

**Insurance Times:** Big 'I' E&S Market Program Raises Big Questions For Some  
E&S Brokers  
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by Mark Hollmer  
InsuranceTimes

The Independent Insurance Agents of America (IIAA) is plugging its new Big "I" Markets program as a golden business opportunity where collaboration will help everybody win.

As planned, the venture will be an Internet service intended to give members of the IIAA direct access to specialty, excess and surplus and niche coverages for their clients .

In some ways, Big "I" Markets is a potential competitor for traditional excess and surplus lines and specialty brokers, but the IIAA says it hopes surplus lines brokers will see things differently, seize the opportunity and participate in the program. Not everyone is cheering about the IIAA's planned entry into a market in which its members have historically served as partners with surplus lines brokers rather than competitors.

"It's a shame that the very people (who) we were created to support are the ones who are trying to cut us out," said David Thomas, CEO of E.A. Kelly, Co. a New England regional surplus lines broker based in East Providence, R.I.

#### Collaborate Not Compete

Jeff Myers, the IIAA's vice president of public affairs, insists the service gives surplus lines brokers plenty of room to collaborate rather than compete.

"We would have a number of different companies who are participants in the program with us that will offer a range of different products that they underwrite," he said.

Myers adds that planners won't make the service a catch-all that offers everything traditional surplus lines brokers already provide.

"There will be coverage that we won't have," he said. "We're not going to be exhaustive in what we offer on our Web page."

#### Trade Groups

Publicly, the American Association of Managing General Agents (AAMGA), the National Association of Professional Surplus Lines Offices (NAPSLO) and the IIAA are putting on a unified face. Representatives from each group met together a few months ago in Alexandria, Va., where they discussed Big "I" Markets and other topics, and issued a joint press release pledging to work together.

"We want to work with AAMGA and NAPSLO members on all issues," said IIAA CEO Paul Equale in the prepared statement.

That sentiment makes logical business sense because many AAMGA and NAPSLO members are also part of the IIAA.

And because of this, the IIAA will have to move ahead carefully if it wants Big "I" Markets to become a financial success, said James Roe, who recently finished his term as AAMGA president. Roe attended the Alexandria meeting, which also focused on other

industry issues beyond Big "I" Markets.

"If there's a perception that you're competing against your contributors . (this) will minimize the amount of your contributions," he said.

Roe said he expressed a desire to continue working with Big "I" members "on accessing specialty markets more," and hopes discussions will continue.

NAPSLO spokesman Mike Ardis seems to agree about working with the IIAA.

"We share a lot of mutual interest in the distribution system . a lot of their members go to our members to help find insurance for various risks, so we share a lot of interests," he said.

"We understand the need to cooperate."

New Jersey "Ground Zero"

Big "I" Markets is expected to debut in New Jersey within two weeks. Expansion will immediately follow in up to 10 other states where regional IIAA associations have signed off on the plan.

The Independent Insurance Association of New Jersey voted to take part in the program back in March after some careful debate, said Peter Elliott, IIANJ spokesperson.

"We do believe that there is opportunity for wholesalers to enter into this program - those (who) are already active with our association and those (who) are not," he said.

At the same time, Elliott said his members support Big "I" Markets as a means to compete with mega-insurance companies and direct distributors. Agents will be able to access a combination of products, he said - only some of which are offered by wholesalers.

"It's a fact in our industry right now that companies are looking for as many different outlets as possible," he said.

Not Priority in Mass.

Still, not everyone has come on board.

Massachusetts, for example, is among the states where Big "I" Markets doesn't have a start date yet.

Frank Mancini, executive vice president of the Professional Independent Insurance Agents of Massachusetts, explains that his association has "many, many things" on its agenda and is "just not in a position to really launch this now."

He said he's not sure if the association will offer the program in the Bay State.

"It's up to the board of directors to make that decision," he said.

Mancini himself offered a mixed perspective on the IIAA's latest initiative.

". I think it's a good opportunity . on the other hand, there are competitive issues and philosophical issues here.," he said.

"There is access to those markets now through other means, through (excess and surplus lines) brokers . and some of those products are available now through brokerage arrangement through other independent agents."

Mancini said no one will be forced to use Big "I"Markets because market alternatives will still exist once the Internet program is fully in use.

