insurance Times: High net worth Americans remain optimistic

November 13, 2001, Vol. XX No. 23

Despite this year's market volatility and the September 11 terrorist attacks, the 2001 Phoenix Wealth Management Survey shows 69 percent of America's high net worth remain optimistic about the future of the economy. Concerning their finances, 77 percent report they are comfortable with their current investment selections. However, nearly a

quarter intend to rely more on professional advisors than they did a year ago.
The annual survey, commissioned by The Phoenix Companies, Inc. and conducted by Harris Interactive, was completed in June. A follow-up survey was conducted in September, after the market declined following terrorist events, to gauge any changes in the respondents' attitudes and actions.
Overall, optimism towards the future of the nation's economy remains steady and relatively high -- 69 percent in September versus 68 percent in June. With further probing of how the high net worth feel about the future of the economy, their responses still show a positive outlook post September 11: 52 percent say the worst is over, but we will come out of it slowly; 32 percent say the worst is yet to come and then we will come out of it; nine percent say the worst is over and we are already coming out of it; five percent feel we will remain in an economic downturn; and two percent have no opinion.
In June, over half the respondents did not see an increased need to rely on professional advisors for financial guidance, despite market volatility during the past year. However, after September 11, eight percent shifted their thinking and are now more likely to rely on professional advisors -- 24 percent in September versus 16 percent in June. Nearly a third will continue to rely on their own knowledge and feelings when it comes to financial planning.
Overall, the high net worth continue to feel financially comfortable - - 93 percent in September versus 94 percent in June.

Insurance Times: BISYS launches variable universal product

November 13, 2001, Vol. XX No. 23

BISYS , a provider of business process outsourcing solutions for the financial services sector, announced the launch of EPVUL, a unique, private-labeled variable universal life insurance product. EPVUL is offered by The Manufacturer's Life Insurance Co. of America (ManAmerica) and planned for distribution by ManEquity, Inc. or other broker-dealers appointed by ManEquity, Inc. exclusively through the producers participating in BISYS' Exceptional Producer Program.
EPVUL, which was designed according to BISYS' specifications and in partnership with Manulife and CIBC Oppenheimer, will serve producers' growing need for flexible, tax-advantaged life insurance products that offer a full range of investment options. As one of the most competitive private-labeled insurance products of its kind, EPVUL was designed to materially increase producer sales while expanding BISYS' market position and presence in the high-end insurance marketplace.
The Exceptional Producer Program is a BISYS-sponsored program that rewards independent producers serving the high-end insurance marketplace for their combined production of life, long-term care, and disability insurance placed through BISYS.

Insurance Times: Small Demand For Death Certificates Surprises NY City

November 13, 2001, Vol. XX No. 23

Families Appear To Be Emotionally Unprepared To Declare Their Loved One Officially Dead

NEW YORK (AP) — More than a month after the city made it easier for families of World Trade Center victims to obtain death certificates, city attorneys say they are surprised at how few have applied for them.
“They're not coming in," said Lorna Goodman, a spokeswoman for the Corporation Counsel, the city's legal arm. “It's an absolute mystery."
Families with a death certificate can immediately receive life insurance and other benefits, process wills, distribute property and access bank accounts.
Beginning Sept. 26, the city streamlined the process of getting a death certificate without a body, which typically takes up to three years. It now can take only a few days.
Paperwork has been submitted for about 1,800 individuals out of the more than 3,900 who city officials believe were killed in the Sept. 11 terrorist attack.
The number of applications could indicate that the city's tally of the missing is too high. But lawyers involved in the

