

Insurance Times: ONE BEACON TO BUY FIREMAN'S FUND AUTO UNIT IN TROUBLED NJ MARKET
November 27, 2001, Vol. XX No. 24

A OneBeacon spokesperson has confirmed that the company signed a letter of intent to buy the New Jersey automobile insurance unit of Fireman's Fund Insurance Co.

The spokesperson declined further comment on the matter, however, saying that it was still too early in the sales process.

BestWire reported on Nov. 13 that OneBeacon plans to buy Parkway Insurance, the personal auto subsidiary of Fireman's Fund of California.

John Dyke, president of the New Jersey Auto Agents Alliance, told BestWire that OneBeacon's planned purchase helps insulate it from New Jersey's highly regulated auto market.

Dyke said that One Beacon apparently "wants a stand-alone company only for New Jersey auto."

OneBeacon used to be the property casualty division of CGU Insurance Group, but White Mountains Insurance bought the company earlier this year.

That purchase included more than 80,000 New Jersey drivers, according to BestWire.

Insurance Times: ONLY FIVE MASS. INSURERS OFFER SAFE DRIVER BREAKS
November 27, 2001, Vol. XX No. 24

BOSTON — Only five auto-insurance companies stepped up to the plate to propose Massachusetts safe driver discounts for 2002, down 17 from last year.

The filings, submitted on the Nov. 8 deadline, follow a negotiated end to the state's annual auto rate case that kept rates unchanged overall for next year.

It's also the second year in a row that companies either reduced or ended their safe driver, or Step 9 discounts. Many already cut back last year after Division of Insurance Commissioner Linda Ruthardt slashed 2001 auto insurance rates 8.3 percent.

Daniel Johnston, president of the Automobile Insurers Bureau of Massachusetts, said the industry's overall decision to cut prices was "not unexpected."

After overall rates were left unchanged, he said, "Companies decided they had to generate revenue on their own. "They can certainly do that by eliminating some of the voluntary discounts they've given in the past."

Five insurers filed Step 9 discounts though none filed a 15 percent discount as in years past. They are: Amica, 10 percent; Electric, 5 percent; Premier, 4 percent; Hanover, 2 percent; and National Grange at 2 percent.

All companies also offer a standard 5 percent discount for multi-car coverage. Norfolk & Dedham didn't file a Step 9 discount but filed for an additional 2 percent multi-car discount on top of the 5 percent, for a 7 percent total.

Premier also filed for a total 7 percent multi-car discount.

DOI Spokesman Christopher Goetcheus acknowledged that insurers are apparently "tightening their belts" for 2002, and that consumers have "fewer options for Step 9 discounts."

But, he said, consumers with a Step 9 rating "who want to let insurers know how important Step 9 (discounts) have been in recent years ... can still shop around," even though "the choices are few."

Goetcheus said he wasn't sure how or if the rate filings would affect group discounts. Group filings are expected, he said, throughout the fall, and "be reviewed as they come in" and posted on the DOI Web site.

The DOI will hold individual hearings for each rate deviation filing in the coming weeks, Goetcheus said.

Insurance Times: LIBERTY MUTUAL POLICYHOLDERS APPROVE HOLDING COMPANY PLAN
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BOSTON — Liberty Mutual's policyholders have approved the company's quest to change its corporate status. Nearly 90 percent of Liberty Mutual Insurance Company policyholders who cast ballots at a Nov. 9 special meeting at the company's Boston headquarters approved plans to convert to a mutual holding company. Similarly, 89 percent of policyholders casting ballots through corporate sibling Liberty Mutual Fire Insurance voted for the reorganization plan.

The change would preserve mutuality, reorganize the divisions under one corporate structure and give the company the ability to offer stock if it chooses to in the future.

"We are extremely gratified," Liberty Mutual Group chairman Edmund Kelly said in a written statement.

"The results demonstrate that our policyholders strongly believe that our plan will benefit them now and in the future by helping to make us a stronger more competitive company.

The company still has more to do before it can officially reorganize, however.

The Massachusetts Division of Insurance held a public hearing regarding the mutual holding company plan on Oct. 10, but Commissioner Linda Ruthardt has 60 days from the hearing to issue her decision.

That approval is expected however, because a DOI task force that worked on Liberty Mutual's application is recommending approval of the plan.

Liberty Mutual also owns Wisconsin-based Employers Insurance of Wausau. Wisconsin regulators have approved the application of Liberty's corporate sibling there to form the mutual holding company. Wausau policyholders were expected to meet Nov. 20, where voting results were to be announced.

Liberty's reorganization plan has drawn some opposition, particularly from the Cambridge-based Center for Insurance Research.

CIR members say the mutual holding company plan cheats policyholders out of dividends they'd receive if the company demutualized outright.

They say policyholder rights would be ignored if Liberty's board of directors has to also address the rights of shareholders if the company ever issues stock.

The CIR has continued to fight Liberty Mutual's actions on a number of fronts, including an ongoing lawsuit over access to documents exchanged between the company and DOI officials.

CIR members have also questioned Liberty's lobbying efforts statewide and nationally. In addition, they've challenged the company's planned use of "mutual" in its name, claiming Liberty Mutual would cause confusion by continuing with its old name even if it offers stock.

Consequently, the North Carolina and Nevada insurance divisions have said they won't let Liberty Mutual use "mutual" in its name in their states once it becomes a mutual holding company.

Liberty Mutual, which is based in Boston, is one of the nation's largest property casualty multi-line insurers and has more than \$65 billion in consolidated assets.

Insurance Times: HANOVER ALLEGES ARBELLA SECRET SALE TO SHED ERPs

November 27, 2001, Vol. XX No. 24

by Mark Hollmer
InsuranceTimes

BOSTON — The practice, as alleged and described, sounds at the very least like a creative way to shed bad risks. Hanover Insurance is accusing Arbella of secretly paying an exclusive representative producer to take over some of its higher-loss ratio books of automobile business.

The thing is, the exclusive representative producer is assigned to Hanover Insurance. And Hanover officials are crying foul because the company says the move illegally loads it with extra high-risk insurance costs. Hanover and members of the Commonwealth Automobile Reinsurers — the state's high-risk auto insurer -- weren't told about the transactions, the company says.

The cost to Hanover in extra losses could reach at least \$3 million, Hanover attorney Owen Gallagher alleges in his complaint filed with the Division of Insurance.

Hanover is seeking a preliminary hearing and an order from the Division of Insurance requiring Arbella to disclose to both Hanover and CAR details about its involvement in the matter.

Jim DiNatale, spokesman for Arbella Insurance Group, said the company wouldn't offer specific comment on the issue because it's still pending at the DOI.

But, he said, "our conduct has been completely legal and proper and we intend to defend it rigorously in the appropriate forum."

Division of Insurance Spokesman Christopher Goetcheus, meanwhile, said that his offices legal staff is reviewing the complaint and "weighing how to appropriately handle" it.

Hanover Insurance offers details in its complaint about its allegations against Arbella.

The company claims that beginning in April 2000 and through much of 2001, Hanover ERP Rapo & Jepsen started purchasing "large books of high loss ratio business" from ERPs including Arbella.

Hanover alleges that Arbella financed the Rapo & Jepsen's acquisitions with at least \$330,000 in one transaction alone. Hanover officials say they detected the transactions and asked Rapo & Jepsen managers to allow them to look at records of the deals.

Rapo managers confirmed Arbella "paid a portion of the purchase price for these books of business on behalf of Rapo & Jepsen," Gallagher claims in the Hanover complaint.

Managers at Rapo & Jepsen did not return a call seeking comment.

Hanover accuses Arbella of improperly trying to reduce its share of the high loss-ratio business so the company could have new ERPs appointed "with substantially lower loss-ratio books of business."

Hanover claims Arbella violated state law and CAR Rule 14 with the practice.

Charles Boynton III, chairman of the CAR Governing Committee, addressed the controversy during a panel discussion on Nov. 15, sponsored by the Massachusetts Association of Insurance Women at the Wyndham Hotel in Westboro.

Though he didn't talk about specifics, Boynton said the case "shows there's a lot of stress right now in the personal auto market in the state.

Insurance Times: Group, Worksite Sales Still Strong Despite War And Recession
November 27, 2001, Vol. XX No. 24

Group and Worksite Insurers Finding
Uncertain Times Not All Bad For Business

by Mark Hollmer
InsuranceTimes

Group and worksite insurance products are proving to be reliable workhorses in an uncertain, post-Sept. 11 world.

Though an economic downturn has only accelerated in the wake of the terrorist attacks, insurers say both group and worksite products are selling steadily and in some cases, as brisk as ever.

Insurers admit that companies are trying to reduce costs, but say the rate of growth for group products remains strong.

Worksite, or voluntary-coverage products, are booming too, they say, because the concept gives employers a way to offer employee benefits but also save money because employees pick up the tab for extra coverage.

"Employer cost pressures as well as the rising cost of medical insurance will limit employers' ability to fund benefits, but employers still recognize the need to offer a good benefits package," said Stuart Shaw, vice president of work site marketing and business development for Guardian Life Insurance.

Neiciee Durrence, vice president of product management for UnumProvident's voluntary benefits workplace division, agreed.

"Since Sept. 11," she said, "we have seen no slowdown or lack of interest in our voluntary plans at an employer level."

What's more, both Sept. 11 and the weakening economy has heightened employee awareness of voluntary products like group life insurance, said Laura Moore, general director of group insurance division operations.

"People are ... more aware of the need for protection of their loved ones if something happens to them because they've seen that thousands of people were killed at work," she said.

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At Guardian Life, group insurance sales products are about 30 percent higher this year than last, Shaw said. Shaw still expects growth next year, but said the rate will dip to between 15-20 percent.

“So far our sales are still very strong across group products and work site products,” he said. Though “we’re anticipating it to be slower but we haven’t seen the slowdown yet.”

What will affect any slowdown more than anything, he said, is the continued increase in medical insurance costs as employers proceed with shifting more of their group medical costs to employees.

Instead, Shaw said, employers are working toward filling gaps in their core benefits programs, bringing in voluntary work site dental, vision and other programs.

Brokers are recognizing “that employers can’t continue to fund and pay for everything themselves,” he said.

And that’s where work site marketing comes in, Shaw said.

Work site sales allow employers to give their employees insurance options from which they can purchase specialize coverage themselves, thus saving employers from having to front the cost.

Though group sales may decrease somewhat, Shaw said, work site product sales will jump about 45 percent for the company this year.

“Next year we anticipate even stronger growth,” he said, as companies seek to manage rising medical costs.

In the wake of Sept. 11, Shaw said, Guardian is seeing another change -- a bump in business through life and disability insurance products.

“We are seeing a heightened awareness of the need for life and disability insurance ... (and) more requests by employers to add these types of benefits as well as probably higher participation for employees,” Shaw said.

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At UnumProvident, employee benefits and voluntary products are both selling well, according to company representatives.

Tom White, UnumProvident’s vice president of corporate relations, said employee benefits sales growth this year is targeted at 10-12 percent and hasn’t been effected by the economic slowdown.

What helps, he said is that the company is able to offer clients a combination of both individual, group and voluntary benefits.

Voluntary products are doing particularly well for the UnumProvident, said Neiciee Durrence, vice president of product management for the voluntary benefits workplace division.

Like Guardian Life, Durrence said, her company is seeing large jumps in voluntary product-demand because employers are trying to keep health care costs under control.

And in these uncertain times, Durrence said, customers are increasing their interest in voluntary employee coverage/specialty risk lines like travel accident, accidental death and dismemberment.

John Hancock Financial Services offers employers group long term care and group term life insurance products, and Moore said Sept. 11 hasn’t affected business other than increasing awareness of customer choices.

“It hasn’t really changed,” she said. “It’s good,” and meeting expectations.

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John Hancock is in the process of enrolling 12 long-term care clients, and Moore said demand for the product continues to be steady.

“In poor economic times it’s a great benefit to offer because a company can do it without paying for it,” she said.

“And group life is a core benefit that companies (won’t) stop supporting in the short term anyway.”

Even so, Moore said, only about 10-15 percent of eligible employees enroll in group long term care products offered by employers even in good times, she said.

Moore said she sees a significant trend on the horizon affecting how group benefits are sold.