"It does not cut excess and surplus brokers out (because) some agents may choose not to deal with Big "I" Markets . Nothing will force them to use this, just like the IIAA won't force this

state to adopt it."

#### Opportunity or Trouble?

Fred Jefts, director of marketing and business development with Swett & Crawford, Maine - an excess and specialty lines wholesaler -- said he sees big "I" Markets as just another competitor, and a small one at that.

"I don't expect it would have much impact on our business," he said. "We can bring more markets and technical expertise to the table than any of our competitors. We have access to an entire marketplace because we do a billion dollars in business. Between our underwriting authority and our brokerage facilities we can access virtually any market."

Scott Smith, of S.H. Smith & Co. in Hartford, Ct., is a surplus lines broker and managing general agent. He said he's not too familiar with Big "I" Markets, but "finds it kind of curious that they're trying to circumvent the traditional system."

At the same time, he said, he's not worried.

"Our carriers have a contractual relationship with us," he said.

"So if (the IIAA) is negotiating with them to get access to our product, those associations will direct them back through us. I don't know why they don't just talk to us directly."

Still, Smith said, the Big "I" Markets program could help him sell his products.

"It sounds like another way to get our name in front of independent agents, who (are) our customers."

Or is it?

Thomas, of E.A. Kelly Co., said his company is a member of both the AAMGA and the NAPSLO. He said he's upset that the Big "I" supports both memberships "as a group of people and then they go away and try to create an entity which competes with us."

#### Who Benefits?

Thomas said he's heard "bits and pieces" about the Big "I" Markets program, and questions if it would benefit all wholesale brokers.

"The large national underwriting manager for special (risk) lines of business may be able to benefit," he said. "But the general insurance broker who has supported the independent agent over the years is going to be the one who will potentially suffer."

Thomas believes he'll still be competitive because "one of the competitive edges we will have over an independent Web site is the independent agent will be able to ask real questions of real people."

"I still firmly believe that for the foreseeable (future), most excess and surplus lines brokers will still have to be (underwritten) and will not be able to be slot rated."

#### Potential Opportunity

Kurt Bingeman, owner and president of Russell Bond & Co., in Buffalo, N.Y., is one surplus lines broker who sees potential opportunity in Big "I" Markets.

"It could help us. It could give us another way of accessing the agents we already do business with. (and) allow a firm like mine to reach independent agents outside of my usual territory."

But Bingeman, who said he knows general information about the new IIAA venture, also worries about unnecessary market duplication.

"My first concern has been that the independent agents are

creating a new marketing facility when numerous facilities already exist," he said.

"In New York alone there are almost 100 wholesale brokers and managing general agents who work exclusively with members of the Big "I". We exist solely to help retail agents solve coverage problems, and it appears that the Big "I" has often sought to do the same thing through a new mechanism without approaching those who have always served their members."

Bingeman goes on, however, to strike a middle ground. He said the IIAA doesn't have an obligation to clue surplus lines brokers in on every new venture, and he "understands their interest in participating in the market and deriving membership revenue through that process.

"But it would . be nice," he said, "if they approached those who have supported them for many years."

On the other hand, he said, "it's our obligation to become aware of their plans and to see if we can participate with them."

Even so, Bingeman said, the competition isn't a bad thing. The IIAANY, he added, long ago established its own wholesaler, and it has "become another of one of many competitors."

The IIAA's Internet venture will do the same thing, he said, adding he's developing a Web site for his own company to stay competitive.

#### Behind the Scenes

It turns out that the IIAA did approach the AAMGA more than a year ago about collaborating on Big "I" Markets, according to Roe.

Roe, who was the AAMGA president at the time, said the IIAA wanted to "discuss the potential for managing general agents to become involved in this program."

He brought it up at an AAMGA board meeting and "didn't get a lot of response." And that was it.

But since then, Roe said, he helped put together the meeting between his organization, NAPSL0 and the IIAA earlier this year. So why the change of heart and the group meeting earlier this year?

"I think there are some misunderstandings out there," he said. "It was (an issue of) how we can work better together and what issues we can deal with . the Big "I" Markets thing was just one of the things we brought up."

Regardless, Roe said he isn't opposed to the initial idea of the new IIAA Web site offering products from managing general agents and others.

But he adds: "That's not the direction they're heading in right now. . right now it's one product and one company for one price."

And differences remain.