process also suggest other reasons, related to human nature.
Some families are emotionally unprepared to take the step of declaring their loved one officially dead, especially without physical remains.
Others - especially families of immigrants or undocumented workers - may be fearful of dealing with authorities, lack the required paperwork, or be ineligible for benefits like private insurance and therefore view the process as pointless.
Anthony Crowell, director of the New York City Law Department's World Trade Center Unit, has seen many families who just aren't ready.
“We've had an instances where the husband has come in to file for his wife and then he'll call and say, 'Can you take it back? Can we withdraw the application? Because my wife's parents just don't want to go through the process,'" Crowell said.
Last week, Crowell said, a young widow came in to obtain an urn filled with soil from the site, a symbolic memento given to families of the missing. But when asked if she had applied for a death certificate, “she said no, and she really didn't want to do it," Crowell said.
Several families may be waiting for identifiable physical remains to be found in the debris that can be matched with DNA evidence.
The 1,800 death certificate applications also could be closer to the total number of dead than officials suspect.
Mayor Rudolph Giuliani has defended the city's count, which has recently been revised from more than 5,000 to 4,492.
However, an ongoing Associated Press tally of victims in the World Trade Center currently includes just over 2,500 names.
AP's figure is derived from information provided by the medical examiner, those declared dead by a court, funeral homes, places of worship, death notices, employers, public agencies, families and AP's foreign bureaus.
Bridget Fleming, who coordinates a program for volunteer lawyers from the city Bar Association to help families, said immigrants are especially reluctant to apply for death certificates, even though Giuliani and federal officials have promised that illegal aliens will not be prosecuted.
The program to issue death certificates for the missing drew nearly 1,000 people in its first three days. Applicants must provide affidavits from a next-of-kin declaring the person missing, as well as affidavits from employers or others declaring the person was at the site when the attack occurred.
“I'm still hopeful that somehow my wonderful wife will be found alive," said George Santiago, 37, of Brooklyn, who was among the first to apply. “But for the sake of our children I have to somehow sort through this."

Insurance Times: Independents gain as major life insurance sales force

November 13, 2001, Vol. XX No. 23

HARTFORD — Captive insurance agents, long the key distribution channel for the vast majority of traditional life insurance policies, now account for less than half the premiums paid. But the big winner in the distribution sweepstakes has not been the Internet. It has been independent producers, and their control over life distribution looks like it will continue to grow enormously in the foreseeable future. This is the finding of a new Conning & Co. strategic study on the distribution of life insurance.
The Conning study, Life Distribution Goes Independent: Succeeding in the Post-GLBA Environment, reports that not only have the independents captured the lion's share of sales in the life insurance world, insurers now are scrambling to distribute their products through agreements with entities that only a few years ago were viewed as competitors: banks.
“If you had told me a decade ago that traditional life insurers would be wooing the wire houses and banks as principal distribution channels, I would have said you're crazy," said George McKeon, assistant vice president at Conning and author of the study. ``In spite of the millions of dollars spent on developing the internet as a distribution channel, actual sales have been elusive, largely because the age-old wisdom that life insurance is sold not bought continues to be proven true. The big change has been that consumers want an advisor who isn't tied to one carrier. They want an advisor who can understand their issues and can select from a variety of solutions. You might say that in life insurance, manufacturing is finally listening to sales, rather than the other way around."
The study is available at www.conning.com.

Insurance Times: Travel insurance newly popular following Sept. 11 terror attacks