Companies are increasingly consolidating their benefit offerings on Web platforms and run the administration and enrollment details from the same site, she said.

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Even though the group and work site insurance business is holding steady and even growing, the insurers interviewed for InsuranceTimes said brokers should be conscious of the tight economic conditions many of their clients are facing.

“Make sure you understand the employer’s objective with the benefit plan in trying to tailor something that’s flexible to meet their needs,” Shaw said.

“In terms of work site (business), it’s looking at benefits the employer already has and then filling the gaps in the plan.”

Brokers and consultants representing the client should also work closely with their insurance companies, Moore said.

Insurance Times: LIBERTY MUTUAL LOSES CAR APPEAL OVER HORACE MANN ERPs
November 27, 2001, Vol. XX No. 24

by Mark Hollmer
InsuranceTimes

An initial challenge to CAR's reassignment of Horace Mann's exclusive representative producers has failed. Liberty Mutual, Arbella Mutual and Premier Insurance filed an appeal asking Division of Insurance Commissioner Linda Ruthardt to temporarily suspend the reassignment to allow for a public hearing first. But Ruthardt rejected both requests. In a Nov. 9 decision, she said a public hearing would be "inappropriate" because Horace Mann hasn't actually surrendered its license to write private passenger auto in Massachusetts. The Commonwealth Automobile Reinsurers' ERP redistribution process is working properly, she added. "CAR's process for redistribution of ERPs is operating as currently designed by CAR to prevent disruption in the private passenger motor vehicle insurance marketplace."

Horace Mann Payment

Horace Mann agreed to pay \$6.4 million to cover its CAR financial obligations over three years. Consequently, a CAR Governing Committee reassigned Horace Mann's four exclusive representative producers to the first four under-subscribed servicing carriers – Liberty Mutual, Arbella, Premier and National Grange..

Liberty Mutual, in its filing, argued that the decision to let Horace Mann buy out its future CAR obligations violated CAR rules and state law because the company avoids ERP business but still keeps its license to write Massachusetts auto insurance.

Liberty Mutual had planned to bring up the ERP redistribution issue at the CAR Governing Committee meeting held Nov. 14, but the company withdrew the item from the agenda.

Some Governing Committee members suggested Liberty should pursue an appeal with Superior Court instead, or file for reconsideration with the DOI.

Instead, Liberty Mutual has decided to seek an official clarification from the DOI as far as its understanding as to the Governing Committee's intended vote (on) ERP distribution," said company spokesman John Cusolito.

Insurance Times: DESPITE SOFT ECONOMY, EMPLOYEE RETENTION TOPS EMPLOYERS' CONCERNS

November 27, 2001, Vol. XX No. 24

NEW YORK — Despite news of corporate layoffs, employers view employee retention as their most important benefits-related priority, followed closely by cost containment. This was one key finding of a new study released by MetLife.

The study, titled "2001 MetLife Study of Employee Benefits Trends," surveyed 481 benefits and compensation professionals at U.S. companies with more than 50 employees in June 2001.

The results show that approximately three-quarters of employers view "employee retention" (78%) and "controlling health/welfare benefits costs" (73%) their most critical benefits objectives, ahead of "attracting employees" (51%) and "increasing employee productivity"(29%). In support of these objectives, 58% of employers rate "work/life balance" as one of their most important benefits strategies, while 38% rate "employee self service on the net" and 24% rate "cost shifting to employees" among their most important strategies.

"In today's challenging economy, we are pleased that employers continue to recognize employee retention as a critical business priority," noted William J. Mullaney, MetLife senior vice president of institutional business. "Employers face a difficult balancing act. They must retain employees while continuing to find cost reduction opportunities and efficiencies. To meet this challenge, we're seeing employers take a fresh look at their benefits packages and delivery channels."

Work/life balance strategies encompass a variety of human resource policies and benefit offerings that help employees take care of family issues while meeting the demands of the workplace. Personal leave, flex time, information and counseling services, convenience or "concierge" services and a wide array of voluntary offerings have become increasingly popular solutions.

Voluntary benefits enable employers to address the diverse work/life needs of their employees by providing easy and

convenient access to a broad range of financial and group insurance products, often with group rates and other advantages that might not be available to them as individuals. During a period of corporate belt-tightening, voluntary offerings are also an extremely cost effective solution for employers.

More than 90% of employers surveyed currently provide at least one voluntary benefit to their employees, the most common of which is optional term life. Approximately 80% of these employers report "positive" or "very positive" employee receptivity to such offerings. In 1998, MetLife conducted a survey of 1,160 full-time employees and found that 66% of workers agree that voluntary benefits are a good idea, citing value and convenience as the primary advantages. The current study supports the 1998 findings by confirming that employers seek better value (e.g., group rates) and greater convenience (e.g., payroll deduction, easier buying process) by offering voluntary benefits to their employees.

Consistent with these findings, employers are introducing a wide array of new work/life benefits and voluntary offerings. While optional term life remains the most popular voluntary benefit today – currently offered by 66% of the employers surveyed – the voluntary offering that is likely to grow the fastest in the near term is long-term care insurance, with 12% of employers expecting to add this benefit on a voluntary basis over the next 18 months. Other rapidly growing offerings include auto and homeowners insurance (8% plan to add over the next 18 months), pre-paid legal services (8%), retirement planning/financial planning (8%), vision (6%), concierge (6%) and pet insurance (3%). Another important area of growth is the web-based delivery of employee benefits. The use of this delivery channel provides employers the opportunity to impact employee retention while at the same time reducing costs. "The web offers employers a cost effective solution to delivering more benefits to employees and to providing the employee with a better service experience," according to James V. Gemus, MetLife Vice President of MetLife Institutional e-Business and Banking.

Among the other survey findings:

- The percentage of employers using web sites for employee benefits will nearly double over the next 18 months. More than 30% of the mid size and large employers surveyed plan to add e-capabilities over the next 18 months, as do 22% of small businesses. Currently approximately 40% of mid size and large employers and 18% of small employers offer e-capabilities.
- Currently, the most popular Internet features are benefits communication and retirement planning/education. Over the next 18 months, employers expect web-based enrollment and eligibility verification to increase significantly.
- The strategic importance of using the Internet for employee benefits increases as employer size increases. Self-service on the web is the top Internet strategy for employers with 1,000 or more employees. Currently, 63% of employers with 5,000 or more employees rate expanding self-service as their top Internet strategy.

Visit www.metlife.com.

Insurance Times: Agents Sue To Defend W. Va. Law
November 27, 2001, Vol. XX No. 24

WASHINGTON — The Independent Insurance Agents of America (IIAA) and the National Association of Professional Insurance Agents (PIA) have filed a legal challenge in the U.S. District Court of the District of Columbia asking that a U.S. Office of the Comptroller of the Currency (OCC) opinion that parts of a West Virginia insurance law are preempted be declared null and void.

"We firmly believe the OCC preemption determination violates not only the letter, but the spirit of the Gramm-Leach-Bliley Act (GLBA), which leaves oversight of insurance activities squarely in the hands of state regulators," says IIAA CEO Robert A. Rusbult.

"We feel that the OCC opinion is an affront to state regulation and states' rights because it holds that legitimate state insurance laws should not apply to financial institutions. "If left unchallenged, the OCC's actions could lead to the creation of a dual regulatory system for insurance: a federal one for banks with less oversight and a state-based system for insurance agents," continues Rusbult.

Through the petition filed in the federal court, the two groups are seeking relief because the OCC exceeded its statutory authority by attempting to preempt several consumer protections in the West Virginia Insurance Sales Consumer Protection Act so the provisions would not apply to banks.

"The primary justification for the preemption determination was the OCC's assertion that compliance would impose cost on bank sales of insurance products," says PIA Executive Vice President Gary Eberhart. "If left unchecked, this

OCC preemption order could be applied to any insurance regulation that applies to banks. To permit the OCC to decide whether such provisions will apply to banks is an overreach of the federal agency's regulatory authority.

"The OCC treats banks as something other than an insurance entity when the bank is engaging in insurance practices," asserts Eberhart. "Any idea that Congress intended to give a federal agency power over the legislative decisions of a state governing body is absurd."

The OCC action, published in the Oct. 9 Federal Register, is "arbitrary, capricious, an abuse of discretion and otherwise not in accordance with the law, and accordingly is null and void," charges the agent groups' lawsuit. Key consumer protections singled out by the OCC include:

- Provisions requiring financial institutions to protect consumers by using different employees for insurance and deposit operations;
- Protections for consumers against credit coercion by stipulating that insurance cannot be offered until after a loan commitment is tendered;
- Conditions requiring separate facilities for loan/deposit and insurance operations; and
- Parts of the state law covering the manner and timing of consumer disclosures.

At least 19 states have adopted consumer protection measures similar to the West Virginia statute and would be endangered if the OCC opinion were allowed to be implemented. Both agent groups believe these state statutes should be equally applied whether the entity engaged in insurance sales is a bank, an insurance carrier or an insurance agency.

"We have known for a long time that the Comptroller of the Currency sees insurance as nothing more than another bank product, but that is not the case under federal and state law," says Rusbuldt and Eberhart. "The OCC's agenda is to free banks from state regulation, including state-based consumer protection measures. Our members will not stand for it."

Insurance Times: Faster release of government records on dead people raises privacy concerns
November 27, 2001, Vol. XX No. 24

WASHINGTON (AP) — Faster release of government records listing dead people, including their Social Security numbers, would help fight identity fraud, Congress was told recently.

But there were concerns about privacy, too.

Information about dead people is available now from the federal government at a subscription price ranging from nearly \$3,000 to \$13,000.

That availability is getting a closer look now that investigators have determined that all 19 terrorist hijackers had Social Security numbers. Five of them received their numbers from the Social Security Administration, and it is unclear whether the rest assumed identities of other people or made up numbers.

"Whether making this information publicly available is wise is a policy issue that Congress may wish to consider in light of recent events," James G. Huse Jr., the SSA's inspector general, said at a hearing of the House Ways and Means Social Security subcommittee.

"We must do more to protect the Social Security number after the number holder's death," he said.

But the recent hearing focused mostly on making the information public more quickly so financial institutions can battle fraud.

"The more accessible such information is, the more effective the list will be as a tool to detect and deter fraud and identity theft," said John Dugan, a lawyer representing the Financial Services Coordinating Council.

The Social Security Administration has been required to compile its Death Master File since a 1980 court settlement that essentially said dead people do not have privacy rights. Identifying information, including Social Security numbers, must be released under the Freedom of Information Act.

The Death Master File contains almost 70 million records with verified and unverified death reports, and includes Social Security numbers, full names, date of death, date of birth, state, county and ZIP codes.

Financial institutions rely on the file to update their records and to identify fraud. But the information often is received months after a person's death.

Speeding that process and making the information available to more firms could help, said Barbara Bovbjerg of the General Accounting Office (news - web sites), the investigative arm of Congress.

It "would help to narrow the window of time that a criminal has to open new accounts using a deceased individual's identity," she said.

Social Security obtains the information from family members, funeral homes, states, other federal agencies and

financial institutions. The information is provided monthly to the Commerce Department's National Technical Information Service, which sells it to the public on a disk or file at a cost that reimburses the government. But the Social Security Administration does not guarantee the information is accurate. The system can be described as "hit or miss," Evan Hendricks, publisher of *Privacy Times*, a specialty publication, said. "What is needed is an automated system by which the local governmental agencies in charge of issuing death certificates can instantly report" to Social Security, he said. More than 100 universities, banks, insurance companies and genealogical groups subscribe to the information.

Insurance Times: ACLI Board Endorses Federal Charter Bill
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Boston — The board of directors of the American Council of Life Insurers (ACLI) has authorized ACLI staff to introduce legislation to establish optional federal chartering for life insurers.

In the spring of this year, a draft optional federal charter bill was distributed to ACLI member companies, state regulators, consumer groups and members of Congress. ACLI says the proposal is now ready to be presented to Congress for its consideration.

The ACLI proposal is based on the dual regulatory system presently found in the commercial banking, thrift, and credit union businesses. The proposal calls for the creation of the National Insurer Act (NIA) and the National Insurer Solvency Act (NISA), and would establish an office of National Insurers in the Department of the Treasury. Under the proposal, each life insurer would seek either a federal or a state charter based on the particular needs and circumstances of their business operations and the needs of their customers.