"We're more interested in pushing (an) entire product line . they're saying we will be more than happy to put you on our Internet site but you have to pay money," he said. "But we're saying they haven't been really successful yet in getting anyone to bite."

Overall however, Roe said his association hasn't taken an official position either way on the issue.

But he offered his personal opinion on Big "I" Markets.

"It's a free country and if they want to go out and do this it's fine. But I'm not exactly sure they need to do this. I don't think

there is going to be a tremendous market for what they're going to do."

**Insurance Times:** Mass. Repair Shop Sues To End Flat Rate Pay System  
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Garage owner claims payment  
system is unfair to shops

by Mark Hollmer  
InsuranceTimes

A Northampton, Mass. auto body shop owner is suing 34 auto insurance companies for allegedly violating trade law by using their "flat rate" system to pay repair rates below fair market value.

Brian Tennyson of Wayside Auto Body wants triple damages plus interest, court costs and attorney fees, according to the May 5 Superior Court lawsuit filed by his attorney and brother, Chester Tennyson Jr. of Weymouth.

Change Labor Charges

If successful, the suit could change how insurance companies pay Massachusetts garage owners for their labor.

Brian Tennyson would not comment for this story and directed all questions to his attorney. Chester Tennyson also could not be reached.

But associations representing insurance companies and auto shop owners offered strong reaction on both sides of the issue.

"It's baseless and without merit.," said Frank O'Brien, regional manager and counsel for the Alliance of American Insurers, which represents many of the companies named in the lawsuit.

Stephen Regan, executive director of the Massachusetts Auto Body Association, said his group isn't involved in the lawsuit. But he added that MABA supports an increase in the auto-body repair rate, "which hasn't been increased for some 15 years .

"Insurance companies, he said, "should not determine what an independent shop needs to charge for that rate."

Current Practice

Right now, garages provide a detailed damage description to the insurer, which uses a flat rate system to pay labor costs: an hourly rate multiplied by the time insurance companies decide it should take to finish a repair job.

A garage owner may take longer than the insurance estimate to finish the job, but would still get the same flat rate.

Brian Tennyson's lawsuit claims the practice is unfair and leaves him with few business options.

He has "no choice but to accept what the defendants have dictated to be the hourly rate that they will pay, or cease doing business," according to the lawsuit.

Trade Restriction

Tennyson suit argues that the insurance companies' actions amount

to a contract, which would be a violation of the law because it restricts trade.

MABA estimates that shop owners would have to charge \$46.26 an hour for auto-body repair to make an 8-percent profit. Regan said the number is "conservative."

In reality, he said, many insurance companies statewide and nationally actually pay \$30-\$32 per hour on average for auto body repair.

"So many insurance companies all charge the same rate," he said.

"That's just a little bit unusual." Regan added the low rate makes it "difficult" for shop owners to make a profit.

By contrast, he said the labor rate in San Francisco is an exception - "upwards of \$75 per hour on the high end.

"I'm not sure how auto-body shops in this area have been able to convince both consumers and insurers that there is a higher value to the work . (than) is paid on average nationally," he said.

The insurance industry's O'Brien counters that the lawsuit is yet another example of a more adversarial stance that auto shops are taking toward the insurance industry.

"It's just another continuation in the ongoing battle between insurers and the auto body industry," he said. ". We are at odds . and now we're going to be at odds in the courtroom."

MABA, Regan said, plans to inform its members about the lawsuit as it progresses, but will not encourage action either way to join the lawsuit and expand it to a class action filing.

"It would be the independent decision of each auto shop member or non-member (if) they want to get involved," he said.

Here are the insurance companies named in the lawsuit: Allstate, Aetna, Amica, Arbella Mutual, Berkshire Mutual, Cigna, C.N.A., CGU, C.U. Homeland, Commerce, Commercial General Union, Fireman's Fund, Fitchburg Mutual, Holyoke Mutual, Hanover, Insurance Company of North America, ITT Hartford Group, John Hancock, Liberty Mutual, Metropolitan, Nationwide, National Grange Mutual, Norfolk and Dedham, Premier, People's Service, Plymouth Rock, Royal, State Farm, Safety, Sentry, Travelers Commercial Lines, Travelers Property Casualty Corporation, Trust and USAA.