November 13, 2001, Vol. XX No. 23

by Dan Nephin
Associated Press

IMPERIAL, Penn. — Denny Lytle has flown a lot of miles (kilometers) for his job and with his family, but he never thought about travel insurance — until after the Sept. 11 terrorist attacks.
“With all the uncertainty ... if something happens, that's a major investment for me and my family," said Lytle, who decided to insure his family's upcoming vacation to Walt Disney World in case something cancels their flight.
Insurance companies say Lytle isn't alone.
Before the attacks, only about 8 percent to 10 percent of travelers purchased insurance, said Dan McGinnity, spokesman for Travel Guard International of Stevens Point, Wisconsin, the country's largest travel insurer. Now, he estimates 33 percent to 50 percent are buying insurance.
Generally, travel insurance covers canceled or delayed trips, lost or stolen luggage, medical care and emergency medical evacuations. It can also include flight accident insurance — life insurance in case of a crash. It typically costs 5 percent to 7 percent of a trip's total cost.
Lytle paid about $200 to safeguard his family's $4,000 Disney World trip.
“I just want to make sure I was covered," said Lytle, an industrial product manager from South Park. “Honestly, I've never even thought of this stuff before. It's different to travel now."
Travel Guard's sales since the terrorist attacks are up only slightly over the same period last year. But McGinnity said any increase is significant because fewer people are traveling.
Joe Clauson, spokesman for insurance company Mutual of Omaha, said the rise in insurance business comes as no surprise. “Generally, you'd see an increase in travel insurance purchases after a flight disaster or catastrophe," he said, adding that sales tend to drop after a couple of months.
American Express, which offers insurance to travelers who use their credit card to buy tickets, has also noticed an increase in calls about what coverage is available, company spokeswoman Desiree Fish said.
Claudia Fullerton, chief marketing officer for CSA Travel Protection of San Diego, California, said phone inquiries about insurance have increased 500 percent since Sept. 11.
She and McGinnity both estimated their companies will pay millions in delay and cancellation claims for their customers because of the attacks and the subsequent disruption of air travel.
“It'll be the costliest single occurrence since we've been in business," said McGinnity. Travel Guard was established in 1982.
Travel Guard and CSA haven't raised premiums on their services since the attacks, Fullerton and McGinnity said. But Travel Guard has made another change, altering its terrorism policies to include domestic incidents as well as those that take place overseas, McGinnity said.
“People are very risk-conscious since the attacks," said Carolyn Gorman, vice president of the Insurance Information Institute's Washington office.
Even after Sept. 11, however, travel and accident insurance still is not for everyone.
Susan and Paul Wagenhofer walked past a desk selling travel insurance at Pittsburgh International Airport. The former Pennsylvanians, who now live in Bangkok, Thailand, have never bought travel insurance.
“It's kind of silly," Paul Wagenhofer said. “There's no safer time to fly."

Insurance Times: Portland voters narrowly approve universal health referendum

November 13, 2001, Vol. XX No. 23

PORTLAND, Maine (AP) — Voters here narrowly approved a nonbinding resolution on Nov. 6 calling for universal health care in the city, even after the insurance industry fought the measure with a TV ad blitz.
The final unofficial tally showed the advisory referendum passing by 532 votes, with 6,979 residents voting for the measure and 6,447 against it.
The tally “shows that it’s time to take a look at a plan that has worked in every other industrialized nation,” Jesse Graham, a community organizer for the Maine Peoples Alliance, said.
“Anyone that you talk to is upset with the health care system, whether it’s the high cost of prescription drugs or the fact that we have 165,000 people without insurance in Maine,” he said.

But the opposition said that the margin of victory was too narrow to send any clear message.
“We went at this guns blazing because we didn’t want to send a mandate to Augusta that Maine’s biggest city supports a single-payer universal health care referendum,” said Daryn Demeritt, campaign coordinator for Citizens for Sensible Health Care Choices.
Anthem, Maine’s largest health insurer is the biggest contributor to Demeritt’s organization.
The approval comes in the form of a nonbinding resolution, which supporters hope to use to build support for universal health care, as the debate on a Canadian-style single-payer system that provides comprehensive coverage shifts from the national to state level.
Under a single-payer plan, a public agency would collect health care premiums and pay bills for all state residents.
Advocates acknowledge that such a program would require higher taxes, mostly for higher-income residents, but say people would not pay much more than they do now for private insurance, and everyone would be covered.
Opponents acknowledge that Maine's current system is imperfect, but they caution that scrapping it in favor of a government-run health care system would raise taxes and limit consumer choice.
Maine already has experimented with ways to cut health care costs and expand coverage. The state forced drug discounts under threat of price controls, and it obtained a federal Medicaid waiver that allows it to raise the minimum incomes that determine eligibility for discounted drugs.
Duncan Wright, a Portland psychiatrist helping to run the campaign for universal health, suggested Maine is a good candidate to lead the way.
“We're a rural state, we're not wealthy, but we have a humane political tradition. I think we can do it. We can be the first," he said.
A study last year concluded that 165,000 Maine residents —13 percent — lack health insurance and that the state's percentage of uninsured adults is the highest in New England.
State lawmakers already rejected a proposal last year to create a $3.4 billion single-payer system administered by the state. Instead, the Legislature created a board to study the issue and issue a report by March.
The proposal's sponsor, Democratic state Rep. Paul Volenik, said the Portland referendum shows that the single-payer issue is beginning to resonate at the local level.
``Just the fact that the insurance industry is putting a lot of money into television ads shows that they're worried about this," Volenik said. ``Win or lose, it's a wake-up call for the people."
Campaign finance reports filed with the city show that opponents raised more than $382,000 as of Oct. 25. Supporters collected less than $1,500 during the same period.
That level of spending is unusual in a place where $500,000 is enough to mount a serious congressional campaign, said Oliver Woshinsky, a political science professor at the University of Southern Maine.

