Insurance Times: Local Firm Hits Home Run

April 16, 2002, Vol. XXI No. 7

Soon after a 1970s-era legal case removed the ceiling for baseball salaries, the New York Yankees' Catfish Hunter signed the sport's first $1 million contract.

The Boston Red Sox sealed similar deals soon after with free agents Fred Lynn, Carlton Fisk and Rick Burleson.

With that, Ted Dipple sensed the opportunity of a lifetime – to be a pioneer at the start of a trend. Both team owners made inquiries at Dipple's Massachusetts company seeing coverage, and he sensed more would come.

"There were these relatively infrequent inquiries into the business for professional athletes at that time," he said.

"And when I saw salaries were not … going to go down from there and definitely (would) go up, I figured these (coverage) products and these requests would only increase, and we ought to be ready to get into that marketplace because nobody else wanted to do it.

"That's really how it started."

Dipple's interest in baseball business prospects grew into what is now ASU International, a global powerhouse that wrote more than $100 million in gross premium revenue in 2001.

The company began as a separate department within Dipple's Firm Lockwood, Dipple & Green in 1978 and then became a standalone company called American Sports Underwriters in 1982. HHC Holdings (the holding company for Houston Casualty Co.) bought ASU about six months ago, though Dipple continues to serve as chairman.

Dipple describes ASU as an underwriting manager that's a true "alternative" to traditional insurers.

"Anything traditional insurers do not want to do or cannot do makes it a possibility for us to do."

ASU pioneered the practice of offering disability insurance for star athletes and later expanded into the entertainment industry, facilitating insurance for movie stars that fly planes or television scriptwriters contractually obligated to fill writing quotas.

ASU mostly helps develop accident or death and non-traditional disability insurance for sports and entertainment figures as well as some high profile business people.

Top Sports Stars

The company is an industry leader in a unique market niche, having reached a 70 percent market share covering guaranteed contracts for top sports stars.

In recent years, ASU has expanded, developing contingency planning products for entertainment and sport events, particularly cancellation coverage. Dipple says this part of the business is about 50 percent of the contingency business and "25 percent of the total and growing."

Among unusual coverages developed by the company: prize indemnity, where an individual could win a prize at a sporting event or an auction, for example, and that money would be covered by a pre-purchased policy.

ASU has also developed insurance products for people like Stephen Bochco while he created and wrote "Hill Street Blues." The underwriter developed a product that covered his contractual obligation to write and produce a certain number of episodes for the NBC series.

ASU works with major insurance companies including The Hartford, Standard Security Life and Lloyds.

Business over the last 20 years has grown about 30 percent annually, Dipple said.

With a tight market this year, Dipple expected that number to be smaller because “capacity has fallen as it has throughout the industry.”

Still, he expects growth to reach 15 percent this year and resume normal rates in 2003.

Even before baseball and ASU, however, Dipple, saw the potential of sports/entertainment underwriting.

The agent/broker for Evil Kneivel – daredevil entertainer of the 1970s – called Lockwood, Dipple & Green seeking coverage before attempting to jump the Grand Canyon.

His firm mapped out some terms through Lloyd’s of London to insurer him, eventually doing so through the underwriter.

Dipple, who started his career in Lloyds in 1957, came to the United States in 1973 to work in a Lloyds branch office, eventually venturing out on his own and starting Lockwood, Dipple & Green.

When baseball caught his eye and Dipple decided the free agent market represented a business opportunity he couldn’t pass up, he set out to learn the business side of the sport, inside and out.

“I didn’t know anything about professional baseball when I came to this country,” he said. “I knew about cricket and I knew about rugby.”

He focused on learning about collective bargaining agreements, how baseball contracts were worded, what guarantees and exclusions they contained and the issues between teams.

Dipple also learned every aspect of baseball statistics, regarding player injuries, how a player’s age affects the potential for injury and how players like pitchers and catchers are at greater risks of getting hurt than their teammates.

These were, he said, “all of the ingredients that could affect risk, (which) would enable us to determine fair and reasonable premium to cover those risks.”

Traditional insurers didn’t know any of this, he said, so Dipple sought out fans. Living in Massachusetts, he talked to Red Sox fans.

“Insurers didn’t know about (baseball) contracts,” he said. “Red Sox fans knew.”

Each policy ASU proposes or helps develop has to be tailor made for each individual, with certain minimum rate guidelines, he said.

Exclusions or risk factors outside of the player’s sports career can easily derail coverage, too.

“We were asked to insure (New York Yankees -right fielder) Darryl Strawberry and we declined, not because he was an at-risk player but because he was at risk off the field.”

Like Dipple himself, ASU’s principals aren’t necessarily from traditional insurance management backgrounds.

ASU President and CEO William Hubbard was once a commercial fisherman and then attended the UMass Amherst sports business program, after which Dipple hired him.

Candy Hallet, ASU’s chief operating officer, worked for an insurance company but joined Dipple’s firm as an administrator and worked her way up.

“She learned the business and became very proficient at it,” Dipple said.

Dipple added that a traditional insurance executive might not do as well at his company “because anyone with years of training at a major insurance company might not suit the job.

“They might be too trained in insurance and other insurance products that have got nothing to do with what we do.”

Management approach to any insurance company professionals ASU hired, he said, involved undoing “habits from previous insurance companies” and then re-teaching them.

Business Opportunities

ASU doesn't necessarily wait for people to call them with inquiries or risk to an insurer. Rather, ASU looks for business opportunities, puts terms and conditions to a product and then markets it through producing brokers and agents around the country, who in turn market them to clients.

Traditionally, ASU insurance contracts are a part of negotiations between the parties, whether it be a baseball club and the player or an entertainer and movie studio.

"We just wait for a final outcome and they come to us to protect" the insurable interest, Dipple said.

A player may pay for the disability or life policy if he's at the end of his contract. Or a team may buy the policy to protect a guaranteed commitment in a given player.

"In some cases a player's agent would negotiate for the team to buy him coverage for his future income beyond the contract he's writing," Dipple said.

"It depends on each individual."

To avoid conflicts, player or team policies are made mutually exclusive, Dipple said, which would eliminate stacking.

Or limits may be placed on a policy to avoid a never-ending list of parties receiving benefits.

Individual player exclusions aren't uncommon, he said. One time, he said, an Oakland baseball player's policy included a restriction against snowmobiles because he pursued the sport often in the winter.

The player endured a snowmobile accident and injured his knee, Dipple said.

The team, under the terms of the contract could have not paid his salary, but they decided to pay partial coverage because "he was a valuable player."

Other football and basketball players whose policies Dipple has helped shape have faced weight exclusions, which denied coverage if they reached a certain weight.

"Obviously when a player gets a certain amount overweight he cannot perform to his best," Dipple said, "and therefore doesn't do the job he's being paid for by the club."

Many major sporting events in the United States and around the country involve coverage developed by ASU.