Insurance Times: OneBeacon, Liberty Mutual close business transfer
November 27, 2001, Vol. XX No. 24

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 27, 2001, Vol. XX No. 24

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: Life insurers told to expect economic recovery in second half
November 27, 2001, Vol. XX No. 24

Goldman, Sachs Economist Tells ACLI in Boston That This is A Very Different Recession Because It Involves Investment Bust Not Inflation
by Mark Hollmer
InsuranceTimes

Many economists have wondered if the United States is poised to follow Japan's path to recession and economic stagnation, as both grew in part out of an investment bust.
But William Dudley chief U.S. economist for Goldman, Sachs & Co., disagreed with that assessment during a recent Boston speech.

"I don't think we're going the way of Japan," Dudley said. "We are going to have an economic recovery probably starting in the second half of next year."

Dudley spoke Nov. 12 during the American Council of Life Insurers annual Business Solutions convention, held this year in Boston.

He spoke generally about recent economic trends, especially since the Sept. 11 terrorist attacks in New York and in Washington, D.C.

The attacks and the aftermath have shifted the economy irrevocably toward recession, he said.

"Sept. 11 was a bad blow."

Businesses must subsequently come to terms with the fact that the current downturn, Dudley said, is unlike any other previous one.

"This is a very different recession than in the past," he said, because it revolves around an investment bust rather than inflation."

The United States has responded far more aggressively with fiscal stimulus than the Japanese did, Dudley said, including rapid interest rate and tax cuts.

"The (Federal Reserve) stopped money tightening soon after the stock market peaked in 200," he said.

More Flexible Economy

What's more, the United States economy is far more flexible because businesses can lay off workers when they want to unlike in Japan, where employees are harder to fire.

In addition, he said, the bust cycle is correcting the excesses of 1999-200, when optimism still increased even though profitability was declining.

Still, Dudley said, the United States isn't out of the woods yet.

Businesses still have to pull back their capital spending to more realistic levels, which will mean an investment decline "for several more quarters."

Now that stocks are down, household income is down, which will lead to more savings, Dudley said, but also less spending.

Labor Market

Along side that, the labor market is still "deteriorating rapidly," Dudley said.

Some consequences of economic weakness are proving positive for both businesses and consumer, Dudley said, such as no inflation, price drops and cheaper oil costs.

The Federal Reserve will probably be slow to tighten interest rates as well, he said, as rate reductions haven't worked as well in the "investment bust" recession we're facing.

For 2002, Dudley said, the federal surplus will evaporate and the government will focus its fiscal policy on economic stimulus.

The economy will stabilize at a 6-7 percent unemployment rate, he said, and the rate of growth will be much smaller. Consequently, he said, asset return rates for life insurers will be in the single digits, much lower than in the 1990s.

Insurance Times: OpinionExchange
November 27, 2001, Vol. XX No. 24

In the current congressional debate over one of the most controversial aspects of the patients' bill of rights—whether to allow lawsuits against private employer-sponsored health plans for delay or denial of benefits—both sides' assertions are based on assumptions for which there is little hard evidence, according to a new RAND study.

Those in favor of expanding the liability exposure of health plans assume that the threat of litigation is an effective way to deter wrongful behavior and assert that the plans will respond to such a threat by improving quality of care. But this ignores a substantial body of evidence indicating that the liability system is, at best, an imperfect mechanism for deterrence, says a team of researchers from RAND's Institute for Civil Justice. The threat of liability may deter some wrongful claim denials, but it may not deter others. And increased liability may also result in plans' approving unnecessary care. The net effect of plan behavior on health care outcomes is uncertain.

On the other side of the debate, those who oppose expanding liability argue that it would lead to a flood of high-cost lawsuits, resulting ultimately in higher costs for consumers. The researchers find flaws in this argument as well. They agree that some additional litigation would be likely. But they find that no one can predict the magnitude and cost of such litigation, because the data required to make this determination are not available.

The study analyzes past research on claiming behavior in medical malpractice and injury cases and lays out a model for estimating potential litigation rates against health plans. The researchers' estimates of new lawsuits range from 1000 to more than 150,000 annually—a range that demonstrates the shakiness of the available statistics and knowledge.

"We don't know enough about how health care consumers and lawyers may respond to a new liability environment to project litigation rates with any degree of confidence," the researchers conclude. "Nor do we believe that others can make such projections without knowing more about legal claiming in this context."

Although the rival patient protection bills now under consideration vary, many of them, including proposals by Democrats, loosen current restrictions on legal remedies available to health plan enrollees covered by the Employee Retirement Income Security Act (ERISA). ERISA has been interpreted by the courts to limit the remedies available to individuals who want to pursue legal action against private employer-sponsored health plans. Proponents and opponents of relaxing these limitations have made diverse claims about the likely consequences. RAND analysts Carole Roan Gresenz, Deborah R. Hensler, David M. Studdert, Bonnie Dombey-Moore, and Nicholas M. Pace examine these claims and the evidence supporting them.

While this debate long ago hit high pitch in political circles, this study raises questions about the basis for current opinions on the issue.

Copies of the study are available at RAND's website at www.rand.org.

With the insurance market hardening and special coverage problems such as terrorism, nursing homes and mold on the rise, surplus lines insurers are filling an increasingly important need for businesses and consumers.

"The surplus lines market was especially designed to provide insurance coverage that isn't available otherwise," noted Michael Koziol, National Association of Independent Insurers (NAII) senior director and counsel. "Because rate and form restrictions affecting the standard market do not apply to surplus lines insurers, they can provide a customer with a tailored policy to meet his or her specific needs and circumstances."

Koziol reminds us that the surplus lines system has worked very well over the years, providing needed coverages amounting to more than \$9 billion in premium each year since 1994.

"A viable surplus lines market provides a relief valve to the licensed market by offering market solutions in situations where coverage is unavailable. To do that, surplus lines insurers must be free to write whatever type of insurance the market needs without being tied to specific mandates or restrictions."

Without surplus lines, business will likely be placed in the residual market and joint underwriting associations. That in turn will force the licensed market to bear the risks assumed by those mechanisms.

"Political pressure may at times mandate insurance coverage for specific risks, such as mold or terrorist actions," Koziol said. "If licensed companies cannot provide that coverage and remain solvent, the result will be higher costs for everyone to cover those losses."

We agree with NAII that it is far better to continue to allow the surplus lines market to operate free of rate and form restrictions so they can provide the basic coverage that businesses and consumers need to function in a free society.

Insurance Times: Vermont proceeds with strict financial privacy rules
November 27, 2001, Vol. XX No. 24

Insurers Had Opposed Opt-In Privacy Measure As Beyond Requirements of Gramm-Leach-Bliley But Legislators Failed To Disapprove

Montpelier —Commissioner Elizabeth R. Costle announced that three new controversial department regulations pertaining to customer privacy issues in the areas of banking, insurance and securities have been filed with Vermont Secretary of State's Office for adoption.

These rules require affirmative customer consent before information may be shared with third parties unless the sharing is covered by the business exceptions enumerated in the rule.

"This is an extremely important protection for all Vermonters. They will have the best protection of their personal information of any State in the Union. Instead of waiving their right to privacy by inaction, Vermonters will be protected until they knowingly agree to the sharing of their personal information," Costle said.

Insurers opposed Costle's regulation because it proposes an opt-in system for sharing health and financial information with non-affiliated companies, an approach that they say exceeds the federal guidelines set forth in the federal Gramm-Leach-Bliley Act (GLB) financial services modernization law, Zimmerman said.

Committee Failure

Costle's move to file the regulation came after the Vermont Legislative Rules Committee on Oct. 31 failed to disapprove it over that insurers' complaints that it will make it more difficult for both consumers and insurers to conduct business in the state. The committee's inaction means that upon adoption the rules will have the presumption of validity if challenged in court.

"Although a majority of those present voted to disapprove, the rules state that a majority of the committee must disapprove, so five votes were needed and we only got four," said Gerald L. Zimmerman, senior counsel for the National Association of Independent Insurers (NAII).

NAII and other insurance interests supported H.B. 228, which passed the House last session and is now in the Senate Finance Committee. HB 228 would have established standards to prevent the inappropriate release of consumer financial information in compliance with GLB. The bill authorizes Vermont's insurance commissioner to adopt rules consistent with the federal act for financial institutions that are not federally regulated, and requires that these rules will be consistent with and not exceed those outlined in GLB.

The rules will be posted on the department's website upon adoption. They are expected to be effective in mid-November

Congressional History

Congress adopted a new policy under the Gramm-Leach-Bliley Financial Modernization Act of 1999 (GLB) placing an obligation on financial institutions to protect their customers' privacy. GLB establishes certain minimum standards and allows states to adopt laws that offer their residents greater protection.

Vermont has had a customer information privacy law for the banking industry since 1995, requiring consumer consent for disclosures of nonpublic personal information. In addition, Vermont's Fair Credit Reporting Act has had a consumer consent requirement for information sharing by affiliated entities since 1992. This consumer consent requirement was preserved by Congress in the 1996 amendments to the federal Fair Credit Reporting Act.

In order to maintain a level playing field for all three industries in the area of privacy, especially in view of the existing Vermont bank privacy and Fair Credit Reporting Acts that require consumer consent, Costle said her department proposed its own rules for each of the three industries it regulates: banking, insurance and securities.

Who is required to comply?

The GLB privacy title applies to all "financial institutions." The new rules to be adopted by BISHCA apply to the banking, insurance and securities industries with respect to their Vermont customers.

The banking rule applies to banks (state, national and federal charters), credit unions (state and federal), licensed lenders, mortgage brokers, independent trust companies, money services licensees, such as money transmitters and check cashers. The insurance rule applies to all entities that are required to be chartered, licensed or registered with the insurance division of the department, including insurance companies, and insurance agents. The securities rule applies to all Vermont based broker-dealers and investment advisers who are registered with the department.

Basic Requirements

The basic requirements:

Each entity subject to the rule is required to inform its customers at the start of the customer relationship and annually thereafter of its privacy policies and practices. The notice must be clear and conspicuous and must inform customers of the type of information the financial entity collects, and whether and to whom it intends to disclose the information (both affiliate and non-affiliate disclosures). If the anticipated disclosure is not permitted under one of the enumerated business or law enforcement exceptions, the financial institution must obtain the consumer's consent ("opt in") prior to disclosing the information to a nonaffiliated third party. If the consumer does not affirmatively consent, the financial entity may not make the disclosure.

If the information is health information, the customer's authorization must provide a general description of the health information that will be disclosed, the purposes of the disclosure, how the information will be used and to whom the information will be disclosed.

The rules will allow joint marketing as contemplated by GLB, but limit the information that may be disclosed to name, contact and "own transaction and experience" information under the federal Fair Credit Reporting Act. The rules also prohibit re-disclosure (unless it is permitted under one of the business or law enforcement exceptions.)

Insurance Times: Major points of Vermont's new financial privacy rules
November 27, 2001, Vol. XX No. 24

1. The Vermont rules require consumer consent to disclosure of any nonpublic personal information to a non-affiliated third party (not covered by an exception.)
2. The Vermont rules restrict the information that may be disclosed in joint marketing to name, contact and "transaction and experience" information under the federal Fair Credit Reporting Act.
3. The Vermont rules prohibit the disclosure of account numbers and encrypted account numbers to nonaffiliated marketers, including telemarketers.
4. The affected industries will have 90 days after the rules take effect to come into compliance.
5. The rules contain very detailed transition rules for entities that have sent notices prior to the effective date of the rules.
6. With regard to health information, Vermont will treat compliance with the HHS privacy rules as equivalent to compliance with the Vermont rules, except that the Vermont rules override the HHS rules in that they prohibit the use of the customer's health information for marketing without the consumer's prior consent.
7. The banking rules create exceptions that are not currently permitted under the Vermont bank privacy law.
8. Vermont continues to require consent for affiliate sharing of certain information under the Fair Credit Reporting Act. Under that law, affiliates may share name, contact and "own transaction and experience" information within the meaning of the federal Fair Credit Reporting Act. "Other information" that is considered part of a credit report may only be disclosed to an affiliate, if the consumer has given consent.