Insurance Times: AHART SUCCEEDS HOFMANN AS IIAA PRESIDENT; MARRA NAMED HARTFORD LIFE PRESIDENT; POMILI JOINS ALLIANCE

November 13, 2001, Vol. XX No. 23

IIAA
New Jersey agent Thomas B. Ahart, CPCU, AAI, who was inaugurated last week as president of the Independent Insurance Agents of America (IIAA) at the association’s Hawaii InfoXchange, urged fellow agents to embrace change in order to succeed.
Ahart, of Phillipsburg, N.J., becomes the association’s 97th president. Ahart, president of Ahart, Frinzi & Smith, was elected to the Executive Committee in September 1996.
In his address, Ahart told more than 500 insurance professionals that independent insurance agents must be willing to change to meet today’s market challenges. He said agents need the tools to change, and that IIAA provides these tools via numerous programs.
"If we all stay in the status quo we never go anywhere except backwards," said Ahart. "Everything surrounding us is about change. We need to look for change and we have to get Young Agents involved and give them the power to make decisions."
Ahart succeeds William F. Hofmann III, CPCU, CLU, AAI, CIC, LIA, a partner in Provider Insurance Group in Belmont, Mass., as IIAA president. He is a partner in Ahart, Frinzi & Smith Insurance in Phillipsburg, N.J.
IIAA also installed W. Cloyce Anders and Louise "Bebe" Canter to key executive leadership positions and added Alex

Soto, ARM, CPCU to the association's Executive Committee .

Alliance

Miro Pomili has joined the Alliance of American Insurers as a policy manager in the Property Casualty Department. As such he will focus on property and producer licensing issues. Most recently Pomili worked at an internet-based insurance brokerage firm as a product marketing specialist.

The Hartford

The Hartford Financial Services Group, Inc. announced that Thomas M. Marra will succeed Lon A. Smith as president of The Hartford's life company, effective January 1, 2002.

Marr also will continue as chief operating officer of Hartford Life. Smith will retire as vice chairman and member of The Hartford's board of directors, but will continue to serve as a member of the boards of directors of The Hartford's mutual funds.

Golden, O'Neill and Gebhardt

Golden, O'Neill and Gebhardt, New Haven. Conn., announced the newest member of the agency staff, Michelle Granza. Granza comes to Golden O'Neill and Gebhardt with eight years of experience in personal lines of insurance.

Insurance Times: Tufts Insurance Company

November 13, 2001, Vol. XX No. 23

October 30, 2001

333 Wyman Street
Waltham, MA 02454-9112

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

Insurance Times: U.S. Specialty Insurance Company

November 13, 2001, Vol. XX No. 23

November 13, 2001

13403 Northwest Freeway
Houston, TX 77040-6006
The above company has made
application to the Division of Insurance for a License/ Certificate of Authority to transact Workers' Compensation insurance in the Commonwealth.