ASU-developed cancellation coverage for British cricket games kicked in when a number of the matches were canceled after Princess Diana died a few years ago, Dipple said.

Sells Company

Six months ago, Dipple sold his company. "One reason was for the money," Dipple said, declining to disclose the price tag.

But the sale of ASU also represented good timing, he said, and a desire for more capacity in a hardening market with increased coverage demands.

"It was right in the marketplace for us to hook up with someone bigger and stronger that would help us to achieve some of the things we want to achieve in the next five or 10 years," he said.

And so ASU is left to find unique niches to fill, such as the policy it recently developed to sweeten a fundraising auction.

Super Bowl

A New England Patriots jersey, Boston Red Sox Baseball signed by a player, Boston Bruins shirt and other items were on the bock.

ASU suggested bidding could be increased if the event planners added a $10,000 bonus to some of the items, contingent on the Patriots winning the Super Bowl, the Red Sox winning the World Series and the Bruins winning the Stanley Cup. An ASU-developed policy would cover the prizes if the events took place.

One of those events obviously occurred, when the Patriots won the Super Bowl, making the owner of the auctioned shirt $10,000 richer. p

Insurance Times: Agents scramble as comp writer
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by Mark Hollmer
InsuranceTimes

Legion Insurance Group – which provides small risk workers compensation programs for agents in Massachusetts, New York and more than 20 other states – is in serious financial trouble.

Regulators placed the Pennsylvania company in voluntary rehabilitation on April 1. Insurance Commissioner M. Diane Koken will determine either a rescue or liquidation plan, depending on what she finds.

Koken's department is in effective control of the company's assets and business until its financial state can be evaluated.

"If the problems can be corrected, then great,' said Pennsylvania Insurance Department spokesperson Melissa Fox.

"If not, … then the next step is to petition the court again for an order of liquidation."

"Literally hundreds of agents" in Massachusetts alone are affected by Legion's placement in voluntary rehabilitation, said Massachusetts Association of Insurance Agents executive vice president Frank Mancini.

The rehabilitation order prevents the company from writing any new business as of April 1. Guidelines haven't been issued yet regarding renewals.

Legion's Massachusetts program is similar to one the company offers in other states, Mancini said, including one used by PIANY. The programs allow agents to offer workers compensation coverage to clients with $15,000 and less in premium.

According to Mancini, the program filled a void when it began in Massachusetts in 1995. There "was virtually no voluntary market for businesses at this level of premium," he said. "It was all going to the pool."

The market did eventually open up, he said, but now "it is closing again."

Technically, it is two companies within Legion Insurance Group which are placed in rehabilitation – Legion Insurance Co. and Villanova Insurance Co.

Mutual Risk Management Ltd. owns the group; it's a publicly traded company organized in Bermuda. Legion has $1.3 billion in admitted assets and listed on the New York Stock Exchange.

Fox, of the Pennsylvania Insurance Department, said Legion's $1.3 billion in admitted assets may seem like a lot, but the company is actually in serious financial shape. That's because Legion had only $490 million in liquid assets before it entered rehabilitation, she said, $317 million of which was tied up in reinsurance recoverables – reinsurance claims triggered by Legion's policies.

Pennsylvania regulators have been working with the struggling company for nearly two years, as it faced multiple downgrades from A.M. Best along the way from "A-Minus" to "vulnerable."

The decision to rehab or liquidate Legion will take time, Fox said. "We can't guess how long it will take."

Meanwhile, MAIA officials at least will be looking at their options. On April 1, a Mancini-authored memo to agents regarding Legion stated that MAIA was "working diligently to find another partner for our workers compensation program" and was close to an announcement.

Outgoing Insurance Commissioner Linda Ruthardt and WCRIB Bureau President Paul Meagher have tried to reduce problems for risks that relied on Legion for coverage by waiving the requirement of two declining letters before they can be placed in the pool, Mancini noted.

Legion is owned by Mutual Risk Management, which is facing its own financial problems indirectly connected to Legion's woes. The New York Stock Exchange announced recently it will delist Mutual Risk Management stock, which closed on April 1 at 60 cents, versus its high of $12.30, according to Reuters. p

Insurance Times**:** Geriatric treatment does not help elderly live any longer
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BOSTON (AP) — Frail, elderly patients do better and feel better with specialized geriatric care than they do with regular treatment, but they do not live any longer, according to the biggest such study yet.

Geriatric specialists hope the study by the Veterans Affairs Department will give a boost to their relatively new, understaffed field of care.

Patients who got specialized geriatric care reported significantly less pain and far more improvement in their mental health — at no greater cost — a year after leaving the hospital.

The patients were treated by geriatric teams that included a geriatrician, social worker and nurse. A geriatrician is a doctor trained to focus on the common conditions and special needs of the elderly.

“I think it's extremely encouraging," said Dr. James Fanale, a geriatrician in Worcester, Mass., and board chairman of the American Geriatrics Society. “This study demonstrates there clearly is benefit."

The study was reported in the New England Journal of Medicine.

By the time of release from the hospital, the group treated by inpatient geriatric teams showed a range of advantages in physical and basic living capabilities. After one year, however, those advantages evaporated, except in the categories of pain and mental health.

Geriatric treatment also failed to help patients live longer. p

icangeriatrics.org: American Geriatrics Society

***Insurance Times*:** MassWest withdrawing from Mass. auto
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About 9,000 Massachusetts auto insurance policy holders will have to find a new insurer.

That's because MassWest Insurance will be withdrawing from the state's private passenger motor vehicle insurance market effective Nov. 1.

Attorneys for MassWest's parent company – the General Casualty Companies of Wisconsin – notified the Division of Insurance of the action in an April 9 letter.

General Casualty Companies – which also owns Blue Ridge, General Casualty and Regent – will only be ending its private passenger auto business in the state and plans to continue with its other property casualty business.

The company also plans to keep handling Massachusetts commercial motor vehicle insurance, according to the letter from Boston attorneys Barnet Ovrut and Edward Donahue Jr., -- who represented General Casualty.

General Casualty Companies will continue to be an active member of the Commonwealth Automobile Reinsurers. MassWest will end its status as a CAR servicing carrier for private passenger auto but will remain with CAR as a commercial motor vehicle carrier.

MassWest has between 50-70 agents in Massachusetts and all have been notified, said DOI spokesman Christopher Goetcheus.

The company has six CAR exclusive representative producers.

Goetcheus said the decision for MassWest to leave the state's auto market appeared to be a business decision in line the parent company, which he said does not write personal lines.

Still, some companies have complained that the state's auto insurance market is too hostile for profitable business.

Liberty Mutual Regional Vice President James Masterson addressed the issue in a March 28 letter to CAR proposing ERP reforms.

"The Massachusetts market has shrunk to 22 carriers – the fewest of any state in the nation," he said, claiming "inadequate rates and residual market deficit issues prompted companies to flee the state."