***Insurance Times:*** Sale Of Maine Blues To Anthem Receives OK  
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PORTLAND, Maine (AP) - If the experiences of other states are any indication, there should not be any big changes from the sale of Blue Cross and Blue Shield of Maine to Anthem Insurance Cos. of Indiana.

#### Conditional Approval

Anthem has taken over Blue Cross plans in New Hampshire and Connecticut. Maine's insurance superintendent on May 25 announced his conditional approval of the acquisition of the Blues by Anthem.

Some consumer and medical groups oppose the sale. The longer-term fear is that Anthem, which now operates as a mutual company owned by its policyholders, will convert to a publicly traded stock

company. Critics say that could cause Anthem to put profits ahead of patient care.

#### Employment Unchanged

In New Hampshire, employment levels and top managers have been largely unchanged since Anthem's deal closed last October. Industry quality ratings remain at the highest overall level, and premium hikes are on par with those of other insurers. In Connecticut, where Anthem took over the Blues in 1997, the insurance plan was judged ``excellent'' in recent industry quality ratings, and Anthem says it won't raise rates this year for new small group business policies. There are some key differences between Maine and Connecticut Blue Cross-Blue Shield programs. Connecticut Blue Cross has about one million members, more than twice as many as Maine, and it is not the dominant insurer in that state. Connecticut Blue Cross has long been a mutual insurance company, not a nonprofit, like the Blue Cross plans in Maine and New Hampshire, so public fears of dramatic change were not as great.

#### Damages Relationships

Clark Dumont, vice president of corporate relations at New Hampshire Blue Cross, said it will be hard to thrive if the company damages its relationships with members and businesses. ``If you're going to be successful,'' Dumont said, ``you have to be responsive. You have to embrace the market.'' But a lawyer at the New Hampshire Citizens Alliance in Concord said it's in Anthem's interest to have itself perceived ``as the same Blue Cross.'' ``They'll make everybody feel safe for two or three years. Then it's Anthem's ballgame,'' said Dawn Touzin.

#### Iuppa's Conditions

Maine Insurance Superintendent Alessandro Iuppa announced his approval of the acquisition of Blue Cross and Blue Shield of Maine by Anthem Insurance Companies of Indiana on May 25. Iuppa's ruling requires that at least \$81.7 million to be provided to a Maine Health Access Foundation, although the fair market value of the aggregate equity of Blue Cross was determined to be less. The foundation was created to carry on the charitable mission of Blue Cross. Iuppa said his approval carried 35 conditions, including provisions to prevent the foundation from being subject to any taxes or liabilities of the former Blue Cross after the transaction is complete. Unanticipated potential liabilities must be assumed by Anthem. Under other provisions, the capital level of Anthem Maine must be maintained at a level set by the superintendent, and Anthem Maine may not pay dividends within five years of the closing without the superintendent's approval.

#### Other Conditions

Other conditions include requiring that the company maintain Blue Cross' network of doctors, hospitals and other providers and give customers six months notice if a decision is made to stop offering a product or stop covering a part of the state.

Blue Cross Senior Vice President Beth Shorr said the 85-page decision was still being reviewed but that none of the conditions set by Iuppa ``causes substantial concerns.''

Shorr said a sales closing was expected within 10 or 12 days. Officials for both Blue Cross and Anthem expressed satisfaction at Iuppa's decision.

``We're looking forward to doing business in Maine and serving the people in Maine, said Anthem spokeswoman Lauren Green-Caldwell. But one group of critics voiced displeasure and said an appeal was possible.

``Given Anthem's refusal to commit to continuing Blue Cross coverage in Maine's rural areas, it is clear that policy-makers will need to address this potential problem,' said Joe Ditre, executive director of Consumers for Affordable Health Care. The value of the sale was originally set at \$120 million.

#### Three Transactions

Three different transactions were involved: the conversion of Blue Cross and Blue Shield from a nonprofit health plan to a for-profit entity; Anthem's acquisition of the converted insurer; and the funding for the foundation.

In a prepared statement released at a news conference at the Insurance Bureau's headquarters, Iuppa said the acquisition, which affects about 400,000 Maine subscribers, ``will alter the health insurance landscape in Maine in a very fundamental fashion.''

He also said it introduces into the Maine marketplace a new and financially strong health insurer.

Maine lawmakers enacted a measure in 1997 establishing procedures to be followed and standards of evaluation to be used by the superintendent in his review of the transaction.