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

Insurance Times: USAble Life

November 13, 2001, Vol. XX No. 23

November 13, 2001

Post Office Box 1650
Little Rock, Arkansas 72203-1650

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

Insurance Times: XL Capital Assurance INC
November 13, 2001, Vol. XX No. 23

November 13, 2001

250 Park Avenue 19th Floor
New York, NY 10177-1999

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

Insurance Times: Zurich America Insurance Company
November 13, 2001, Vol. XX No. 23

October 30, 2001

601 West 26th Street
New York, NY 10001

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

Insurance Times: Federated Mutual Insurance Company
November 13, 2001, Vol. XX No. 23

October 2, 2001

121 E. Park Square

Owatonna, Minnesota 55060

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

Insurance Times: MASS. AGENT DAVIS PRESENTED IIAA'S WOODWORTH AWARD

November 13, 2001, Vol. XX No. 23

Richard W. Davis, CPCU, CLU was presented the Independent Insurance Agents of America's (IIAA) highest individual honor—the Woodworth Memorial Award—during the Association's Hawaii InfoXchange.
The Woodworth Memorial Award is conferredupon an individual who has performed special, meritorious and outstanding service on behalf of the agency system and IIAA.
"This year's honoree has been a dedicated and positive force for more than 20 years within our Aasociation. Recently, he helped the IIAA break new ground into the financial services arena and we are banking on him to continue with his potent style of guidance," said IIAA President William F. Hofmann.
Hofmann and Davis share agency ownership in Massachusetts.
Davis led IIAA's entry into the integrated financial services marketplace. This spring InsurBanc, a Farmington, Conn.-based thrift bank co-developed by IIAA and W. R. Berkley Corp. and its subsidiaries, opened.
Davis has also provided volunteer leadership to the Massachusetts Association of Insurance Agents; he is a past president and state national director. Nationally, Davis has served as the chairman of IIAA's Membership Services and E&O Committees.

"Rick is not one to back away from difficult issues or to shrink into the background when the going gets tough. He is one of those rare people with the ability to discuss hard issues with authority and aggressiveness but at the same time show mutual respect and courtesy," added Hofmann.

Davis is president and chairman of Provider Insurance Group Inc., an independent insurance agency with offices in Belmont, Brookline, Needham, Mass. and Woonsocket, R.I. He has been an independent agent for more than 35 years.

He also is chairman of the Board of Directors for Peyton Street Financial Services Corp. (InsurBanc's holding company) and a member of the Needham Community Council's Board.

"He is incredibly smart, very fair-minded, persuasive, generous of himself, focused on achieving established goals, and one of the easiest people to work with that I can imagine, a testament on such a challenging project as starting a bank," said Hofmann while addressing the 1,500 convention attendees.

IIAA's Hawaii InfoXchange, themed Grow Your Business…Secure Your Future, began yesterday and runs through Tuesday. InfoXchange is hosting a wide variety of technology workshops; innovative continuing-education classes; new Best Practices opportunities; a series of prominent speakers; the launch of IIAA's new brand—Trusted Choice; one of the largest exhibit halls in the insurance industry; the IIAA Sales School with Russ Granger; a professional seminar series with Ken Blanchard, author of The One Minute Manager; the Young Agents Leadership Conference; and many other exciting features.

Insurance Times: Fleet launches employee benefits brokerage

November 13, 2001, Vol. XX No. 23

CRANFORD, N.J — Summit Insurance Advisors is now called Fleet Insurance Services.
The insurance division of FleetBoston Financial Corp. was part of Summit Bancorp when FleetBoston and Summit merged in March. A full-service brokerage, Fleet Insurance Services accesses major national carriers to design insurance programs that meet clients' business insurance and employee-benefits needs. It does not underwrite insurance coverage.
“Business insurance and employee benefits are two of the top expense items of businesses in the United States," said Thomas Sharkey, Jr., Fleet Insurance Services President and CEO. “It's more important than ever for businesses to obtain professional guidance to develop a well-constructed insurance program that provides protection and addresses risk-management issues. Fleet Insurance Services has the expertise and scale to help businesses identify exposures and develop plans to deal with them effectively."
Fleet Insurance Services is the 28th largest insurance brokerage firm in the United States, representing more than 30 major insurance carriers and brokering over $700 million of insurance premiums annually. The company conducts business in all 50 states and will keep its former name licensed during the regulatory conversion process to Fleet Insurance Services.
Services offered include: Employee benefits brokerage and administration; commercial property/casualty insurance; risk-management services; environmental insurance; surety bonds; life insurance planning, and homeowners, auto and marine insurance.