Masterson said that recent rate levels are producing loss ratios closer to other states, but "the inequitable system for residual market distribution discourages new entrants to the marketplace." p M. Hollmer

Insurance Times: Nature and lifestyle kill

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SCHAUMBURG, Ill.-- The causes of higher mortality for males than females are mysterious, but a study from the Society of Actuaries finds research indicating both biological and behavioral causes. "Why Men Die Younger: Causes of Mortality Differences by Sex," by Seattle actuary Barbara Blatt Kalben, is a review of centuries of studies including statistical data going back to pre-history.

Risky Behavior

The study finds evidence suggesting the sex chromosomes and hormones, such as testosterone and estrogen, tend to increase longevity for females and decrease it for males. Risk taking behavior, especially cigarette smoking, also contributes to males dying at younger ages.

"Many have concluded that the male is the weaker or frailer of the sexes," Kalben says in what may be the most comprehensive study to date on the differences in mortality between males and females. Males have greater mortality at every age, even before birth. This is true regardless of race, nationality, profession, or income level, and in virtually every country. Evidence of greater male mortality exists since at least since the 14th century.

Female Advantages

Females have the advantage in the animal kingdom, too. In almost every animal species studied, including crustaceans, mollusks, insects, spiders, reptiles, fish, and mammals, including primates, males have higher mortality rates than do the females. Birds, because of their chromosome composition, tend to be the exception.

Male death rates are greater, sometimes much greater, than comparable female rates for almost all major causes of death. Men die younger from heart disease, cancer, stroke, chronic obstructive pulmonary diseases (COPD), infections and diabetes mellitus. To these killers can be added deaths by accidents, suicide and homicide, which all strike down men in greater numbers than women.

Of the 72 causes of death considered in the study, only six have higher mortality rates for women: breast cancer, Alzheimer's disease, asthma, rheumatic fever, pregnancy/childbirth and kidney infections.

The primarily male hormone testosterone plays havoc biologically and behaviorally with men's bodies. In fact, studies of castrated men, whose bodies stopped producing testosterone, found that they lived 10 years longer than the norm. The primarily female hormone estrogen, on the other hand, tends to protect the female heart from rapid aging.

Behaviorally, testosterone tends to lead males to take dangerous risks and have more accidents, which contribute to men dying younger. Men tend to smoke more than women and studies show that cigarette smokers die nine years younger than nonsmokers on average. Men also tend to indulge more in such life threatening behaviors as drinking alcohol and illegal drug use.

For years, many observers blamed higher male mortality on most men being in the labor force while most women stayed home. But, Kalben says, studies show that women in the workforce actually have lower, sometimes substantially lower, mortality rates than women who don't work outside the home. p

Insurance Times: Immediate annuities help

April 16, 2002, Vol. XXI No. 7

DENVER — Retirees may find their nest eggs drying up as they live longer and experience longer retirements. Introducing immediate annuities can mitigate that risk, argued a study published in the Journal of Financial Planning of the Financial Planning Association.

The study first substantiated the findings of several earlier Journal articles by Bill Bengen and Gordon Pye that 90 percent of the time a retirement portfolio would last retirees for at least 30 years if they don't make inflation-adjusted withdrawals larger than approximately 4.5 percent a year.

The authors concurred in the results of the earlier studies, but cautioned about two factors that might hamper those results: portfolio solvency depends on the retirees sticking fairly heavily with stocks and solvency becomes a greater concern when retirement periods begin to stretch beyond 30 years—a not unreasonable time period these days.

“Our analysis shows that the 4.5 percent withdrawal factor can be sustained with more certainty, for longer time periods, by adding the risk-pooling characteristics of an immediate annuity to the overall retirement portfolio,” write John Ameriks, Ph.D., a research economist at the TIAA-CREF Institute; Robert Veres, a financial planning journalist; and Mark J. Warshawsky, Ph.D., a visiting researcher at the National Bureau of Economic Research and former director of research at TIAA-CREF.

Compared Porfolios

To determine the possible role of immediate annuities in a retirement portfolio, the authors first compared portfolios of varying mixes of stocks, bonds and cash against historical returns, for up to periods of 40 years. Using a withdrawal rate of 4.5 percent, the more conservative portfolios did well for the first 20 years, while the more stock-heavy portfolios did better over 30-year periods, though with more volatility.

However, noted the authors, “the aggressive portfolio, for example, fails in more than an eighth of all trials over a 40-year projected time horizon. This is comparable to a 60-year-old living to age 100—which, given current trends in longevity, may be an increasingly common scenario for which professionals need to plan.”

The authors then examined what happens when annuitization rates of 25 and 50 percent are introduced to conservative, balanced, growth and aggressive portfolios over varying periods. Using Monte Carlo simulation, the authors determined, for example, that a conservative portfolio with no annuitization would likely fail 25 percent of the time over a 25-year period. But that failure rate would drop to only nine percent if 50 percent of the portfolio were annuitized. (Failure here is defined as the inability to no longer make a 4.5 percent inflation-adjusted withdrawal.)

Over a 40-year period, the failure rate of a non-annuitized conservative portfolio is a staggering 97 percent, but it drops to 82 percent with 50 percent annuitization. In an aggressive portfolio, 15 percent of the portfolios would fail in 40 years without annuitization, but the failure rate would drop to 7.4 percent with a 50 percent annuitization rate. In addition, annuitization produces a substantial drop in portfolio volatility while producing only a modest drop in mean terminal wealth.

Conclude the authors:

“By providing a stable source of income, the fixed life annuity can effectively substitute for the cash or bond part of a retiree’s portfolio.” p

***Insurance Times*:** Hancock launches first family LTC product
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BOSTON — John Hancock Life Insurance Co. has introduced the industry's first long-term care insurance policy with a benefit that allows up to four extended family members to be covered by the same policy.

The FamilyCare Benefit, available on Hancock's new comprehensive long-term care insurance policy, allows families to purchase a single policy with one pool of benefits that can be used by whichever family members need them.

Any member of an extended family aged 18-79, such as partners/spouses, children, parents, siblings, grandparents, grandchildren, step-parents, step- children and in-laws, can be included on the policy.

For example, adult children could buy a policy and include their parents so that they would be covered should they need long-term care. Alternatively, parents could include children on the policy so that if ultimately the parents didn't use any or all of the benefits, they would be left for the children.

The cost of the policy is determined by a formula relating to the ages of the family members at the time they sign up for the policy. In addition to increasing the chance of use, using the FamilyCare Benefit may also be a less expensive alternative to purchasing multiple individual policies. p

Insurance Times: Liquor is omnipresent at events ranging from weddings to fundraisers, company outings to softball games

April 16, 2002, Vol. XXI No. 7

by Charles W. Bucke

If a drunk driver gets into an accident and injures or kills someone, it doesn't matter whether the driver is coming from a bar, a restaurant, a company outing or a relative's wedding. Someone is likely to be sued for millions of dollars.