Insurance Times: Former auto repairer now on the road for insurer
November 27, 2001, Vol. XX No. 24

Mass. Auto Plymouth Rock Insurer Combines High-Technology, People and Technical Skills for Customer Service
Joseph Deboisbriand was having a bad day at his auto-repair and body shop one hot July day in 1995.

"I had just taken out an engine and a transmission from a pickup truck, and I was covered with grease from head to toe when a Plymouth Rock Crashbusters" van showed up," he recalls. "The appraiser's name was Jimmy. He had a tie on and was clean. I said to myself, 'This is what I want to do.'"

Jimmy mentioned that a Crashbusters appraiser had just left Plymouth Rock. Deboisbriand called the Boston-based insurer, "and six interviews later I was here It was a gift."

Six years later, he's still with the company, driving his computer-equipped van 100 miles a day, settling seven claims a day on the spot, plus visiting repair shops to authorize "supplements" that pay for additional damage they've uncovered. Starting from his home in Salisbury, Mass., he covers Boston's North Shore from Newbury to Lynn.

Today, Internet communications and a laptop with the latest appraisal and check-writing software help Deboisbriand provide better, faster service than ever. Except when the customer can't be reached, he's on the spot within 24 hours

of the report of a claim. Customers can call in claims 24 hours a day on a toll-free hotline.

While the technology is important, ultimately, good service depends on having skilled people like him on the road—appraisers who can use the tools effectively and be diplomatic with customers and body shops.

Deboisbriand, who was in the auto-repair business for 15 years, gets his next day's assignments each evening. He simply takes his laptop from the van, plugs it into his Internet connection at home and connects electronically to Plymouth Rock's claim office. He gets the locations of the vehicles, the customers' names, the deductibles and VINs. He electronically transfers all this information to the appraisal software on his laptop.

He also electronically sends in the files for all the claims he settled that day. This includes appraisals, a check register, digital photographs and a total loss-form if needed. The inside claims staff can view this information immediately. Before starting out each morning, he calls the customers to give them his best estimate of his time of arrival at their home or office.

After viewing the damaged car and taking photos with a digital camera, he tells the customer it will take about 10 to 15 minutes to write up the estimate and print a check. Deboisbriand invites the customer to step inside the Crashbusters van. It's equipped much like a motor home, with comfortable chairs, a desk and a printer.

He points out that his estimate is based on visible damage, but if the repair shop discovers hidden damage, it will call him directly, and he'll get it taken care of right away.

Since most people don't know how the claim process works, he spends a fair amount of time explaining how the process works. Some people are apprehensive about the way they'll be treated, so he takes time to educate them and make them comfortable. He gives the customer a claims booklet that explains procedures and includes a work-completed form.

"I give the customers a printed appraisal, a contact person in the claim office and a list of registered auto body shops. And they almost fall over when I hand them a check right there," he says. "People seem to be really happy with our service."

If the car was rear-ended and it's clear that the accident was the other driver's fault, he'll call the inside adjuster to get permission to pay the full amount instead of withholding the deductible.

"This makes it a lot easier for me, and it makes our customers feel like they're being treated the way I would want to be treated," he says.

When Deboisbriand started in 1995, the technology was fairly simple and limited.

"We carried books to look up parts and handwrote checks," he recalls. "Now, we have laptops, Mitchell appraisal software, digital cameras, check writers, and electronic communication with the claim office. This makes my job a lot easier because everything is so paperless."

Because the mobile appraisers e-mail completed appraisals and photos instead of using the mail or fax, their productivity has shot up, and they handle at least seven appraisals a day versus five a few years ago.

Additionally, instant access to information helps the company give better service. Since the inside adjusters can pull up the appraisers' reports immediately, they can answer any questions from customers and agents. Agents also can check the status of their customers' claims on a secure portion of Plymouth Rock's Web site, www.prac.com.

Good service means building good relationships with body-shop owners too. With body shops, Deboisbriand strives to "build rapport and the trust factor." He always inspects the work in person when authorizing a supplement to make sure that all the parts claimed were actually installed in the vehicle.

Once in a while, hoping to avoid the SDIP surcharge, a customer will claim that his or her car was clobbered in a hit-and-run accident.

Deboisbriand remembers one claim where he could see white dust still on the car, the result of a collision with a concrete wall. When he pointed it out, the customer dropped his tale of being hit by someone else.

Deboisbriand, 40, says he made the right career move and chose a good company to work for. "Every change that happens in this company seems to work out for the best," he says.

Four years ago, he lost his home in a fire, and the company loaned him the money until his homeowners insurer paid up two weeks later.

"This company takes care of its own—employees, customers and agents," he says.

Insurance Times: State Farm settles with policy holders for \$45 million
November 27, 2001, Vol. XX No. 24

TUCSON, Ariz. (AP) — State Farm Insurance has agreed to pay \$45 million to settle a class-action lawsuit by about

600 policy holders in Arizona.

The lawsuit claimed the company refused to “stack benefits,” or pay benefits to customers with multiple State Farm policies who submit claims for accidents involving uninsured or underinsured motorists.

Under the agreement approved by Pima County Superior Court Judge Kenneth Lee, damages totaling \$33 million are available to claimants, who will each get at least \$50,000, The Arizona Daily Star reported. Customers may receive more if eligible claimants fail to respond to a notice sent out by the company.

The \$45 million settlement includes more than \$11 million that will be used to pay attorney costs.

Between 1988 and 1995, State Farm had a standard under which customers with multiple policies could receive benefits or payments from only one policy when they filed claims.

Insurance Times: Insurers: plane crash shouldn't affect industry

November 27, 2001, Vol. XX No. 24

NEW YORK (AP)— The crash of an American Airlines plane into a residential section of New York City should have no major impact on the overall insurance industry, but will be another factor in driving up airline insurance premiums. “If it is mechanical in nature, this should be the same as any other crash in the past,” said Loretta Worters, a spokeswoman for the Insurance Information Institute.

“It will be a sizable loss but the insurance market can absorb it,” agreed Bill Yankus, managing director at Fox-Pitt Kelton, a brokerage firm which specializes in the insurance industry.

Worters said that airplanes are typically insured for \$1.5 billion which is usually enough to cover such disasters.

Airlines usually pay \$1.5 million to \$2 million to the family or loved ones of those who die in such accidents, she added. That would amount to roughly \$500 million because there were 255 people on board American Airlines Flight 587 when the Santo Domingo-bound plane crashed into the Rockaways section of Queens on Monday morning after leaving Kennedy airport.

However, Worters noted the situation could be complicated because she believes this is the first time an airline crashed into a heavily populated residential area.

Four homes were completely destroyed, four were badly damaged and dozens more effected by the crash. Six people on the ground were still missing as of early evening.

Both Worters and Yankus emphasized that their comments were based on the assumption that the crash was an accident — as investigators are currently leaning toward — and not a terrorist act.

But Yankus said it would be difficult to imagine airline insurance premiums rising much more even if it was.

Insurance Times: A.M. Best projects A&E reserve Shortfall

November 27, 2001, Vol. XX No. 24

OLDWICK, N.J. — A.M. Best Co. expects the property/casualty industry to incur upwards of \$121 billion in net asbestos and environmental losses, according to the company’s special report, Final Data Support A.M. Best’s Projection of A&E Reserve Shortfall.

This outlook is consistent with estimates A.M. Best released in Oct., 2000, and May, 2001. In May, the company increased its estimates of ultimate asbestos losses to \$65 billion, up from the 1997 estimate of \$40 billion, while leaving the \$56 billion environmental estimate unchanged, pending further analysis later this year.

A.M. Best said its proprietary data, when combined with data disclosed under the National Association of Insurance Commissioners’ Note 27 requirements, affirms its analysts’ opinion that commercial insurers remain significantly underfunded by almost 50%, with regard to reserves for ultimate, undiscounted A&E liabilities. Based on the negative outlook as well as year-end data, A.M. Best projects the industry’s unfunded asbestos position at roughly \$33 billion, with the environmental exposures underfunded by about \$24 billion.

Additional insurer asbestos liabilities are anticipated to materialize due to the convergence of a number of recent and unfavorable developments: acceleration in the number of asbestos defendant bankruptcies; spreading of asbestos-related litigation to peripheral defendants; reopening (in some cases) previously exhausted product liability limits, as policyholders seek to reclassify older claims under the non-products portion of their general liability policies; and

recent peaking of more serious asbestos-linked illnesses, resulting in higher medical costs.

Insurance Times: Farmers to drop home insurance in Texas over mold
November 27, 2001, Vol. XX No. 24

AUSTIN, Texas (AP) — Citing mold claims, Farmers Insurance Group said it won't renew almost any homeowners insurance policies in Texas next year, effectively putting it out of the market. The company, the state's second largest insurer, had already decided in August to stop selling new comprehensive home policies.

The Los Angeles-based company said the mold coverage threatens its financial stability.

The decision affects more than 600,000 homeowners insurance customers and their agents.

The state's other two largest insurers, State Farm and Allstate, have also stopped selling comprehensive policies to new customers because of the rising mold claims.

The Farmers move came as state Insurance Commissioner Jose Montemayor considered new rules that would sharply limit mold coverage for Texas homes, as insurers want.

Farmers reported that its water and mold losses increased 158 percent from August 2000 to August of this year.

Insurance Times: business rates to rise to cover Sept. 11 Airline, shipping, energy and high-profile buildings to pay more
November 27, 2001, Vol. XX No. 24

by Joe Ruff
Associated Press

Insurance companies rocked by claims from the Sept. 11 terrorist attacks are recovering, but the cost will likely be passed onto the nation's businesses in the form of increased premiums for workers' compensation and property insurance.

Hardest hit by the rise in insurance rates, analysts say, will be the airline, shipping and energy industries, as will the owners of high-profile buildings.

Consumers, however, including those with home and car insurance policies, shouldn't feel the pinch, analysts say, because companies suffered the primary loss and face the largest risk.

Workers Comp

"We are hearing reports of dramatic cost increases in workers' compensation and other property casualty lines," said Eric Oxfeld, president of the business lobbying group UWC-Strategic Services on Unemployment and Workers Compensation.

High insurance costs for businesses could lead to higher prices on some goods and services and possibly job layoffs, Oxfeld said.

The insurance industry insists that it needs government help to absorb another hit or series of hits as large as the payouts required by the Sept. 11 attacks.

Destruction of the 110-story twin towers in New York's World Trade Center and damage to the Pentagon in Washington will bring an estimated \$50 billion in payouts by U.S. companies, the largest insured loss ever.

Lloyd's

Lloyd's of London estimates its losses at \$5.36 billion, and Omaha-based Berkshire Hathaway estimates its insurance companies will pay out \$2.2 billion. American International Group of New York puts its pretax loss at \$820 million. Stock prices for Berkshire Hathaway and American International dropped after the attacks as investors feared high losses. Those stocks have rebounded since the companies have said they can manage the large payouts. Investors also

know that increases in insurance rates can bring higher profits.

"The initial reaction is 'Oh my God, these guys are going to have to pay a ton of money,'" said Anna Dopkin, portfolio manager of T. Rowe Price Financial Services Fund. "But the other side is an accelerated rise in insurance rates."

For the first time, major reinsurance companies, which assume part of the risk covered by insurers and which had not excluded terrorism in their policies, are struggling to take into account the costs of terrorism. About 70 percent of reinsurance policies are scheduled for renewal Jan. 1.

Increases in the cost of business insurance will vary considerably depending on the industry and other factors. Most companies, however, can expect premiums to double at the rate of increases projected before Sept. 11, said Mark Lane, an insurance research analyst at William Blair & Co.

"It's going to be across the board and it's going to be significant," he said.

Businesses might be able to talk down some increases in insurance costs, but prices will go up, Dopkin said.

"The companies were in the driver's seat and they're just not anymore," she said.

The federal government doesn't plan to bail out the insurance industry because of the costly Sept. 11 payouts. However, the industry wants federal help to pay for huge losses caused by any future attacks, at least in the short term, said Julie Rochman, a spokeswoman for the American Insurance Association.

The Bush administration has proposed that the government and the insurance industry split the costs of property claims from any future attacks, with taxpayers' share decreasing gradually and ending after 2004.