Insurance Times: CNA expands distribution for group dental

November 13, 2001, Vol. XX No. 23

During the fourth quarter of 2001, Ameritas Life Insurance Corp. (Ameritas) and CNA are expanding what began as a pilot marketing program in seven cities in order for CNA Group Benefits sales offices to market Ameritas group dental and eye care plans nationwide.
On April 2, 2001, Ameritas and CNA announced that, under a marketing agreement between the two organizations, CNA Group Benefits would begin marketing Ameritas group dental and eye care plans in Houston, San Antonio, Dallas, Denver, Orlando, Charlotte and Cincinnati. On March 1, CNA sales representatives and their brokerage network began selling the Ameritas plans (insured by Ameritas) in those specific markets, primarily to groups of 10 to 500 and, in some cases, groups of 2,000 or more.
Now this marketing effort will be expanded to all CNA Group Benefits sales offices across the United States
“Once the pilot program with CNA was up and running," said Ken VanCleave, senior vice president of the Ameritas Group Division, “we were encouraged by the CNA sales associates' eagerness to market our products on a broader level. This expansion will mean increased sales and success for both companies."
Ameritas group dental and eye care plans are underwritten by Ameritas Life Insurance Corp.
Visit Ameritas at www.YourDentalSolutions.com (in New York, www.NY.YourDentalSolutions.com) or www.ameritasacacia.com.

Insurance Times: WorkPack gives small firms voluntary benefits

November 13, 2001, Vol. XX No. 23

UnumProvident now offers small business owners a competitive edge in recruiting and retaining employees through voluntary benefits in its new WorkPack insurance portfolio.
WorkPack, part of UnumProvident's Voluntary Workplace Benefits offering, is available to employers with 25 - 99 eligible employees. Employees are eligible if they are actively at work for at least 20 hours per week. Participation requirements are easy for business owners to meet - only 10 submitted adult applications from any combination of WorkPack products.
Significant sales potential exists in the largely untapped small business marketplace. In 1998, there were approximately 500,000 companies who employed between 25 and 99 employees.

The WorkPack portfolio includes products that cover the spectrum of income protection needs: short-term disability, term life, critical illness, and cancer indemnity coverages. These products are all an important part of the company's effort to customize solutions for middle-income earners who need protection above that offered by their employer. WorkPack is underwritten by Provident Life and Accident Insurance Co. (all states except New York).

Insurance Times: CONN. HMOS looking to raise deductibles as way to curb increases

November 13, 2001, Vol. XX No. 23

HMOs Say The Changes Will Make
Consumers More Cost-Conscious

HARTFORD — Several health insurance companies are proposing changes to their HMO plans in Connecticut and other states that could add hundreds or thousands of dollars to consumers' medical bills.

In an effort to slow the growth of soaring premiums, insurers want consumers to pay deductibles and a percentage of their medical costs, regardless if they use doctors and hospitals within their HMO network.

Cut Premiums 10-25%

The proposals would decrease premiums 10 percent to 25 percent compared to premiums of conventional HMOs, but consumer advocates warn that a heavy financial burden would be placed on the sickest and neediest people.

The new plans"may make premiums a little lower, but it comes with a high price," said Gail Shearer, director of health policy analysis at Consumers Union in Washington.

Insurance companies nationwide have taken a series of steps to shift more of the inflation of medical costs to workers, while employers are increasing employee's premiums and co-payments.

The new HMO proposals must first be approved by state regulators. The new plans would be available next year at the earliest.