Given the potential liability, anyone planning an event where alcohol will be served should be certain to take precautions. Event planning should include a process for preventing overindulgence. Even the most careful planning is not foolproof, so liquor liability insurance coverage is also a necessity.

It has become generally accepted that special events wouldn't be as special without alcohol, so liquor is omnipresent at events ranging from weddings to fundraisers, company outings to softball games. Too often, little thought is given to liquor liability or control of alcohol consumption.

Who's Responsible?

Typically, whoever is pouring the alcohol can be held liable if intoxication results in an accident or injury. If a caterer is serving food and beverages, be certain the caterer is properly insured and has liquor liability coverage. If an event is being held at a business that frequently holds functions, the owner should have liquor liability coverage.

However, even if those who are serving alcohol have liquor liability coverage, never assume that the necessary insurance protection is in place. Remember that when a suit is filed, the attorney typically will sue everyone who may be held responsible in any way. That may include a caterer and the owner of the facility that held the function, but it also may include the bartender and whoever organized the function.

If an event is being held in a home, homeowner's insurance will usually provide liquor liability coverage, although liability coverage is typically limited to $100,000 to $300,000, depending on the policy. Cases involving homeowners as "social hosts" typically have been sympathetic to the homeowner, especially if individuals became intoxicated without the homeowner's knowledge or when the homeowner did not supply the alcoholic beverages.

However, in the landmark case of McGuiggan v. New England Tel. & Tel. Co., which took place in 1986, the Massachusetts Supreme Judicial Court said that, given an appropriate case, it would "recognize a social host liability to a person injured by an intoxicated guest's negligent operation of a motor vehicle" where the host should have known the guest was drunk, but permitted the guest to drive, resulting in an injury.

Preventing Liquor Liability

So what can hosts of special events do to protect themselves when serving alcohol?

• Hire only experienced, trained bartenders. Bartenders are trained to recognize when individuals have had too much to drink.

• Have someone continuously monitor the premises. During a function, if no one is watching, adults may buy drinks for minors, or minors may go from table to table, sipping adults' drinks until they become intoxicated.

• Purchase one-day liquor liability coverage or add their name to an existing liquor liability policy. Coverage may be available for as little as $75 for a function, depending on the number of attendees and the coverage limits.

To obtain liquor liability insurance, the applicant must have a temporary license for serving alcohol. According to Massachusetts law, "A 'Special License' to pour liquor at an indoor or outdoor activity or enterprises may be issued to the responsible manager" of the activity or enterprise.

The license is issued by the local licensing authority of the city or town in which the activity is scheduled to take place. In smaller towns, where town officials are primarily volunteers, a license may not be required, because there is insufficient staff to enforce the law. In such cases, the sponsor must write a letter stating that no license is required to hold the event and submit the letter when purchasing insurance.

According to the statute, the license may be issued "to a natural person," who may be acting on behalf of a corporation, partnership or other entity. Temporary licenses can be granted to any entity for up to 30 days in any calendar year. This limit applies to all entities except college dining halls.

Events for which temporary licenses are frequently purchased include weddings, charitable fundraisers, company outings, political fundraisers, town festivals, road races and sporting events, such as softball games.

At any special event, perhaps the most important rule is to use common sense.p

Bucke is President of the Liquor Liability Joint Underwriting Association of Massachusetts, the insurer of last resort for liquor liability. He can be reached at 508-366-1140.

***Insurance Times*:** Changing asbestos, mold, terror environments challenge
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by Cary Schneider

Insurance Information Institute

TAMPA — Changes in the asbestos litigation environment, mold claims involving a personal injury component and potential future terrorist acts are among the key emerging liabilities with ramifications for the property and casualty insurance industry, members of a panel on “Emerging Risks – What Now?” presented at the Casualty Actuarial Society Seminar on Ratemaking.

Asbestos litigation has been called “the perfect tort,” said Jennifer L. Biggs, an actuary with Tillinghast-Towers Perrin, an actuarial consulting firm, because asbestos exposure can result in well-know diseases that provide the potential for large jury awards.

“Asbestosis, mesothelioma, lung and other cancers are easy for plaintiff attorneys to prove and there seems to be a unending stream of insurance and other funds to pay victims of the dangerous but useful product that is still legal and still in limited use today,” Biggs said.

The asbestos litigation environment has changed, increasing costs to defendants because of a surge in annual claim filings and the rescinding of previous settlement agreements between plaintiff attorneys and defendants, stated Biggs. Increasing costs to insurers and reinsurers have been brought on through higher costs for existing defendants, additional costs for new defendants and the accessibility of additional coverage.

Biggs said an asbestos class action settlement in 1993, which dictated the number of claims that could be filed and the size of settlements, was overturned, bringing on an acceleration of claims filings – from 25,800 in 1994 to 59,200 in 2000 – led by aggressive plaintiff attorneys. This increased costs to all parties involved with the more expensive claims going up dramatically, she said.

Asbestos-related problems have caused at least 57 companies to go bankrupt, according to a study by the American Academy of Actuaries. New bankruptcies may drive up the costs for remaining defendants and cause the need for additional defendants – a growing list that has gone from 300 in the 1980s to a few thousand today.

Biggs said her firm estimated in a study released in May 2001 that the net U.S. Insurer/ Reinsurer Ultimate Loss and Loss Adjustment Expenses from asbestos will be $55 - $65 billion.

ISO’s Concerns

Increasing concerns over property insurance problems associated with mold have led Insurance Services Office to make coverage filings to try and restore stability, as well as take away financial incentives for trial lawyers and mold remediation “experts,” Dominick J. Yezzi Jr., ISO vice president for commercial lines, told the seminar.

While making filings with insurance regulators to change personal and commercial lines coverages for mold damage, ISO also is collecting data for those lines to capture the extent of coverage for losses due to mold or bacteria and is introducing new Cause of Loss Codes to identify these losses as either Bodily-Injury-related or Property Damage-related, Yezzi pointed out.

Yezzi said there has been “a lack of consumer education and of federal and state guidelines for evaluating the potential health risks of mold or its remediation, with inconclusive reports from the medical and scientific communities and paranoia from the public caused by a large amount of media coverage of the issue.”

Updating the status of federal terrorism legislation, Steven G. Lehmann, a principal with the actuarial firm of Miler, Herbers, Lehmann, & Associates and a vice president of the American Academy of Actuaries, said actuaries have assisted federal officials by helping identify the issues and joining other insurance industry groups in calling for approval of some kind of federal solution.

There have been a number of federal proposals to address the problems, Lehmann said. The U.S. Senate proposal has not passed and the House bill, HR 3210, is still ready for a conference committee if the Senate can pass something, he noted.