Hearings were held in January and April in Presque Isle, Orono, Gardiner, Lewiston and Portland.

#### Opponents of Sale

Opponents of the sale, who included Consumers for Affordable Health Care and the Maine Medical Association, had argued for retention of Blue Cross as a local nonprofit or for a pairing up with a regional partner like Blue Cross and Blue Shield of Massachusetts.

Board members at Blue Cross of Maine, which has lost millions of dollars in recent years, said affiliating with the for-profit insurer was the best solution.

Maine Blue Cross also said Anthem, a mutual insurance company based in Indiana and one of the largest health insurers in the nation, would provide a Blue Cross and Blue Shield plan and that it did so in seven states.

#### July, 1999

Anthem agreed to buy the business of Blue Cross on July 13, 1999, agreeing to continue operating the business through a new Maine corporation under the Blue Cross Blue Shield name and trademark. Anthem Blue Cross and Blue Shield President Larry Glasscock and Blue Cross and Blue Shield of Maine President Keith Vangeison issued a joint statement declaring:

``From Kittery to Fort Kent and all across the state of Maine, we look forward to becoming an important part of this state. All of us are committed to working diligently to help make and keep the



people of Maine healthy.'

Blue Cross and Blue Shield of Maine has been licensed as a nonprofit hospital and medical service organization in the state since 1939 and is the largest health insurer in Maine.

**Insurance Times:** NY Gov. Urges New 'Civil Authority' Insurance Plan  
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ALBANY, N.Y. - Merchants who lose business when nearby disasters cut off customer access, like North Country shops did when an ice storm struck two years ago, could get some relief from a bill proposed by Gov. George Pataki.

The ``civil authority'' insurance would allow policies to cover business lost when governments close roads. It was quickly praised by both a business group and an insurance association.

``We love it,'' Business Council spokesman Matthew Maguire said Tuesday. ``It puts a business in a position where it can protect itself a little bit more thoroughly for the effects of events that are harmful but only indirectly.''

Tastee Freeze

Jim Sheldon, the owner of the Albany Tastee Freeze who lost about half his business after torrential rains last week washed out the road it sits on, was equally pleased.

Sheldon said he is now working with his insurer on the possibility he might be covered but is facing an obstacle since his business was not damaged. The neighboring suburb of Bethlehem, where most patrons live, was cut off by the road closing.

``This is an issue that needs to be addressed,'' Sheldon said.

``If (Pataki) wants to use me as a test case, send 'im on down.

The lieutenant governor had a cone here yesterday.''

As is, so-called ``business interruption'' insurance says a business has to be physically damaged before a merchant can collect money.

``This is an important change that must be made to protect businesses from situations that are beyond their control,'' Pataki said in a statement.

It remains to be seen whether any insurer would accept Pataki's offer and provide the coverage. While the industry group New York Insurance Association supports the bill, spokesman Bernie Bordeau said, insurers who offer that coverage would be engaging in ``risky business.''

``Unlike the whims of nature . you're now adding the whims of a political entity,'' he said. Bordeau said his group was pleased, however, that insurers would not be required to offer the coverage, but would merely be allowed to. ``We like the fact that the administration is giving new opportunities,'' he said.

Pataki's bill was in the Rules committee, which is controlled by Majority Leader Joseph Bruno, in the state Senate.

Pataki said his proposal ``will help New York State business, especially small businesses, stay in business during trying times.''

The Assembly's Democratic leadership said they would ``take a look'' at the bill.

**Insurance Times:** Stormy Hurricane Season Predicted  
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As hurricane season starts, meteorologists are anticipating above-average storm activity. Eleven tropical storms, seven of which may become hurricanes, are predicted to form in the Atlantic in 2000. Of the seven, three are expected to cause major damage. Some 60 million people now live in hurricane-prone areas, reports the Insurance Information Institute.

**Insurance Times:** Maine Blues Releases Severance Packages For Top Execs  
Involved In Sale  
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PORTLAND, Maine (AP) - The chief executive of Blue Cross and Blue Shield of Maine stands to receive \$1.4 million if he loses his job as a result of the pending merger with Anthem Insurance Cos. of Indiana.

Following pressure from critics of the deal, Blue Cross and Blue Shield directors released details on severance packages for Keith Vangeison, president and chief executive officer, and 10 other top officials of the nonprofit insurer.