Insurers, however, still plan to offer employers existing HMO plans and are working on other benefit changes. They say the proposed changes will give employers relief from rising medical costs by making consumers more cost-conscious.

“The timing is good," said Paul M. Philpott, chief marketing officer of Farmington-based ConnectiCare. “The business community and health plans have recognized that employers have reached the end of their rope."

ConnectiCare and Hartford-based MedSpan are among the most enthusiastic proponents of HMOs with deductibles and co-insurance. Oxford Health Plans and Aetna, the nation's largest health insurer, said they expect to offer such plans.

Small Firms Benefit

The proposed changes come at a time when insurance brokers and consultants are reporting that premiums for upcoming renewals will increase an average 15 percent. They say premium increases of 40 percent or more are not unusual.

Bob Feen, president of The Benefits Group in Cheshire, said small employers would benefit the most from the proposed new HMOs. He said smaller companies are hit with automatic premium increases as their workers hit higher age categories, as well as across-the-board rate increases.

Under one of the new HMO designs, a single worker would have to be treated within the network and pay a $150 or $200 deductible, for example, while a family deductible could be $500 a year.

Then members would have to pay 20 percent or 30 percent of medical bills above the deductible, until they've spent up to a cap of $2,000 or $3,000 for the year. Insurance would pay 100 percent of costs that exceeded the member's cap.

Doctors don't like HMOs with cost-sharing because they have to bill and collect payment from patients, and patients don't like the uncertainty about what their share will be, said Jane L. Lassner, senior consultant at the Stamford office of Watson Wyatt Worldwide, human resources consultants.

Although cost-sharing opens consumers' eyes to medical costs, it also can deter some from getting needed care, Lassner said.

“It's a hard call where the happy medium is," she said.

Insurance Times: Businesses worry over public access to disaster plans

November 13, 2001, Vol. XX No. 23

LOUISVILLE, Ky. (AP)— Federally mandated plans in which industries publicly outline worst-case scenarios in case of explosions or chemical releases are coming under attack since the Sept. 11 terrorist strikes.

Industry and utilities are urging the U.S. Environmental Protection Agency and Congress to revoke public access to the risk-management plans, as well as other potentially sensitive public documents.

“We're in an extreme situation," said Pam Krider, spokeswoman for the American Water Works Association, which counts the Louisville Water Co. among its members. “How much information does the public need to know? How much information does the public not want everybody to have access to?"

The plans identify chemicals found at large industrial complexes, such as those in western Louisville's Rubbertown. They also require an explanation of how plant managers would respond to the worst-case situations.

The plans, mandated by 1990 amendments to the Clean Air Act, have become a right-to-know tool for emergency responders, neighborhoods and environmental groups. They've been credited with encouraging facilities, including some in Louisville, to make changes to reduce threats.

Krider argues that only government and emergency response authorities should see the plans. Dick Bartlett, executive administrator of the Louisville-Jefferson County Emergency Management Agency, agreed.

“We're helping people too much to learn about our nation's vulnerabilities," he said.

But right-to-know advocates and some environmentalists worry the security pendulum will swing too far toward secrecy in response to the events of Sept. 11.

They fear that a federal law that requires businesses to plan for potential disasters _ and allows nearby residents to independently verify those plans _ might be eviscerated.

“Traditionally, environmental and public interest groups and labor unions have relied on public disclosure to spotlight hazards and spur government action to reduce these hazards," said Paul Orum, director of the Working Group on Community Right to Know, a Washington-based coalition of more than 1,500 public interest organizations.

If the public isn't allowed to review the plans, industries may not be as compelled to reduce chemical risks, he said.

“We are very concerned about a know-nothing, do-nothing response," he said.

Louisville lawyer Tom FitzGerald, director of the Kentucky Resources Council, agreed. “Going back to shutting out the public's right to know is not necessary and not wise."

After the attacks on the World Trade Center and Pentagon, the EPA quickly pulled from its Web site portions of the risk-management plans that it previously had published there.