"As of February 22nd of this year, 45 states plus the District of Columbia and Puerto Rico have approved the ISO terrorism exclusion for commercial insurance lines, but without federal action most of the risk of terrorism will be shifted to insureds and lenders," Lehmann warned.

The future is unclear and the federal legislative picture is cloudy, Lehmann said. Some actuaries have labeled it as a temporary problem, "but personally I don't think that it is," he said.

Terrorism is an uninsurable risk that cries out for federal action and without it there could be catastrophic ramifications, Lehmann concluded. p

Insurance Times: Recreational markets spared

April 16, 2002, Vol. XXI No. 7

by Mark Hollmer

InsuranceTimes

People insuring boats, motorcycles or other recreational vehicles aren't seeing their coverage pricing increase too much --- yet.

Brokers involved with covering these specialty risks say they're either seeing minimal or no price increases, in part because rates were preset through contracts negotiated prior to the Sept. 11 terrorist attacks.

The real price jump will be in 2003, they say.

Others observe that price hikes hitting other specialty coverages and lines simply take longer to reach recreational risks handled in the standard market.

"I'm assuming that (standard market recreational prices) are just going to take a little longer to catch up with things," said Maureen Robinson, recreational vehicle underwriter for Connecticut Underwriters.

Insurance Center Special Risks in West Springfield, Mass. writes personal lines small boat, yacht, jetski, and mobile home coverages in New England and New York.

Market Tightening

Florian said he started to see a little market tightening toward the end of last year, following Sept. 11., with price increases ranging from 10-20 percent in some cases, particularly watercraft like jetskis, small boats and yachts.

Higher reinsurance costs are driving those hikes, Florian said.

On the other hand, Florian said, he's seeing small or negligible increases in many other areas.

That is, in part because Insurance Center Special Risks is "rolling over a pretty sizeable book of business" from Northland Insurance, which pulled out of personal lines coverage nationwide.

The Insurance Center was able to place the business with other insurance companies last summer and "negotiate terms that were either identical or marginal increases."

Negotiate for 2003

This summer, Insurance Center Special risk must negotiate 2003 contracts, which is when Florian said he expects the big price hikes, largely influenced by the reinsurance crisis post-Sept. 11.

Russell Bond, a specialty broker based in Buffalo, N.Y., has a two-year-old department that writers personal lines coverage for recreational vehicles like snowmobiles, boats, jetskis, all-terrain vehicles (ATVs) and golf carts.

Preset rates help keep prices for this winter, spring and summer quite stable, said company President Kurt Bingeman.

"The rates the companies have filed have been pretty much online and even for the upcoming boat season. We have not seen any significant pricing changes," Bingeman said.

Companies have made some minor changes, Bingeman said, even upping sub-limits and improving underwriting criteria in certain areas.

“We think the market is still very competitive for that business this year,” he added.

Bingeman said recreational vehicle coverage isn’t necessarily directly affected “by the reinsurance problems that affect the rest of the property casualty market,” so prices have naturally stayed more stable.

“When you look at small watercraft markets you don’t have so much catastrophe risks,” Bingeman said.

“You don’t have huge limits. You could have some concentration of risk in a marina exposure (but) beyond that, you’re looking at relatively small accounts and that’s not where we see the problem.”

Bingeman added he expects the jetski, ATV and golf cart business to continue to grow for him.

“Golf carts is a new product so we think that will grow,” he said. “Golf carts are being used … in resort communities and private residential communities even for people to get around and we see that as a nice growth area.”

Connecticut Underwriters, which is based in Portland, Conn., handles its recreational coverage in standard markets.

Stable Levels

Robinson – whose division underwrites boats, jetskis, motorcycles, travel trailers, mobile and motor homes – said the standard market has helped keep rates she’s handled at stable levels.

“Our boat rates haven’t changed since 2000,” she added.

Even motorcycles coverage has benefited with increased coverage limits and there’s no coverage change this year for travel trailers and mobile and motor homes.

Robinson said standard market rates take longer to increase because companies must file rates and “they can’t just go and change” them.

The only increase Robinson said she’s faced is a jump in business as the spring and summer recreational season has approached.

“We’re seeing an increase because of the season,” she said.

“Things are routine.” p

Insurance Times: Recreational markets spared

April 16, 2002, Vol. XXI No. 7

by Mark Hollmer

InsuranceTimes

People insuring boats, motorcycles or other recreational vehicles aren't seeing their coverage pricing increase too much --- yet.

Brokers involved with covering these specialty risks say they're either seeing minimal or no price increases, in part because rates were preset through contracts negotiated prior to the Sept. 11 terrorist attacks.

The real price jump will be in 2003, they say.

Others observe that price hikes hitting other specialty coverages and lines simply take longer to reach recreational risks handled in the standard market.

"I'm assuming that (standard market recreational prices) are just going to take a little longer to catch up with things," said Maureen Robinson, recreational vehicle underwriter for Connecticut Underwriters.

Insurance Center Special Risks in West Springfield, Mass. writes personal lines small boat, yacht, jetski, and mobile home coverages in New England and New York.

Market Tightening

Florian said he started to see a little market tightening toward the end of last year, following Sept. 11., with price increases ranging from 10-20 percent in some cases, particularly watercraft like jetskis, small boats and yachts.

Higher reinsurance costs are driving those hikes, Florian said.

On the other hand, Florian said, he's seeing small or negligible increases in many other areas.

That is, in part because Insurance Center Special Risks is "rolling over a pretty sizeable book of business" from Northland Insurance, which pulled out of personal lines coverage nationwide.

The Insurance Center was able to place the business with other insurance companies last summer and "negotiate terms that were either identical or marginal increases."

Negotiate for 2003

This summer, Insurance Center Special risk must negotiate 2003 contracts, which is when Florian said he expects the big price hikes, largely influenced by the reinsurance crisis post-Sept. 11.

Russell Bond, a specialty broker based in Buffalo, N.Y., has a two-year-old department that writers personal lines coverage for recreational vehicles like snowmobiles, boats, jetskis, all-terrain vehicles (ATVs) and golf carts.

Preset rates help keep prices for this winter, spring and summer quite stable, said company President Kurt Bingeman.

"The rates the companies have filed have been pretty much online and even for the upcoming boat season. We have not seen any significant pricing changes," Bingeman said.

Companies have made some minor changes, Bingeman said, even upping sub-limits and improving underwriting criteria in certain areas.

"We think the market is still very competitive for that business this year," he added.

Bingeman said recreational vehicle coverage isn't necessarily directly affected "by the reinsurance problems that affect the rest of the property casualty market," so prices have naturally stayed more stable.

"When you look at small watercraft markets you don't have so much catastrophe risks," Bingeman said.

"You don't have huge limits. You could have some concentration of risk in a marina exposure (but) beyond that, you're looking at relatively small accounts and that's not where we see the problem."

Bingeman added he expects the jetski, ATV and golf cart business to continue to grow for him.