Critics said the severance packages were excessive, but an independent consultant characterized them as ``conservatively competitive.''

**If Jobs Lost**

The packages would compensate the CEO, six senior vice presidents and four vice presidents if they lost their jobs.

Vangeison would receive three times his annual base salary, bonus and benefits - approximately \$1.4 million, according to Blue Cross board. The senior vice presidents would receive two year's worth, about \$609,000 for the highest paid one. The vice presidents would get a year's worth, or about \$192,000.

Blue Cross, which previously declined to release the information, announced that it would make the information public to allay suspicions that its top executives were motivated by private gain. Merger opponents said Blue Cross' management may have been influenced by lucrative compensation packages, or change of control agreements. The critics said executives may have steered the board toward the merger with Anthem, a charge that board members have repeatedly denied.

Bill Ryan, chairman of the Blue Cross board of directors, said the nonprofit did not initially release the information because ``we were not in the business of throwing around people's salaries'' and the agreements would not be triggered by a sale to a specific company.

``Then there was this aura of 'How come you're not releasing these change of control contacts and telling everybody about them?''

Ryan said at a news conference.

Ryan said the packages are necessary to ensure that executives do

not shy away from a sale that is in Blue Cross' best interest because they fear losing their jobs. The packages would be paid out by Anthem.

The Maine Medical Association, which opposed the merger, had said it would file a Freedom of Access request to compel the Maine Bureau of Insurance to release the information. The state said the agreements cover trade secrets and agreed to keep the documents confidential.

The packages for the executives were updated last February, when the company was being readied for a sale but before Anthem was selected. The company said the changes were made to reflect current industry practices.

#### Independent Consultant

An independent compensation consultant recommended the adoption of the packages in a February 1999 letter released by Blue Cross. The company, Frederic W. Cook & Co., Inc., said the packages were ``conservatively competitive.'' The letter also noted, however, that most of the company's clients were in the for-profit sector. Gordon Smith, executive vice president of the Maine Medical Association, said the packages were excessive - especially for a nonprofit that has reduced benefits and reimbursements to providers in a state with a low per-capita income.

``I don't think that most people believe that these should have been required in order to get the senior management to represent the best interest of the policyholders,'' he said.

***Insurance Times:*** NH Senate Kills Uninsured Motorist Coverage Bill  
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Concord, N.H. - The New Hampshire Senate's failure to approve a bill (HB 1241) that would prevent employees from collecting both workers compensation and uninsured motorist coverage (UIM) when injured by a co-employee is bad news for the state's consumers, say insurance industry leaders.

The bill would have reversed a recent state Supreme Court ruling, *Gorman v. National Grange Mutual Insurance Company*, which allowed an employee to collect both workers compensation and UIM after being injured by a co-employee while in a truck.

The Senate defeated the bill by one vote, 11-10.

"The defeat of this bill is bad news for New Hampshire's motorists. Gorman will expand the claims potential of Uninsured Motorist coverage in a way never intended or anticipated. This will hurt consumers because such expanded liability will have to be factored into rates for Uninsured Motorist coverage. Trial lawyers lobbied hard against this bill, if claimants now abuse this system it will increase costs," said Suzanne Bump, assistant vice president, northeast region, for the American Insurance Association.

Gerald L. Zimmerman, associate counsel for the National Association of Independent Insurers (NAII), said, "We're very disappointed with the outcome."

**Insurance Times:** Trust Policy Cancellations Approved By Court  
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BOSTON - The Supreme Judicial Court is ordering Trust Insurance Co. of Taunton, Mass. to cancel all of its policies by Oct. 1 - a move that could end the company unless a buyer is found. Mass. Commissioner of Insurance Linda Ruthardt recommended cancellation of the company's remaining policies a few weeks ago, in part because Trust may be insolvent. Trust had 146,800 remaining policies as of April 28, according to Ruthardt's latest status report. Of that number, about 99,300 are personal automobile policies; 36,000 are homeowners' policies. Following Ruthardt's recommendation, a judge on May 25 ordered cancellation of Trusts' automobile policies by Oct. 1 and its non-automobile policies by Aug. 1. Ruthardt wanted the earlier cancellation for the non-automobile policies in order to beat hurricane season. Trust's latest figures include a negative policyholders' surplus of \$3.4 million. Ruthardt placed Trust into receivership in February because of concerns about the company's financial status. p