Some Democrats have expressed concern about that proposal, saying it risks enriching the insurance industry at the expense of taxpayers.

If the government does not help, commercial insurance may not be affordable to many businesses, Rochman said.

"The concern is not the insurance companies," Oxfeld said. "It is those businesses that need insurance and won't be able to find it."

Regardless, increases in commercial rates are expected as insurance companies try to account for the risk of future attacks, but how much will depend on individual insurance companies and the properties involved, Rochman said.

Hurricane Andrew, which hit south Florida in 1992, was the most costly event before Sept. 11, at more than \$20 billion.

But the risk of floods and earthquakes can be assessed because some areas are more prone to natural disasters, Rochman said.

Terrorist strikes are manmade and cannot be forecast, she said.

"We don't have any way to assess the risk because Los Angeles is as much at risk as Omaha," she said.

Insurance Times: ISO: INSURERS SUPPORT LOSS CONTROL DESPITE CUTS

November 27, 2001, Vol. XX No. 24

Insurers remain committed to loss-control services and enhanced performance levels, despite significant staff cutbacks in recent years, according to two surveys by Insurance Services Office, Inc.'s (ISO) Engineering and Safety Service (E&S) unit.

The surveys developed benchmarks on loss-control staffing levels and loss-control performance standards, including measures of quantity, quality, timeliness, policyholder services, and effectiveness of loss-control strategies.

Overall, professional loss-control staffing dropped 11 percent over the past five years, with large insurers reducing staff by 14 percent, according to the ISO surveys.

The decline in staffing is largely attributable to insurers' outsourcing much of their underwriting inspections, but outsourcing has also allowed insurers to provide policyholders more value-added service.

"Many insurers have re-deployed their loss-control professionals as consultants, who can now devote their expertise to helping policyholders reduce losses," said Richard P. Boehning, ISO senior vice president. "Insurers are also relying on technology to make their loss-control consultants more efficient and productive," Boehning added.

Loss-control consultants identify clients' exposures to losses and develop cost-effective solutions to manage exposures, so companies can improve safety, reduce accidents and injuries at the workplace, and strengthen their bottom line.

Portable computers loaded with software and reference materials have allowed loss-control consultants to operate in a digital environment, using everything from digital pictures of risks underwritten to e-mail correspondence with policyholders. Some companies are using voice-recognition software for further efficiencies, the surveys found.

The surveys found high educational attainment among loss-control professionals. The surveys revealed 86 percent of loss-control consultants have bachelor's degrees and 15 percent have advanced degrees. In addition, many loss-control staff members have achieved important professional designations. Thirty percent are Certified Safety Professional

(CSP) designees, one of the most-recognized professional achievements in the health and safety field.

The surveys further revealed more than one-third (36 percent) of loss-control consultants are dedicated to technical specialties with advanced training in highly specialized areas, such as occupational safety and hygiene, business security, and product safety, to handle complex accounts and train others.

The surveys reported nearly 50 percent of loss-control consultants have more than 15 years of experience. Job satisfaction appears to be high among loss-control professionals whose turnover is lower than other departments at insurance companies. Moreover, companies expect less than 10 percent of their loss-control staff to retire in the next five years.

Nearly all companies surveyed reported that they have developed specific standards for measuring the performance of their loss-control departments. Companies have also raised their standards to evaluate the quality of customer service and meet policyholder expectations.

"Insurers are constantly challenging their loss-control departments to prove they provide value and cost-effective service to policyholders," said William F. Hauswirth, senior vice president of Engineering and Safety Service. "Half the respondents in the surveys said the reduction in losses for specific accounts was the most-frequently used measure of success. More than 36 percent identified reducing the loss ratio across the company's entire book of business as the measure of success," Hauswirth added.

Insurance Times: Popular moose hunt bags workers comp cheats for Maine insurer
November 27, 2001, Vol. XX No. 24

BANGOR, Maine (AP) — Maine's popular moose hunt is bagging more than moose.

Since 1994, the state's largest workers compensation insurer has used the list of moose lottery winners as a tool for catching people who defraud the system that provides benefits to victims of on-the-job injuries.

Maine Employers Mutual Insurance Co. compares its list of claimants with the names of moose permit holders on the Web site of the Department of Inland Fisheries and Wildlife. The company then sends out detectives to catch — sometimes on videotape — healthy hunters who claim to be disabled.

In the past five years, MEMIC has used the moose permit list to catch about 15 to 20 false claimants, with a high of seven in 1999, said John Marr, the company's vice president of claims.

MEMIC, a Portland-based insurer of 19,000 employers and their estimated 200,000 workers, is believed to be the first company to use moose lists to catch workers comp cheats, a practice that has spread to other states where there are moose hunts, Marr said.

The company's moose hunt investigation in Maine was the focus of a panel discussion at the ninth annual Business Insurance Workers Compensation and Disability Management Conference held last month in Coronado, Calif.

During the panel discussion that looked at how public information could be used, MEMIC President John Leonard said seven of the claimants caught in 1999 were captured on videotape, four of them dragging away moose.

Marr said the company does not do a data analysis of deer hunters, because the list of license holders is too long — as high as 180,000 some years — and it would be too cumbersome. In this year's Maine moose, just 3,000 hunters were awarded permits.

Marr allowed that MEMIC may expand its efforts to include the list of spring turkey hunt lottery winners, also published on the Department of Inland Fisheries and Wildlife Web site.

"This has nothing to do with hunting," Marr said. "It has nothing to do with any outdoor activity. It has everything to do with people who are stating that they are too incapacitated to do any type of laborious work."

Marr said the company's sleuths are looking for healthy claimants who are hauling 700- to 800-pound moose out of the woods.

But if claimants are simply riding in trucks and watching their designated hunting partner do the work, then they won't be bothered by MEMIC.

Insurance Times: No coverage under HO policy for gay partner
November 27, 2001, Vol. XX No. 24

BOSTON — Plaintiffs can't recover damages from a gay man's estate by way of his domestic partner's homeowners

insurance policies, according to a recent Massachusetts Superior Court ruling.

Judge Thomas Curley's decision in the case – Debra Conner et. All vs. Atlantic Mutual Insurance Company et. all -- follows a separate district court judgement on the plaintiffs' side against the dead man's estate, stemming from work they did at the home the gay couple shared in Egremont, Mass.

The plaintiffs wanted a declaration that the dead man was an insured under his domestic partner's homeowners insurance policies through Atlantic Mutual and Centennial.

The plaintiffs argued that the dead man -- who died of complications from HIV/AIDS – was his domestic partner's adopted son and therefore was an insured under the policies and those policies were liable as a result.

Curley disagreed because no documents could prove an official adoption and the fact that the deceased partner was 26 when the couple first met.

Both insurance companies termed a household insured as a ward of the homeowner under age 21, or a direct relative.

Insurance Times: Main Street America companies earn 'A'

November 27, 2001, Vol. XX No. 24

KEENE, N.H. — National Grange Mutual Insurance Co. and Old Dominion Insurance Co., members of the Main Street America Group, have received a new rating of "A" (Excellent) from A.M. Best Co., announced Tom Van Berkel, president and chief executive officer-elect.

The new rating is an upgrade from a previous "A-" rating.

Insurance Times: NEW TOOL GIVES AGENTS CONTROL OVER PERSONAL LINES WORKSITE SALES

November 27, 2001, Vol. XX No. 24

CONWAY, N.H. – A new personal lines worksite marketing program promises to give independent agents total control and involvement in the enrollment, marketing and servicing of their clients—and their regular rather than reduced commissions.

This new insurance worksite marketing technology -- Worksite Marketing Manager-- from developer Agency Revenue Tools is based on an electronic billing system that consolidates multi-carrier, multi-product billing into one payroll deduction report. Agents receive full standard commissions and control the process. The employer, meanwhile, has the administrative simplicity of a single program, while being able to offer employees a diverse menu of voluntary employee benefits.

According to insurance agent Asa Pike, chief executive officer of Agency Revenue Tools, the technology is a departure from other worksite marketing technology where most single-company worksite marketing is conducted on a mass-marketing basis. The agent mainly plays the role of a "finder" of an employer willing to participate, and the agent usually receives a commission of three to five percent of the property/casualty business. Employee enrollment, marketing and policy service are usually the responsibility of the insurance company in a mass-marketing environment. But Worksite Marketing Manager allows agents to work with their standard commissions and have total control over the entire program, Pike said. "Agents will be in a position to determine what group size spectrum would be most profitable to their agency. While groups of 25 employees or even less can work well for an agency, Worksite Marketing Manager can handle any size group without limitation. And once enrolled as a client, employees are more likely to remain loyal, as their billing system now travels through the employer and the agency, as opposed to the company," Pike said.

The program accommodates any size group or company and handles all types of payroll schedules. Commission and producer business reporting is fully functional and flexible.

"Independent agents have a great opportunity to increase personal lines sales and retention." Pike said. "Worksite marketing of car, home and other personal insurance products is a well-kept secret. But no longer does worksite business have to be written the same old way, without agent control. Technology makes it possible for agents to efficiently offer a choice of carriers and products in this lucrative 'commercial personal lines' marketplace," Pike said. The package includes access to other resources including sales ideas, frequently asked questions, business forms, and current worksite marketing events. Customizable worksite marketing materials are also available. Visit

Insurance Times: ACADIA, MAZONSON, SUBCONTRACTORS OF MASS. IN GROUP INSURANCE AGREEMENT

November 27, 2001, Vol. XX No. 24

A regional insurer, agency and subcontractors association have formed a venture to give Massachusetts subcontractors a new group insurance program.

The Associated Subcontractors of Massachusetts – which claims members employing more than 20,000—has signed a deal with Mazonson Inc. of Peabody, Mass. and Acadia Insurance Co. to offer its members a customized group program providing all lines of insurance including workers compensation.

Mazonson surveyed the ASM membership on its needs and presented the group data to several insurers. Acadia responded with a multi-faceted program with competitive rates. Although the coverage will be available through any Acadia agent, Mazonson will serve as the sponsoring agent to handle enrollment. Mazonson's Construction Group specializes in risk management programs for the construction trades.

ASM members work in various specialty trades from steel erection and masonry to drywall and painting, and in related services industries including accounting and insurance. Visit www.mazonson.com for more information.

Insurance Times: MassMutual's e-Worksite Solutions eases Online disability Administration

November 27, 2001, Vol. XX No. 24

Springfield, MASS. — Massachusetts Mutual Life Insurance Co. (MassMutual) has launched e-Worksite Solutions, the company's first Internet-based interactive worksite marketing tool that allows human resources professionals and employee benefits administrators to provide streamlined electronic application and administration solutions for employee supplemental disability income insurance needs. e-Worksite Solutions ultimately streamlines tracking of supplemental disability income insurance sales for agents and brokers.

Designed to extend the reach of MassMutual's supplemental disability income insurance to a broader geographic client and income base, the self-service e-Worksite Solutions' tools will enable producers to reach a wider audience within an organization. MassMutual has established a comprehensive sales and marketing program that includes lead generation, electronic application capabilities, on-line application tools, and advanced billing options. The program is currently available through MassMutual's producer network, whose clients include small and mid-sized companies. Producers who are early adopters of the e-Worksite Solutions model are eligible for a 10% bonus on first-year commission.

MassMutual has designed two "test-drive" websites at www.halfpaycheck.com for employers and www.halfmyincome.com for employees.

Insurance Times: Colonial to reinsure portion of cancer policies

November 27, 2001, Vol. XX No. 24

COLUMBIA, S.C. — Colonial Life & Accident Insurance Co. has signed an agreement under which Central United Life Insurance Co. will reinsure its Cancer Advantage block of business.

Under the terms of the agreement, Central United Life, an affiliate of the Manhattan Insurance Group, will reinsure on a 100 percent indemnity coinsurance basis the Cancer Advantage product line of Colonial. The transaction has an effective date of November 1, 2001, and Colonial will continue to serve the policyholders until January 4, 2002, when Central United expects to assume administrative responsibilities.

The Cancer Advantage product line involves approximately \$28 million in premium income, which represents 22 percent of Colonial's total cancer business. It includes approximately 56,000 policies in 7,000 accounts. The product was first sold in the early 1990s and has not been marketed in more than five years.