"Golf carts is a new product so we think that will grow," he said. "Golf carts are being used … in resort communities and private residential communities even for people to get around and we see that as a nice growth area."

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Insurance Times: Mass. charter plane firm offers additional insurance for clients

April 16, 2002, Vol. XXI No. 7

WALTHAM, Mass. — With insurance premiums on the rise, many charter operators are providing less coverage for passengers but Waltham-based FlightTime is providing additional coverage for clients.

"FlightTime is taking a prudent approach by providing additional coverage for its clients," said Larry Mattiello, president of Dallas-based Aero Insurance Inc., an aviation insurance broker. "Clients and their families will enjoy peace of mind because FlightTime is ensuring their financial protection should a catastrophic event take place."

FlighTime's Freedom Plan members fly on aircraft audited by Wyvern Aviation Consulting Ltd., which performs audits of operators and aircraft for numerous Fortune 500 flight departments.

Insurance premiums have increased from 50 percent to 300 percent since September 11, while the number of aviation insurance underwriters has shrunk from several dozen to six providers, Mattiello said.

Consequently, many operators have been forced to reduce their liability coverage because they cannot afford it or find an available underwriter, he said.

In response to these circumstances, FlightTime has bought a non-owned aircraft insurance policy to provide additional protection for Freedom Plan members and clients of other FlightTime products. The policy offers protection for $50 million above and beyond operators' policies, and covers non-owned aircraft liability, non-owned medical payments, and war and terrorism liability.

Visit www.flighttime.com. p

Insurance Times: Trucking firms hard hit by post 9/11 insurance rates

April 16, 2002, Vol. XXI No. 7

Insurance rate increases, in some cases exceeding 100 percent since the Sept. 11 terrorist attacks, are threatening the profitability of trucking companies and driving some of the smallest out of business.

A January survey of 1,000 trucking companies by the American Trucking Association revealed that renewal rates for umbrella insurance policies in 2001 were about 75 percent higher while rate increases since Sept. 11 climbed 120 percent.

Michael J. Riley, president of the Motor Transport Association of Connecticut and chairman of the 50-state Trucking Association Executives Council, said smaller companies are hardest hit.

"Ours is an industry where 80 percent of trucking companies have 20 or fewer trucks, where profit margins are slim, and where undue costs at one end threaten the entire business," Riley said.

Federal regulations require interstate carriers to maintain a minimum of $1 million in primary liability coverage while hazardous materials carriers must carry at least $5 million.

Some carriers are cutting back on their coverage and increasing the deductibles they are prepared to cover out of their own checkbooks in case of an accident. p

Insurance Times: CAR weighs ERP changes
April 16, 2002, Vol. XXI No. 7

by Mark Hollmer

InsuranceTimes

BOSTON — Some Massachusetts auto insurers are proposing a way to reform the state's system of exclusive representative producers even as one company continues its fight to stem the loss of good ERPs.

Commonwealth Automobile Reinsurers – the state's high risk auto insurer – considered at its April 10 meeting proposals submitted by Liberty Mutual and Premier that would reform how insurers are given their residual market shares. Right now, the ERP allocation is decided through a complex calculation of market share.

Liberty Mutual suggested two options which were rejected by CAR's governing committee. One would have taken the financial results of all ERP business and pool them. The other option would have created a hybrid high-risk pool.

However, the governing committee accepted and sent for further study Premier's plan, which would provide that no ERP with more than 400 exposures be assigned to a servicing carrier where the assignment would bring it to more than 107.5 of its ought-to-have share.

Premier's plan would also end the 90-day period during which two-party agreements can be made prior to ERP redistribution of an oversubscribed carrier.

The effort to pitch for ERP reforms comes as one of their competitors continues its battle for a fairer ERP distribution.

Hanover Insurance lost its bid for a preliminary injunction to suspend CAR's Rule 14 to help it stem the loss of good ERPs. The Suffolk Superior Court decision upheld a Division of Insurance decision issued in mid-march denying Hanover's stay request.

Hanover officials have no plans to appeal the decision, according to company spokesman Michael Buckley.

Instead, Buckley said, Hanover would refocus its energies on its related battle against Arbella Insurance.

Hanover accuses Arbella of secretly paying a Hanover ERP to take over some of its higher-loss book of business, thereby saddling Hanover.

Arbella denies the claim.

Hanover is still waiting for a hearing to be scheduled, Buckley said. p

Insurance Times: Mass. FAIR Plan credits reforms for improved results
April 16, 2002, Vol. XXI No. 7

by Mark Hollmer

InsuranceTimes

FRAMINGHAM, Mass. — Regulatory reform and good weather arguably may have helped Massachusetts' FAIR Plan improve its bottom line in recent years.

FAIR Plan President Jack Golembeski, however is more inclined to give credit to the weather and other circumstances that have worked in his organization's favor.

"The weather has been great," Golembeski said. But "…pricing is still inadequate."

Golembeski spoke about the FAIR Plan and its move to more profitable status during the April 5 meeting of the New England 1752 Club, held April 5 at Ken's Steakhouse in Framingham, Mass.

The FAIR Plan – the residual homeowners and property residual market for Massachusetts (with a separate plan for Rhode Island) – lost $6.2 million in the 2001 fiscal year ending last September, in part because of a large number of fires. But the FAIR Plan has listed a $5 million profit over the last six months, Golembeski said.

That compares with an overall net profit of $3 million covering the last five years since legislative reforms kicked in.

By contrast, Golembeski said, the FAIR Plan lost $77 million over the five years before the reform legislation was passed.

Golembeski credited reforms with giving the FAIR Plan the ability to raise rates and improve pricing after they were restricted from doing so through the early 1990s.

Better claims and risk management and experience control have also helped, he said, but "the weather more so."

A hardening market has helped increase prices in the voluntary market, sending more business to the FAIR Plan, and those numbers have only increased since the Sept. 11 terrorist attacks, Golembeski said.

FAIR plan new business jumped 28 percent over the last six months, with 46,000 policies written during that time, he said.

In the 2001 fiscal year ending last September, the FAIR Plan wrote 88,000 policies, representing a 3.3 percent increase from 2000 and an 8.46 percent jump in new business over the prior year after several years of nearly static numbers. (Rhode Island's FAIR numbers have shown smaller new growth but Golembeski said he expects that to change).

Golembeski said he's not surprised with the jump in the wake of the Sept. 11 attacks, and expects it could continue to impact affordability, availability and the amount of reinsurance in the market.

"It will take a while before that comes back," he said.

Golembeski reminded the audience that the market is cyclical and the hardening market, tighter underwriting and "a return to more historical" conservative underwriting isn't necessarily a bad thing.

The market had gotten "too lax" before the hardening and Sept. 11 came along, he said, with companies "giving away too much coverage with inadequate pricing." p

Insurance Times: Vermont acts on PC fees
April 16, 2002, Vol. XXI No. 7

MONTPELIER— Vermont House and Senate committees have taken action, supported by the American Insurance Association (AIA), to reduce proposed fee increases on property and casualty insurers.