Insurers expect \$70 million in wildfire claims  
Insurers will be paying at least \$70 million on more than 6,000 claims resulting from the recent New Mexico wildfire caused by the National Park Service. That's according to the property claim services unit of the Insurance Services Office, Inc. The National Park service ignited the fire on May 4 as a prescribed burn, which was intended to eliminate dry brush and other vegetation that could feed a fire. But high winds pushed the fire into Los Alamos Canyon on May 10, forcing the evacuation of 18,000 residents and damaging or destroying approximately 250 homes and cars. Most evacuees dealt with additional living expenses covered by their homeowners insurance policies. ISO claims estimates represent anticipated insured loss on an industry-wide basis arising from catastrophes, reflecting the total net insurance payment for personal and commercial property lines of insurance covering fixed property, personal property, vehicles, boats, related property items, business interruption and additional living expenses. Expenses exclude loss-adjustment expenses. A catastrophe is an event that causes \$25 million or more in insured property losses and affects a significant number of property/casualty policyholders and insurers. p  
Mass. passes countersignature repeal law  
BOSTON - It looks like the countersignature requirement in Massachusetts will be repealed. The state Legislature approved the measure on May 25, and Gov. Paul Cellucci was expected to sign the bill - HB 4883. The Alliance of American Insurers has pursued countersignature reform in the state, and issued a press release that details its support.

". (B)ills such as this one . create a favorable business environment for insurance companies, agents and consumers," said Rey Becker, Alliance vice president of property/casualty. "Eliminating situations in which a resident insurance agent's signature is required on an insurance contract to make it binding facilitates sales of insurance across state lines, thereby encouraging insurer competition and lowering costs. The bill ends the countersignature requirement for certain insurance policies, and an insurer can now print basic information on its policies regarding incorporation, ownership and plan of operation. Wyoming became the first state this year to pass countersignature reform, and Alabama is also considering similar legislation, according to the Alliance. Georgia, Louisiana, Nebraska, South Carolina and Utah passed reforms last year. Kentucky, Iowa and Pennsylvania repealed their countersignature laws in 1998. The Alliance argues that countersignature laws are antiquated and hamper interstate and international trade. Gerald Zimmerman, associate counsel for the National Association of Independent Insurers, said the bill will help insurers operating in Massachusetts to stay competitive. "This bill is a necessary stop for insurers writing business in Massachusetts to compete in a world where speed, convenience and efficiency are essential," he said.

***Insurance Times:*** Military Insurer USAA Opposed In Fight For Group Auto Discount In Mass.  
June 6, 2000, Vol. XIX No. 12

by Mark Hollmer  
InsuranceTimes

BOSTON - A bill that would allow some military insurance customers to receive group auto insurance discounts in Massachusetts is fueling opposition among some industry lobbyists. Auto-insurance direct writer USAA - the United Services Automobile Association -- wants to give a group discount to its largely military customer based in Massachusetts but says it can't under the current state law. The company argues that the proposed legislation - Bill S 2203 - would address the issue by leveling the playing field.

On Par with Others

"It only brings me on par with everybody else," said Thomas Green, office manager for USAA's Braintree office. But associations including the Massachusetts Association of Insurance Agents and the Alliance of American Insurers say the legislation would leave USAA with an unfair competitive advantage and foster discrimination against consumers. Daniel Foley Jr., the MAIA's general counsel and director of government affairs, outlined the association's position in written testimony submitted May 22 to the Massachusetts Joint Committee on Insurance.

"The bill carves out a very specific exception to the law by allowing one company to form a group and one group only to be set up for the purpose of buying insurance, which is contrary to the current group marketing law," he said.

Right now, state law lets any organization with a membership - such as a library club, the American Automobile Association or Knights of Columbus -- offer a group discount for auto insurance through an agent or company.

But the law stops an organization from filing for a group discount if the organization is formed specifically for the purpose of providing insurance, said John Friedman, assistant vice president and legislative counsel for USAA.

Military officers founded USAA in 1922 to provide car insurance for the armed forces. The company includes military, former military members and their families. USAA also insures non-military customers in Massachusetts, because the state has a "take all comers" law.