Colonial's sales for all cancer products were up 10 percent in third quarter of 2001 compared to a year ago. The company's special risk product category includes Cancer Security, Cancer Response, Cancer Response Plus and Critical Illness, Intensive Care and Initial Diagnosis (of cancer). Not all products are available in every state.

Insurance Times: Hancock adds features to Revolution annuities
November 27, 2001, Vol. XX No. 24

BOSTON — Building on the design of its Revolution variable annuities--the first in the industry to offer protection against long-term care--John Hancock has added an option to help clients preserve assets and offset taxes beneficiaries may owe.

The new optional death benefit enables clients who die before they begin receiving annuity payments to pass more money to their heirs by capitalizing on investment gains in their underlying portfolios. The option can increase annuity assets at the time of death-leaving beneficiaries more money to pay taxes or funeral costs.

"Investors experienced remarkable investment gains throughout the 1990s, and historical trends show that bull markets happen more frequently and last longer than bear markets," says Bruce Jones, vice president, annuity product management. "Our new Beneficiary Tax Relief feature will enable clients to maximize annuity assets left to their heirs by taking advantage of potential stock market gains."

Hancock's tax relief benefit is based on growth of the contract value. This includes all contract gains above annuity deposits, such as additional monies from death benefit and rider payouts that enhance the annuity value. The amount of the tax relief benefit, which is added to the annuity's account value, is determined by the clients' age when they purchased the annuity. For individuals age 69 or younger, the option will pay 40 percent of contract earnings. For clients age 70-75, the benefit amount will be 25 percent of gains in the annuity contract. The cost of the option is 0.25 percent of the contract value annually. In addition to the tax relief rider, Revolution variable annuities now offer a new feature that allows a spouse, upon the annuity owner's death, to continue the annuity in their name, so it continues to grow tax deferred.

Insurance Times: VA offers life policy to service members' families
November 27, 2001, Vol. XX No. 24

WASHINGTON — The families of most American active- duty service members and reservists have gained new life insurance coverage under a Department of Veterans Affairs (VA) program. "This is a major new benefit for today's service members," said Secretary of Veterans Affairs Anthony J. Principi. "It recognizes the changing financial needs of our military families and provides them with a new measure of security."

The government has offered a variety of life insurance programs to military members since World War I, and nearly all of today's new recruits accept policy coverage through pay deductions. The change widens the program to cover the life of their spouse and the lives of any dependent children.

The change was provided under the Veterans' Survivor Benefits Improvement Act signed earlier this year. That law expanded the popular Service members' Group Life Insurance (SGLI) program to generally allow spousal coverage up to \$100,000 plus \$10,000 per child. Coverage was automatic at the highest levels when the law went into effect Nov. 1 unless the service member declines the insurance or requests a lower coverage level. The spouse's insurance level cannot exceed the service member's policy.

While military members pay premium costs of 80 cents a month per \$10,000 of coverage for their life insurance, the new coverage for children is free, and the spousal premium for each \$10,000 of coverage will range from 90 cents for spouses below age 35 to \$5.50 per month for those over age 54.

Insurance Times: Bankrupt Firms Turn To Gutting Retiree Benefits
November 27, 2001, Vol. XX No. 24

Several Big-Name Firms Have Raised Doubts About Retiree Insurance, Severance and Pensions

by Adam Geller
Associated Press

NEW YORK — Early retirement, the way Howard Worzel and Nancy Lovely pictured it, would be sweet — severance checks would ease the move to Arizona and health insurance would ease their worries, particularly given Lovely's treatment for breast cancer, once they got there.

The benefits were picture perfect — for 10 weeks.

That's when employer Polaroid Corp. headed into bankruptcy court, taking the Massachusetts couple's retirement benefits along in its financial baggage.

“One of the reasons it hurts so much for former employees is that it feels like the family is deserting you,” said Worzel, a 56-year-old engineer who retired in July after working 34 years for the Cambridge, Mass.-based company.

Thousands of retired workers have been similarly shaken over the past year as a record number of publicly traded companies have filed for bankruptcy protection. Several big-name firms have suspended or raised doubts about retiree insurance, severance, and parts of pension checks.

Through mid-November, 219 publicly traded companies had filed for bankruptcy protection, far surpassing the 176 that filed during all of 2000, the previous record year, according to Bankruptcydata.com, a Boston research firm.

Many of those were younger technology and telecommunications companies with few retirees and without traditional pension and benefit programs. But the filers also include mainstays of American manufacturing with thousands of retirees relying on what had been generous corporate benefits:

- Polaroid, which filed for bankruptcy protection in October, immediately cut off health insurance to its 6,000 retirees, about half still too young to qualify for Medicare. It also froze payment of severance checks to hundreds of workers recently offered early retirement.

“Who do we turn to?” said Peter Bass, president of the Polaroid Retirees Association. “People were calling for help and I said, hey, what can I do? I'm not a magician. I can't pull a rabbit out of a hat.”

The association, whose activities used to be limited to two social luncheons a year, recently rented out a Shriners auditorium in Wilmington, Mass. and staffed it with representatives of numerous insurance companies to field inquiries. About 2,000 anxious retirees showed up.

- Outboard Marine Corp., maker of Evinrude and Johnson boat motors which filed for bankruptcy protection just before Christmas last year, cut off health insurance to thousands of retirees in February.

Those former workers have now been told that elimination of “supplemental pay” — which bolstered pension checks for younger retirees not yet eligible for Social Security — is imminent. The amount they'll lose varies from \$375 to \$750 a month, more than 40 percent of some retirees' monthly checks, according to United Steelworkers officials.

“It's just one lame story after another and here we sit, in limbo,” said Christine Radun of Milwaukee, whose husband, Bill, retired from Outboard's city plant in 1998.

Bill Radun, 54, recently took a job working in a drug store so he and his wife will once again have subsidized health insurance. But the \$6.85-an-hour job could prove even more crucial if his supplemental pay is eliminated, since that could cut \$550 from his \$1,300 monthly pension check.

- Bethlehem Steel's bankruptcy filing last month initially raised fears about the future of its health insurance and pension benefits. While retirees has been reassured about pensions, the company has moved to sharply raise insurance costs for 130,000 people, including retirees, active employees and their families. For retirees who were salaried workers, the change will nearly triple their out-of-pocket costs compared to two years ago.

“Some will return to the work force to the extent that they can and some will draw down on savings,” said Bruce Davis, a Bethlehem retiree and attorney for the Retired Employees Benefit Coalition, which represents the interests of Bethlehem's former white-collar workers.

In each of those cases, the benefits in jeopardy fall outside the safety net provided by the federal Pension Benefit Guaranty Corp., which insures core pension benefits but not health coverage, severance or supplemental benefits.

Bankruptcy laws give workers and retirees limited protection.

The law “puts them (employees and retirees) at the table to bargain but that doesn't mean they don't have ... to share in the pain,” said Glenn Siegel, a New York attorney who leads an American Bankruptcy Institute committee focused on filings by public companies. “There are very limited priorities for employees in bankruptcy.”

The limitations are obvious to many retirees trying to figure out why their interests in bankruptcy are secondary to those of banks and other secured creditors.

“We're the last ones in line and we might not even be in the line,” Christine Radun said.

A number of the recent bankruptcy filings involve labor-intensive companies with thousands of well-paid workers and retirees on their rolls.

Through mid-November, 35 companies with more than \$1 billion in liabilities each — the biggest companies, with the largest payrolls — had filed for bankruptcy protection. During the last economic downturn, from 1989-91, there was a combined total of 26 such \$1 billion-plus bankruptcies.

The PBGC provides some protection by ensuring pension plans. It draws on premiums paid by employers, and income from those funds, to ensure continued payment to workers up to \$40,704 per year. The PBGC has taken over Outboard Marine's pension plan, as well as those of other recent bankruptcy filers including Bradlees, the discount retailer.

But the void that envelops other benefits leaves people like Worzel gravely uncertain.

He and his wife, who worked 28 years for Polaroid, don't expect to ever get the additional six months salary in severance each was promised. Their insurance costs, about \$36 a month just a few months ago, have zoomed to \$253 under the federal law known as COBRA that allows workers to continue in employers' health plan by paying 102 percent of premium costs.

But that coverage is built around membership in a Boston-area HMO, that will be of no use once the couple moves to a retirement home in Arizona. Worzel, shopping for independent health insurance, fears that with his wife's cancer treatment, the premiums could run to more than \$1,500 a month.

That leaves him hoping Polaroid can solve its problems, and those of retirees. But he's not optimistic.

"I still care about this company and I still pray that the leadership of this company will be able to get out of this situation," he said. "Do I think they'll be able to? No, I don't think so."

Insurance Times: GROUPS CLAIM CREDIT INSURERS OVERCHARGE

November 27, 2001, Vol. XX No. 24

WASHINGTON — People who bought credit insurance when they took out loans, bought cars or got credit cards were overcharged by \$2.5 billion last year, largely because state regulators failed to enforce laws on rates, two consumer groups assert.

Inaction by insurance regulators in California and Ohio has caused consumers in those states to overpay some \$340 million a year, the Consumer Federation of America and the Center for Economic Justice said in a report released Thursday.

Many state insurance regulators "have failed to take the most basic steps to protect credit insurance consumers — simply enforcing existing laws and regulations," said Birny Birnbaum, executive director of the center, an Austin, Texas-based group that advocates for low-income consumers.

"Credit insurance can be a valuable product to some consumers if it is priced right and sold fairly. Unfortunately, it is seldom priced fairly," Birnbaum said.

Except for the elderly or those in poor health, most people do not need credit insurance because their life insurance policies could be used to cover the same needs, said Birnbaum and Robert Hunter, the federation's director of insurance. Credit life insurance pays a lender, such as a bank or finance company, car dealer, department store or credit card company, if a borrower dies.

People pay some \$6 billion in premiums for credit insurance each year, the consumer groups said.

The groups wrote all the state insurance commissioners asking them "to do a better job of protecting credit insurance consumers" by enforcing state standards for loss ratios. That is the ratio between the total amount paid out in benefits and the amount the consumer paid for the insurance.

Insurance Times: LIMRA: Los Angeles leads the ranks as new individual life sales rise

November 27, 2001, Vol. XX No. 24

WINDSOR, Conn. — For the first time since LIMRA International began estimating premium sales, Los Angeles surpassed New York and Chicago to become the leading metropolitan area in terms of new individual life insurance premiums. Chicago and New York rank number one and two in the number of policies sold, while Los Angeles ranks third.

The findings were extracted from the current issue of LIMRA's U.S. MarketMap, a geographic database that combines data from multiple sources to report individual life insurance sales activity nationwide by state and county for the year 2000.

"Boomers are buying more insurance," said Karen Terry, senior analyst with LIMRA International. "More individual life policies were sold to persons over the age of 45 in 2000 than in 1999. People in the 45-54 and 55+ age groups are the only ones that bought more policies in 2000 than in 1996 when LIMRA first started estimating sales by age. New premiums for these age groups totaled almost \$6 billion."

New individual life premiums increased in 2000 among all age groups with the exception of juvenile life premiums, which have been declining since LIMRA first started estimating sales by age.

Visit www.limra.org

Top 10 metropolitan areas
by premium (millions):

Los Angeles, CA	\$569.6
New York, NY	478.7
Chicago, IL	453.9
Philadelphia, PA-NJ	257.8
Houston, TX	251.8
Boston, MA	250.6
Washington DC	
-MD-VA	228.0
Atlanta, GA	210.7
Dallas, TX	203.7
Detroit, MI.	170.5

Top 10 metropolitan areas
by policies (thousands):

Chicago, IL	324.1
New York, NY	295.5
Los Angeles, CA	264.1
Atlanta, GA	208.4
Philadelphia, PA-NJ	198.2
Washington DC	
-MD-VA	184.0
Houston, TX	165.8
Detroit, MI	157.2
Boston, MA	156.9
Dallas, TX	121.7

Insurance Times: In Conn., bill proposed for state workers in military
November 27, 2001, Vol. XX No. 24

HARTFORD (AP)— A Colchester state lawmaker is proposing that the special legislative session this month take up a bill on the military and state workers.

State Rep. Linda Orange, D-Colchester, is calling on legislative leaders to consider a bill that would preserve salary and other benefits of state employees called to active military duty. The proposal is similar to one enacted in 1991 during Desert Storm.