The House Ways and Means Committee deleted a proposed surcharge of two percent on commercial multi-peril insurance policies that would have cost insurers and their policyholders $750,000. The proposal had been made to increase funding for the Department of Labor and Industry's fire prevention division. The committee deleted the surcharge and replaced it with a $150,000 assessment on insurers to fund the fire safety programs. The bill (H.767) also deletes an $85,000 assessment insurers had been paying for boiler and pressure vessel inspection fees.

The Senate Finance Committee accepted an AIA recommendation to reduce a proposed increase in the fee for obtaining motor vehicle records. Insurers who underwrite auto insurance policies use these records. The House had proposed increasing the fee to nine dollars. The Senate reduced that to seven dollars. The Senate's action will save insurers $600,000 annually.

"The reductions in these proposed fees are important to help keep insurance affordable in Vermont. The reductions will save insurers and their policyholders approximately $1.3 million," said Donald Baldini, AIA

Insurance Times: Cogswell: give rates time to settle

April 16, 2002, Vol. XXI No. 7

HARTFORD — The insurance industry has responded well to the post-Sept. 11 aftermath, but a federal solution is still needed to address reinsurance needs following the terrorist attacks, Connecticut Insurance Commissioner Susan Cogswell told a recent industry gathering.

Cogswell, who spoke at the Honorable Order of the Blue Goose, international meeting, said exclusions of acts of terrorism standards have appeared in most property casualty treaties issued since Sept. 11.

Terrorism exclusions have also begun to appear from the primary market, she said, though all have been disapproved because they were too broad.

She said estimates calculate price increases of up to 90 percent in some cases as a result of Sept. 11.

Cogswell said the post-Sept. 11rate issue will take time to settle but she expects rates to be offered at appropriate rate levels given time.

In the meanwhile, she said, the industry has to encourage Congress to address the shortage of reinsurance and give the industry a certainty of its exposure. p

Insurance Times**:** Stay of NY claims rule lifted
April 16, 2002, Vol. XXI No. 7

Supporters of the drive to reform New York's no-fault regulation will see the new policies finally go into effect, at least for now.

A New York State Appellate Court lifted a stay on revisions to Regulation 68, which will leave the rule in effect pending an appeal filed by the New York State Trial Lawyers Association.

Earlier this year, an Appellate Court Judge had stayed the regulation, pending a hearing to determine if a longer stay would be needed. The stay had followed a New York State Supreme Court decision in late February that upheld the state Insurance Department reforms to Regulation 68, which were challenged by the trial lawyers, doctors and other non-profit consumer groups.

The changes give claimants 30 days rather than 90 to notify an insurer of a claim. Medical bills also have to be submitted to insurers in 45 days rather than 180. p

Insurance Times: Lawsuit challenges jet ski
April 16, 2002, Vol. XXI No. 7

CORPUS CHRISTI, Texas (AP) — A lawsuit filed against the National Park Service seeks to block the agency's impending ban on personal watercraft, widely known by the trade name Jet Skis, at 21 parks across the country.

The lawsuit, filed in U.S. District Court in Corpus Christi by two Texas personal watercraft users and two groups, accuses the park service of failing to conduct proper environmental studies before imposing an initial ban at 13 parks on April 22. A second ban at eight more parks takes effect Sept. 15.

The lawsuit seeks a preliminary injunction to block the upcoming bans on personal watercraft, which the industry defines as boats that seat up to four people and have no exposed propellers.

“It is fundamentally unfair to arbitrarily exclude people from enjoying these public waterways without due process," Monita Fontaine of the Personal Watercraft Industry Association said in a release. “We welcome the National Park Service scrutiny."

Park service spokeswoman Elain Sevy said lawyers in Washington, D.C., had not seen the lawsuit and could not comment. “They know that it's coming, they don't know what it says," she said. “They really can't say anything until they've had a chance to review it."

Besides the Personal Watercraft Industry Association, plaintiffs include the American Watercraft Association, Marty Roberts of Pearland and Michael Younts of Beeville.

They allege that the park service failed to consider the effects of the ban on surrounding waterways and discriminated against watercraft users while allowing boats with similar hull designs to continue being used. The agency also is going against its responsibility of providing public recreation for the nation's 1.2 million watercraft owners, the plaintiffs said.

The lawsuit follows a settlement the park service reached in March 2000 with San Francisco-based environmental group Bluewater Network to expand a personal watercraft ban to another 21 recreational areas and seashores. Earlier that year the park service had decided to ban the Jet Skis at 66 of 87 such areas.

Last week, the House Resources Committee passed a bill to extend the deadline to complete the environmental assessments on a site-by-site basis. The bill next will be voted on by the full House.

“The decisions to ban personal watercraft were made without proper study," said Fontaine. “Most superintendents can't even tell you how many personal watercraft use their waterways each year, so not only are they unable to back up their claim of detrimental effects on their own park, they have no idea how a ban will effect neighboring parks when boaters shift to other waterways." p

***Insurance Times*: States urged to regulate drivers' cell phone**
April 16, 2002, Vol. XXI No. 7

by Steven K. Paulsen

Associated Press

Individual states ought to govern motorists' use of cell phones and other high-tech gadgets, rather than federal statute, a report from a legislative advocacy group has concluded.

The eight-month study from the National Conference of State Legislatures also recommended lawmakers consider driver's education program on the dangers of high-tech distractions.

"Legislators are torn on this issue. A lot of people have cell phones, and legislators use them as well. They see a value to having phones in cars," the group's transportation analyst Matt Sundeen said.

The nonprofit Denver-based group conducts research and acts as an information clearinghouse for lawmakers around the country.

States in Better Position

In its report "Along for the Ride: Reducing Driver Distractions," the group said state lawmakers are in a better position to govern driver behavior than federal regulators.

"Federal law clearly governs equipment embedded in motor vehicles. Driver behavior, however, is a state issue," the report said.

Two years ago, the National Highway Traffic Safety Administration began taking public comment about possible safety implications associated with motorists using distracting high-tech equipment.

NHTSA Administrator, Dr. Jeffrey Runge, said when he was appointed last August, it was too soon to regulate the use of cell phones in cars.

The eight-month study was compiled by a coalition of state legislators and staff, wireless service providers, auto manufacturers, safety groups, federal agencies and academics.

Dissenting Opinion

A dissenting opinion in the report maintained restrictive legislation will have only a marginal effect on crashes, and that careless or reckless driving statutes are sufficient in most states.

Last year, state legislators in 35 states, the District of Columbia and Puerto Rico considered measures to prohibit the use of hand-held mobile phones while driving.

New York was the first to pass a state law regulating cell phones in vehicles, followed by California, Massachusetts, Illinois, Arizona and Florida with less restrictive laws.