Now, the agency is being asked to pull all or parts of the plans, including the worst-case scenarios, from reading rooms in all 50 states.

EPA Administrator Christie Whitman acknowledged that terrorists likely could figure out potential vulnerabilities without looking at the plans.

But at an Oct. 19 appearance before the Society of Environmental Journalists in Portland, Ore., Whitman said she's worried about ``terrorist wannabes" looking for ``a road map."

U.S. Rep. Anne Northup, R-Ky., said Congress may step in if the FBI and President Bush's new homeland security team recommend further restricting access to the plans.

“We are trying to balance the right to know with making sure we don't give terrorists information that might jeopardize our security," Northup said last week. “These are tough decisions."

Insurance Times: Report: Small businesses need public sector support to offer health plans

November 13, 2001, Vol. XX No. 23

NEW YORK — Despite a number of recent promising initiatives, small businesses searching for help in providing health insurance for their employees are unlikely to find it in the private sector alone, according to a new report from The Commonwealth Fund.

The report's authors say that public sector support -- including expertise, offsetting expenses of the highest cost claims, seed money, and regulatory reform -- is likely to be needed to make business initiatives effective in filling the health insurance gaps experienced by employees of small businesses, who are far less likely to be able to get health insurance through their employers.

The report, Business Initiatives to Expand Health Coverage for Workers in Small Firms, by Jack A. Meyer of the Economic and Social Research Institute and Lise S. Rybowski of The Severyn Group, assesses the potential of purchasing coalitions formed by larger businesses to help small firms improve access to health insurance. The report suggests that these measures have experienced only marginal success in achieving their main goal of making insurance more available and affordable for employees of small businesses. The initiatives have gained a larger measure of success in expanding the choice of health plans for these workers.

“Helping small businesses provide health insurance to their employees is an important piece of the puzzle in solving the problem of millions of Americans without health insurance," said Karen Davis, president of The Commonwealth Fund. Davis also noted that business coalitions can bring important assets -- experience and knowledge of the market, clout, and staff -- to smaller firms. But the public sector needs to be a partner as well, in order to provide the stimulus necessary to make these private sector initiatives work. Previous research has shown that in 2000, 99 percent of firms with 200 or more employees offered health insurance to their employees, compared with 67 percent of firms with 3 to 199 workers and 60 percent of firms with 3 to 9 workers.

The report analyzes purchasing coalitions to assess the potential of initiatives that pool risk to improve bargaining power for small firms. The study examined coalitions such as the New York Business Group on Health in New York City, the Pacific Business Group on Health in San Francisco, and the Alliance in Madison, Wisconsin, among others. The researchers found that while some initiatives have made a difference in providing coverage to uninsured employees of small firms, others have died or failed to make it beyond the design stage. They conclude that these efforts alone are not an effective way to address the problem of uninsured workers, and are unlikely to succeed without public sector support.

The study found that:

• The programs have not attracted significant numbers of new participants: with the exception of New York's HealthPass program, only 10 to 20 percent of the companies participating in the programs are offering insurance for the first time. -- The programs have not been able to attract a large enough enrollment to lower costs through administrative efficiencies. -- The programs have been successful in enabling small firms to offer more choices in health insurance to employees, but that reason alone is not compelling enough to induce large numbers of small firms to purchase coverage.

•The expense of launching and managing programs on an ongoing basis is high, and it can take years for the programs to become self-sufficient.

• State regulations limit the programs' ability to meet the needs of small employers.

"If purchasing cooperatives for small firms are to be successful, large employers may have to assure that health plans participate and pass savings on to the buyers," said Jack A. Meyer, president of the Economic and Social Research Institute and lead author of the report. "The public sector may also need to subsidize premiums and develop supportive regulations."

The report outlines additional roles the public sector can play by:

• Providing seed money and other resources to support a small-group program until it can become self-sufficient.

• Providing flexibility for small-group programs to design benefit packages that work for small businesses.

Visit www.cmwf.org.