"It makes absolutely no sense to penalize the men and women who so bravely serve our country," Orange said. "This is something we must do in order to provide some security for our soldiers and their families."

The bill would affect state employees who are active duty National Guard members or other military reserves involved in the current Operation Enduring Freedom.

It calls for the continuation of health insurance coverage for dependents, and paid leave for 30 days, followed by partial pay for the duration of service if the military compensation is less than the employee's base rate of pay with the state.

Lawmakers returned to Hartford Nov. 13 to take up the state's growing state budget deficit.

Insurance Times: NY web site compares state's HMOs

November 27, 2001, Vol. XX No. 24

ALBANY, N.Y. — A comparison of health maintenance organizations and a way to file complaints about all insurance companies is now a click away for New York consumers on the Internet.

The Insurance Department Web site (www.nyshmoguide.org) provides comparative information on HMOs.

“This Web site is an essential tool for consumers because it highlights information about New York's health insurers in a standard and easy-to-understand format,” said state Insurance Superintendent Gregory Serio.

He said many employers conduct “open enrollment” in the fall in which employees may switch HMOs for 2002.

“They're on the right track,” said Arthur Levin of the Center for Medical Consumers based in New York City. “This is probably as good as anything that's around.”

The service may not, however, serve most consumers, he said. Most workers, especially those in smaller companies, have no choice in HMOs. He noted, though, that employers may be able to use the guide to pick HMOs that better serve employees' preferences.

Complaints against all insurance companies, agents and brokers can be made through the department's other new service. It can be accessed on the department's Internet home page www.ins.state.ny.us).

Insurance Times: Pfizer, SNET, Mohegan Sun add domestic benefits

November 27, 2001, Vol. XX No. 24

Pfizer Inc. of New London, Conn. will offer domestic-partner benefits next year to accommodate workers' needs and attract prospective employees.

“We want to be competitive in the current job market,” company spokeswoman Liz Power said. “You have to be as attractive as you can to as wide a range of applicants as possible and this speaks to the need to be flexible, no matter how big you are.”

The benefit, which will be available to qualified employees among the drug manufacturer's 6,000 workers at Groton and New London, will be available Jan. 1.

Company officials responded to requests from employees to match the domestic partner benefit offered by the former Warner-Lambert Co. pharmaceutical firm that Pfizer acquired last year.

Health coverage will be available to a partner who is older than 18 and not covered under another plan sponsored by Pfizer. The two partners may not be related by blood or adoption, and the partner who is covered by the benefit may not be in another relationship.

Southern New England Telecommunications Corp. is among the other larger companies in Connecticut to offer the benefit. The benefit will be available beginning Jan. 1. Parent company SBC decided to offer it because of employee need and demand, spokesman Seth Bloom said.

Mohegan Sun initiated the benefit in May. “We did this as part of our overall strategy to become the best employer possible,” spokesman Mitchell Etes said.

The policy also will make it easier to fully staff Mohegan Sun's \$1 billion Project Sunburst expansion, he said. About 200 employees, or 2 percent of the work force, have signed up for the benefit, he said.

Insurance Times: Insurance Brokers Back In Favor With Harvard Pilgrim

November 27, 2001, Vol. XX No. 24

More Than 90 % of New Business Is Now Coming From The Brokerage Channel

Mark Hollmer
InsuranceTimes

BOSTON — After years out of the picture, insurance brokers are now in demand at Harvard Pilgrim HealthCare Inc. In the year since emerging from receivership, the Massachusetts-based health maintenance organization has been working hard to recruit brokers to carry their products and has already made significant strides, said Vincent Capozzi, Harvard Pilgrim's senior vice president of marketing and sales.

"We do have some relationships now, (especially) since we have really started to engage the broker community over the last three or four months," Capozzi said.

"Over 90 percent of our new business is coming from the brokerage channel," Capozzi said, versus less than 15 percent when Harvard Pilgrim first started reaching out to brokers a year ago.

For years, Capozzi said, Harvard Pilgrim either sold its products directly to employers or worked with consultants hired by the employers themselves.

Many states' HMOs have used brokers to sell health insurance for years, Capozzi said, but Massachusetts health insurers historically hadn't used brokers to sell health insurance until about 10 years ago.

The market had started changing from the late 1980s through the mid 1990s as customers began to look for "solutions" to higher rates facing them, Capozzi said.

Massachusetts HMOs like Blue Cross Blue Shield and Tufts themselves began working with brokers, but Harvard Pilgrim resisted the trend.

At that time, he said, Harvard Pilgrim was growing its business on its own and decided brokers weren't the right distribution channel even though "the marketplace was telling them they should work for brokers."

Harvard Pilgrim CEO Charles Baker announced a plan to change course about a year ago, Capozzi said, adding that he "recognized that our distribution channel was limited.

"Our major competitors were using brokers and we were not. So he made a commitment to the broker community to change that."

Capozzi, meanwhile, who worked for Harvard Pilgrim years ago, returned to the company from ConnectiCare, where he had helped build that HMO's broker relationships.

He's focused since then, he said, on doing the same thing at Harvard Pilgrim.

Right now, Capozzi said, Harvard Pilgrim has more than 800 brokers on its books. Many have quoted products but most haven't sold anything yet, he said.

But Capozzi added that the company is "just getting started" in "jumpstarting this distribution channel."

Harvard Pilgrim has worked to build broker ties by:

- Revising its compensation program in the last few months, updating a version established a year ago when it began to reach out to brokers.
- Setting up two advisory councils, one for smaller group businesses with less than 50 employees and another for larger companies over the 50-employee minimum.
- Educational classes for brokers on site at Harvard Pilgrim.
- Joint cooperative marketing with individual brokers to enhance business opportunities for both.
- Adding staff to create a broker service center in Harvard Pilgrim's sales department.
- Holding a series of breakfast meetings to tell brokers about the company's initiatives.

"We would like everyone to know that this is very important to us, Capozzi said.

"... Overall this is going to be a terrific program for us and it's going to bode very well for us in our attempt to grow the company in 2002" and beyond.

Insurance Times: MEDICAID TO COVER LIVER TRANSPLANT FOR MASS. HIV PATIENT
November 27, 2001, Vol. XX No. 24

by Justin Pope
Associated Press

BOSTON — A state board has ruled that an HIV positive man with end-stage liver disease should be covered by Medicaid for a potentially life-saving liver transplant.

The Division of Medical Assistance Board of Appeals said the procedure was "medically necessary" and not

experimental. Some scientists believe that HIV reduces the chance of survival for transplant patients.

"Certainly, for all Medicaid recipients, HIV status alone can no longer be a basis to refuse liver transplantation," said attorney Bennett Klein of Gays and Lesbian Advocates and Defenders. "This decision really breaks new ground."

The ruling would only directly affect Massachusetts Medicaid recipients in similar circumstances. But, Klein said, the ruling could help make the case in other states and with private insurance companies.

HIV drugs have kept the patient from developing AIDS, but he also has hepatitis C and is expected to die of liver failure within months. The man wasn't identified, but is 41 years old and lives in Boston.

The ruling granted his request for a referral to the University of Pittsburgh transplant program. It also ordered Neighborhood Health Plan, a private company that provides health care to Medicaid recipients through a state contract, to pay for the procedure.

The man still could be denied a transplant for medical reasons.

The state Division of Medical Assistance insisted the decision would not apply to all cases.

"It's not a blanket approval that all people with HIV would be automatic candidates for a transplant," spokesman Richard McGreal said. "Just because this person fits the medical necessity definition, and is approved for a liver transplant, the next person who comes along may be totally different."

NHP was involved in a similar dispute last summer when a woman who also had HIV and hepatitis and needed a liver transplant sued to force it to change its policies.

A different state panel ruled against Belynda Dunn, but she withdrew her lawsuit after receiving \$100,000 in donations from the HMO and private givers to pay for the procedure.

In the latest case, the board queried experts in the field on the efficacy of liver transplants for patients with HIV and concluded that recent advances in AIDS treatment indicated "the treatment will be effective in light of his specific clinical picture."

Insurance Times: JUST A SECOND AND THE MACHINE WILL DISPENSE YOUR PRESCRIPTION DRUGS

November 27, 2001, Vol. XX No. 24

WASHINGTON— It looks like a giant ATM machine, but instead of cash the contraption at a Minneapolis pediatricians' office spits out prescription drugs.

No more treks to the drugstore for a 45-minute wait with a sick child: Just insert the prescription and a credit card, and out pops the medicine.

InstyMeds is the first automated prescription drug dispenser to hit a doctor's office, the latest in a trend toward computerizing prescriptions to cut not just drugstore lines but dangerous errors.

So far, InstyMeds is a pilot project. But Minnesota's pharmacy regulators just approved its use anywhere in the state, and the inventor hopes eventually to place the dispensers in doctors' offices and emergency rooms around the country.

The question is how best to use this technology - as convenient one-stop-doctoring for the insured middle-class, or to cut the workload of pill-counting pharmacists so they have time to teach patients safe medication use.

Dr. Ken Rosenblum, a former emergency room physician, had the idea while hunting in a late-night pharmacy for antibiotics for his 5-year-old's ear infection.

"I thought, 'This is crazy. ... Why do we get our health care at two places?'" Rosenblum said. "If you went to a restaurant and the waitress gave you an order slip and said, 'Now drive 2 miles away and wait an hour for your food,' we wouldn't do it."

Americans have doubled prescription drug use since 1989, yet the number of pharmacists remains about the same. Drugstores report about 12,000 unfilled pharmacist positions. That means fewer late-night, holiday or 24-hour pharmacies - even some emergency rooms have closed outpatient pharmacies - and longer lines.

Worse, prescription errors are blamed for 7,000 deaths a year. Among the causes are illegible prescriptions and slipups by overworked pharmacists.

To help, many hospitals now use bar-coded drug stocks for inpatients to ensure they get the right drug. And about 4 percent of doctors use Palm Pilot-like electronic prescription pads, eliminating the handwriting problem and allowing a quick records check to ensure that a new prescription won't interact dangerously with a patient's current drugs.

InstyMeds combines those computerized safety systems to let patients buy their prescriptions at the touch of a few buttons.

First to use it: a South Lake Pediatrics branch in suburban Minneapolis. Dr. Keenan Richardson and five colleagues

write e-prescriptions. They type in the child's weight and the pad automatically calculates the right dosage, eliminating another opportunity for an error.

Parents get a prescription printout with a security code to type into InstyMeds. The computer verifies the prescription and checks insurance records. A credit card is swiped for the co-pay.

Inside the machine, a bar-code reader picks a bottle with the right dose and amount of medicine, slaps on the instruction label, and out it pops.

Within 12 weeks, InstyMeds was dispensing half of all prescriptions at Richardson's clinic. "People who use it once ... consistently want to do it again," says Richardson, who had been skeptical that it would work.

A few other companies, including e-prescribing pioneer AllScripts, are pursuing doctor-based drug dispensers, but none are as fully automated, says Bruce Scott, past president of the American Society of Health System Pharmacists.

It's not perfect. The poor and ER patients may not have credit cards. And while InstyMeds can store up to 80 different medications, stock customized to each office's prescribing habits, it can't carry everything.

Plus, pharmacists have special expertise in counseling patients on safe drug use - and drugstores can track prescriptions from different doctors to block dangerous medical interactions, adds Matthew Grissinger of the watchdog Institute for Safe Medication Practices.

Minnesota's pharmacy board praised the bar-code system as a way to ensure patients get the right drug.

Armed with board approval, Rosenblum's Mendota Healthcare Inc. is negotiating to place InstyMeds in additional doctors' offices, emergency rooms. and drugstores.

Insurance Times: SMALL GROUP DENTAL PLANS PROVE USEFUL...AND ARE USED

November 27, 2001, Vol. XX No. 24

Employees Rank Dental Coverage Right After Medical Insurance and Employers See It As a Cost-Effective Benefit

by Mark Hollmer

InsuranceTimes

In tight economic times, good teeth are a cost-effective way to keep employees smiling, insurers say. But the quest for dynamite dentals also seems to offer a solid growth area for insurers themselves.