The NHTSA estimated 25 to 30 percent of all motor vehicle crashes each year, about 1.2 million in all, have distractions as a contributing cause. The agency also estimates that of the 135 million people who have cell phones, about three-fourths use them in their vehicles.

Paul Green at the University of Michigan Transportation Research Institute, said the problems of high-tech distractions will only get worse.

New Technology

By 2005, 10 percent of luxury vehicles will contain a variety of new devices, including phone interfaces, navigation systems, automatic collision notification, satellite radio, removable media for entertainment and data, e-mail and Internet access, built in PDAs and adaptive cruise control. p

Insurance Times**:** Mass. employers look to create network
April 16, 2002, Vol. XXI No. 7

BOSTON (AP) — Some Massachusetts employers, facing another year of double-digit increases to health insurance premiums, support a plan to drop health maintenance organizations and instead contract directly with health care providers.

The plan, similar to one already underway in Colorado, is being sought by two of the state's largest employer organizations. It would offer employers small networks of doctors and hospitals that would set their own rates and benefits.

Employees would choose among the networks based on cost, quality and service. Employers would pay a set amount, while workers would pay the difference.

The networks run by Minnesota-based Patient Choice Healthcare Inc. would be smaller than those offered by the Bay State's existing HMOs and potentially cheaper, according to supporters of the plan.

“There would be a lot of choice," said Rick Lord, president of the Associated Industries of Massachusetts. “But once you've chosen a network, you would be restricted."

Patient Choice plans to set up a direct-contracting program in the state by January. The plan is supported by Associated Industries of Mass. (AIM) and the Massachusetts Healthcare Purchaser Group, a coalition of public and private health care buyers.

Marc Waldman, treasurer for the town of Wellesley, said the town is “getting killed" by premiums, which will increase 15 percent on July 1. “You can imagine how devastating that is to a small town. We're looking at any alternative within reason," he said.

In Massachusetts and other states, health insurance premiums have risen more than 10 percent for each year of the last three years.

Under the Patient Choice plan, doctors and hospitals form small networks like those of Caritas Christi, the Catholic hospital system, and Partners HealthCare, the parent organization of Massachusetts General Hospital and Brigham and Women's Hospital.

The networks then submit their prices for medical services to employers. The smaller networks compete to attract patients to come to the doctors and hospitals, said Patient Choice president Ann Robinow.

“We're creating a market dynamic that encourages providers to care about the cost of the care they're providing," Robinow said.

HMOs pool hospitals and doctors into health maintenance organization networks. Consumers pay their HMO a fixed premium, whether they are treated at an expensive academic medical center or a less costly community hospital.

In recent years, employers have paid higher premiums by raising deductibles and charging employees higher copayments to visit doctors, buy prescription drugs, and check into hospitals.

Patient Choice executives say their plan has kept premium increases for their companies below average market increases.

Some health care experts question whether Patient Choice can save money in the state's expensive health care system.

If Patient Choice does cut out HMOs, it must still pay for administrative functions, said Steven Tringale, a Boston health care consultant who has worked for numerous hospitals. “And I don't think providers are going to be crawling all over each other to give employers a better deal."

The state's health plans say they are unconcerned about new competition. Jon Kingsdale, Tufts senior vice president for planning and development, said Tuft's size allows it to leverage low prices for enrollees.

“I'd be surprised if the new boy on the block can get better prices. But if they can, it's fair to say we'll be looking for the same deals ourselves," he said. p

Insurance Times: Interview: New Mass. Insurance Commissioner Julianne Bowler: Bowler promises better relations with agents, more consumer outreach

April 16, 2002, Vol. XXI No. 7

In her new job as Massachusetts Insurance Commissioner, Julianne Bowler said she would keep doing what she's always done.

"Whenever issues come before me I reach out to the constituencies involved," Bowler said. "You have to reach out in order to gather all the facts and evidence … Everybody has a critical piece of information that a regulator needs in order to make an informed decision."

Gov. Jane Swift appointed Bowler – a first deputy insurance commissioner for close to four years -- to replace long-time Commissioner Linda Ruthardt a few weeks ago. The move was attributed to a need to shuffle state government positions following a number of early retirements.

Stay the Course

Bowler, in an InsuranceTimes interview, said she plans to stay the course over the coming year with a continued focus on improving regulatory efficiency and ensuring companies stay healthy.

Bowler said she also wants to increase DOI consumer education and outreach programs – to help people better understand the market and the products they choose.

"There's a wealth of information that resides in the heads of these people who work here," Bowler said. "There are various resources (with the DOI) consumers can use to evaluate companies."

Independent agents were critical of Ruthardt because they said she didn't take their role in the market seriously.

But Bowler said she values agents and the respective roles they play in the market.

"Agents and brokers and other intermediaries are very important to the system. You cannot have a well-functioning market if you do not have a well-informed consumer and that's the rule that these producers play," she said.

"And it's an important role in order to have a healthy market."

Bowler added she was pleased by the responses from both agents and companies while working with them to adapt the National Association of Insurance Commissioners' producer licensing law to Massachusetts, a bill now pending at the state house.

"I found them to be very reasonable in their approach," she said.

She also sounded off on a number of other issues.

Among them:

• State Regulation. It's main purpose, she said, should continue to be "what its purpose has always been – the protection of consumers.

"…The goal is to make sure that when benefits need to paid out in the future, that these (insurance) companies are still standing."

State regulation of insurance, she added, is more appropriate than federal because states "have a much better handle on the uniqueness of their markets."

However, she said, state regulators need to coordinate better among themselves, especially because a growing number of holding companies often own insurers in multiple states.

"There's a tremendous amount of consolidation within the market and I think there's a lot more to come," Bowler said.

• Industry diversity. Different parts of the insurance industry “have different needs and wants and make different demands on regulators and legislators,” Bowler said, emphasizing that regulators need to take into account those differences.

• Regulatory philosophy. Bowler said she expects the DOI to continue providing technical advise to legislators “on any issues they might be interested in” and that the department would continue to be “supportive of administration policies.

Don’t expect Bowler, however, to take an activist role toward changing or shaping regulation.

“We get in trouble when we pick winners and losers,” she said, “We do a much better job when we stay in (our) role and we apply the law to the particular situations.”

But that doesn’t mean Bowler will stay silent, either.

“I have not in the past and probably will not in the future be shy about voicing my personal opinions where I think there might be able to be improvements,” she said. “Obviously I work for the administration and will voice that up through the chain of command.”

• Legislation. Bowler said the DOI, once again is supporting an HMO financial solvency bill, as it has over the last 10 years. If approved, the bill would establish legal standards for financial review of managed care organizations similar to those used by the property casualty and life insurance companies.

• Technology. Bowler has helped shape a number of technological improvements at the DOI already including the department’s now operational online agent renewal system. The office’s goal is to expand the online system to appointments and broker renewal as well, she said. p