Case in point: Ameritas Life Insurance Co. and CNA recently announced expansion of a pilot program to allow CNA Group Benefits sales offices to market Ameritas Group Dental and eye care products across the country.

Locally, companies like Delta Dental of Rhode Island and its Massachusetts Altus Dental subsidiary are also making headway in expanding their small group dental business.

Mary Sommer, director of corporate communications for Delta Dental of Rhode Island, says small group dental offers appeal as an employee benefit because it's very cost-effective.

"You're not going to see a lot of fluctuations," she said. "The services themselves tend not to be as expensive."

What's more, she said, "good preventive care saves a lot of lost time from work.

"A small dental problem, if left untreated, can become a much bigger more costly, more painful problem to the employee."

Katheryn Shanley, vice president of Altus Dental Insurance, said employees rank dental coverage right after medical insurance.

"One of the difference with dental is you hope you never use medical insurance but on dental you want to use it and expect to use it," she said.

"The vast majority of people will use dental benefits over the course of the year ... If you take care of your teeth (with your own personal brushing and flossing and you visit the dentist regularly you can be far more assured of having all your teeth when you reach 65.

"As a benefit it is ... highly valued ... among both employers and employees."

Karen Gustin, vice president of group marketing and training for Nebraska-based Ameritas Group Dental, offered similar sentiments.

"You can kind of think of dental as the comfort food of benefits," Gustin said.

"It's something ... the employer can offer employees to keep them feeling good in times of slow economies."

What's more, Shanley said, dental plans tend to have annual maximums per person, often \$1,000 per year. Unlike medical, the maximums give dental insurers ways to estimate costs and minimize price increases, she said.

Small group plans can vary in size and type.

Ameritas Group Dental, for example, targets its small group dental plans nationally towards companies with 10 employees or more, said Karen Gustin, Ameritas Group Dental's vice president of group marketing and training.

Other states, she said, allow Multiple Employee Trust product choices or tailored group insurance for multiple groups of employers with small staffs. Those combined numbers can range from 3 to 50 people, she said.

Employers usually pay a large part of the employee and dependent premium on both types of small group dental plans. Because of this, the more employees who enroll the better, she said.

"There's a lot of risk with dental insurance and if you don't get all (potential group members) to sign up so they offset and pay each other's costs you're going to have huge rate increases each year," she said.

In other words, she said, the larger the small-group size the better because the cost drops when there are more members. And the larger the membership employers tend to contribute more.

Group plan costs vary across the country, Gustin said, depending on cost of living, plan design, employer contribution and even demographics.

"Your white collar risks are worse than blue collar risks," she said. "Dental is very elective in nature. You know what you're going to have done to your mouth. White collar (insureds) will have more disposable income and they won't think twice about having dental work done..."

States like Alaska and New York offer among the most expensive rate environments, Gustin said. Massachusetts is more expensive in the urban east than the more rural western part of the state.

Regionally, Delta Dental Rhode Island insures 500,000 members, of which between 10-15 percent represents small group plans.

Sommer said the company offers "totally flexible product design" with its small group dental options.

Employers can choose to focus on a simple preventative dental care plan "all the way up to more comprehensive coverage, major restorative, crowns and bridges (with orthodontic coverage excluded), Sommer said.

The company offers small group products for as few as 1-5 people as long as you're a member of the Rhode Island Chamber of Commerce. Outside of that, Sommer said, Rhode Island small groups start with five employees.

Small business group premiums can range from \$15-\$25 per month for an individual plan or \$45-\$75 per month for a family plan, depending on the coverage product, she said.

Altus Dental is new to the Massachusetts market and has only been marketing since September, Shanley said.

But the company's product line is similar to Delta Rhode Island, with small group coverage beginning with a minimum of 5 employees.

Altus hopes to improve those numbers soon, Shanley said, and perhaps offer coverage for even smaller companies.

Typically, she said, Altus, like Delta Rhode Island, offers plans that are tailored to an employers' budget.

"So lets say a company (has) never offered a dental plan. We might work with them and develop a plan that covers preventive services (like) cleaning, X-rays and exams, and then maybe 80 percent for filings and more expensive procedures.

"We can tailor it to meet an employer's budget, whatever that is."

Altus individual small group coverage ranges from \$18-\$28 per month, she said, and about three times that for families.

Insurance Times: DONATING VACATION BENEFITS GAINS NEW APPEAL FOLLOWING SEPT. 11
November 27, 2001, Vol. XX No. 24

by Adam Geller
Associated Press

NEW YORK — Toni Schiavo was mulling a trip to Las Vegas to see her parents. Suzi Moczygamba planned to use her time off for an extended Thanksgiving visit with her daughter in Boston.

Instead, both women will be back at their desks in coming weeks and donate their accrued vacation time, reflecting new efforts to direct money to charities aiding victims of the Sept. 11 terrorist attacks.

The pair's employer, Health Net Inc., is one of a growing number of firms that have launched vacation-donation programs in recent weeks in what some say is a direct response to requests from charity-minded, but cash-strapped, workers.

Cash-Equivalent Donations

The arrangements — a new twist on “leave-sharing” programs allowing employees to donate time to colleagues burdened by illness or tragedy — allow workers to forgo vacation days and have their employers donate the cash-equivalent to charities.

“Everybody was just so profoundly affected by this (the attacks), that I felt the need to do something important and significant,” said Schiavo, a privacy specialist for the Woodland Hills, Calif.-based company who is donating a week of vacation time. “But I don’t have enough cash set aside to do something like that.”

Such donations could get a boost from a decision issued last week by the U.S. Treasury Department and the Internal Revenue Service not to count such donated vacation pay as taxable income.

The decision was prompted by inquiries from a number of employers since Sept. 11, seeking guidance from the tax regulators on how to treat such programs, Treasury officials said.

Some employers, though, moved ahead with vacation-donation programs even before the government’s announcement. At Maine Medical Center in Portland, Maine, employee donations of vacation time in late September translated into checks for a total of \$76,047 to the Red Cross and United Way attack relief funds. About 2,500 of the hospital’s 4,000 workers qualify for vacation time and were eligible. Employees were allowed to donate a maximum of 16 hours of paid time off.

“We were hearing from our employees that they wanted to do something, they wanted to do whatever they could to help,” said Paula Squires, the hospital’s vice president of human resources.

Employees of Oakland, Calif.-based Kaiser Permanente donated vacation time worth about \$400,000 in a program that ran from Sept. 24 to Oct. 5. The money is headed for relief funds set up by the Red Cross and the AFL-CIO.

“I haven’t been here very long and I don’t have a lot of time accrued and usually I guard mine very closely,” said Gail Florian, a payroll department employee at the health maintenance organization’s Portland, Ore. office who estimates her two-day donation will be worth \$322. “But this seemed like a good reason to give it out.”

Moczygemba, a nurse who works in a Health Net office serving the Carswell Naval Air Station in Fort Worth, Tex., said she e-mailed executives to suggest a program, recalling donations of time she and her co-workers made several years ago to a colleague injured in a fire.

County government employees in Alameda County, Calif. also began donating vacation time in mid-October in a drive that continues. So far, about 250 of the county’s 9,000 workers have traded in about 3,145 hours and local court workers, employed by the state, have asked to join the program, said Scott Haggerty, president of the county Board of Supervisors.

The vacation donation window at Health Net began Thursday and runs through Nov. 15. The company began considering it after a number of employees separately raised the idea in meetings and e-mails to executives.

Treasury officials said they had fielded calls from several companies asking for clarification on tax implications of such donations.

The programs are “a variation of what’s already been out there,” said Rob Hanson, tax legislative counsel for the Treasury Department. “People came to us in September and said we’ve seen these leave-sharing programs out there. Can we do a leave-donation program?”

The department said it will allow such donations without taxing workers through the end of next year.

More employers will probably embrace the idea because of its philanthropic appeal and because they’re allowed to deduct it either as a business expense or corporate charitable contribution, said Margaret Richardson, a partner with tax consultant Ernst & Young, which has fielded inquiries from several client companies.

“I suspect you’re going to see more and more of it,” said Richardson, who was commissioner of the IRS in the mid-90s. Schiavo acknowledges she’d like the vacation time, but thinks it worth the tradeoff.

“I might miss it,” she said. “But, and I think this is going to sound hokey, I’m thinking I’m going to be a proud American going to work on a day I’m supposed to be off and knowing that I’m doing something.”

Insurance Times: GASPER SUCCEEDS STERNBERG AS ACLI PRESIDENT; SLOCUM ELECTED IIARI PRESIDENT; SAN GROUP ADDS 3 NEW MEMBERS

November 27, 2001, Vol. XX No. 24

ACLI

Joseph J. Gasper, president, chief operating officer and board member of Nationwide Financial Services, Inc., was elected chairman of the American Council of Life Insurers’ Board of Directors during its annual conference, Business Solutions 2001, in Boston.

Gasper is the president, chief operating officer and board member of Nationwide Financial, Nationwide Life Insurance Co. and Nationwide Life and Annuity Insurance Co., a position he has held since 1996.

Gasper is a past chairman of the National Association of Variable Annuities. He is the president of the Association of Ohio Life Insurance Companies, and a member of the board of the Insurance Marketplace Standards Association. He also sits on the board for the American College.

Gasper succeeds Seymour Sternberg, chairman, president and CEO of New York Life Insurance Co.

The Council also named its chairman-elect at Business Solutions 2001. He is John F. Barrett, president and CEO, Western and Southern Life Insurance Co. in Cincinnati.

Named to ACLI's chairman-elect designate post was Art Ryan, chairman and CEO, Prudential Financial.

SAN GROUP

Satellite Agency Network (SAN Group), based in Swanzey, New Hampshire, the Northeast's largest network of independent insurance agencies, has signed on three new members in the past two months. SAN Group now totals 135 Members with a combined premium volume of \$165 million.

The new members are: C & L Agency, Inc. of Providence, R.I.; Heard Insurance Associates of West Haven, Conn.; and Martin Shults of A Plus Insurance Agency of Fultonville, N.Y.

SAN Group is the original Master Agency of Strategic Independent Agents Alliance (SIAA), a \$1.77 billion national alliance of independent insurance agencies.

IIARI

Robert Slocum, president of Slocum Agency in Warwick, has been elected president of the Independent Insurance Agents of Rhode Island.

In addition to being president and co-owner of his second generation, family run agency, Slocum has been an agent association leader at the national and state levels.

Also elected to serve as IIARI officers were: President-Elect, Richard Rheinberger, Affiliated Insurance Managers, Warwick; Vice President, Katherine Kelley, E.A. Kelley Co., RI, Inc., East Providence; State National Director, Robert B. Loiselle, Maurice R. Loiselle Agency, Pawtucket; Immediate Past President, Brian Hunter, Manville; and Executive Vice President/Treasurer Everett "Fred" Federici.

CPCU SOCIETY

The CPCU Society (Chartered Property Casualty Underwriters) has elected its 2001-2002 national officers and governors.

Serving as president for the 2001-2002 term is John W. Reynolds Jr., CPCU, vice president of agency development for Safeco Insurance Cos., Seattle. Reynolds is a member of the Society's Pacific Northwest Chapter and has held a number of chapter offices, including the presidency. In addition, Reynolds has been a national director and regional vice president.

Insurance Times: Safety First Insurance Company

November 27, 2001, Vol. XX No. 24

November 27, 2001

115 S. LaSalle Street

Chicago, IL 60606

The above company has made

application to the Division of Insurance for a License/ 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 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: U.S. Specialty Insurance Company
November 27, 2001, Vol. XX No. 24

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: XL Capital Assurance INC
November 27, 2001, Vol. XX No. 24

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: USAble Life
November 27, 2001, Vol. XX No. 24

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: Federated Mutual Insurance Company
November 27, 2001, Vol. XX No. 24

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: Selective Insurance Company of America
November 27, 2001, Vol. XX No. 24

November 27, 2001

40 Wantage Avenue
Branchville, New Jersey 07890

The above company has made application to the Division of Insurance for a License/ 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 a license or Certificate of Authority to 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: Selective Insurance Company of the Southeast
November 27, 2001, Vol. XX No. 24

November 27, 2001

40 Wantage Avenue
Branchville, New Jersey 07890

The above company has made application to the Division of Insurance for a License/ 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 a license or Certificate of Authority to 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.