Green, a retired U.S. Army colonel who is also a licensed property and casualty/life and health agent, said the current law creates a frustrating situation.

"We're trying to offer a group discount the same as everybody else," he said. "And the current law restricts me from doing that. The intention, I think, of the current law was to keep someone from forming a bogus group, just to get a discount. But there's nothing bogus about our group. Our membership is pretty well known."

USAA would provide the group discount for automobile and homeowners insurance on request for members of the military, former members within two years of service, spouses or their children. Non-military members under the "take all comers" law would not be eligible, according to the company's public relations office.

The company's legislative push has drawn criticism on a number of fronts.

MAIA even distributed a yellow "flash bulletin" encouraging members to fight the legislation and lobby the State House. The association claims the bill would give USAA an unfair competitive advantage, violate current law defining group discounts and possibly lead to "the formation of insurance purchasing groups, not affinity-based" which would cause "widespread discrimination among various segments of society who are unlikely to be eligible for group discounts."

Foley, in his MAIA written testimony, also strikes some conciliatory notes.

He writes that the association supports reviewing and changing the group marketing law, and also suggests another course of action for USAA.

"If USAA wants to offer competitive rates for their Massachusetts insureds, then they can file for a rate deviation for all their insureds."

Attorney Ed Donahue testified against the bill on May 22, representing the Independent Property and Casualty Insurers of Massachusetts, though he struck a more moderate stance than the MAIA. IPCI members have concluded, he said, that the discussion should shift away from revising the group auto discount law to "a broader study of the general system."

"Our members have concerns about group auto laws in the

Commonwealth but attacking one narrow portion of the issue without examining others is not the approach to take."

The AAI also testified against the bill, and the National Association of Independent Insurers filed testimony in support of the measure.

In response, Friedman says that USAA also has a rate deviation and provides its customer dividends, "but those don't allow us to be as competitive as we need to be.

"We just want the same opportunities as other carriers," he said.

"We want to combine the deviation and the group discount for the military, the same way other carriers can offer group discounts in Massachusetts.

Meanwhile, Green said, he's surprised at the opposition, particularly the MAIA "flash bulletin" and its attempt to drum up support to kill the proposed bill.

"I looked at the MAIA stuff and it surprised me," Green said. "I'm an independent agent here also. We're just trying to get the same kind of group discount anyone else has got."

### ***Insurance Times:*** Allstate Agents Confront Deadline To Become Independent Contractors

June 6, 2000, Vol. XIX No. 12

by Herbert G. McCann  
Associated Press

CHICAGO - Executives of Allstate Corp., confronted by unhappy agents at the company's recent annual meeting, insist the insurer is on the right path to increased market share and improved profitability.

Allstate gave 6,000 of its 15,000 agents until May 31 to decide whether to convert to contractor status or to leave the company with a buyout package. Most of the 6,000 are long-time employee agents. The remainder are contractors, who pay for their own office space, health insurance, vacation and sick leave.

Some employee agents are complaining they are being shortchanged by the company, which no longer will pay health insurance or Social Security benefits. They also are upset over Allstate plans to allow customers to buy insurance over the telephone or through the Internet, eliminating the need to go through the company's agents.

Allstate introduced its Internet services in Oregon earlier this month, according to spokeswoman Sharon Cooper. It will be introduced next in Colorado and Louisiana.

To pay for the technology that will allow that convenience, Allstate announced plans to reduce annual expenses by about \$600 million by eliminating 4,000 non-agent positions by the end of the year.

Agent Darrell Baxter of Atlanta, an official of the National Association of Professional Allstate Agents, said one of the reasons he has decided to leave the company is that agents who will deal with the Internet clients will receive only a 2 percent commission. He said that is not enough.

"I'm not a disgruntled Allstate agent, I'm a disappointed

agent," Baxter told company executives, adding that his passion for the company has gone away. He said he has decided to set up an independent insurance agency.

Allstate Chairman and CEO Edward Liddy said he understands the concerns of the agents.

"Our company will be a different, better company in five years because of the changes we are making," he said.

Allstate officials estimate 15 percent of its insurance agents may leave because of the changes at the company.

During the meeting, Liddy addressed troubles in the insurance industry, which he says is plagued by slow growth, declining prices and shrinking profits.

To offset that, Liddy said Allstate is expanding through acquisitions and partnerships with other companies. Last year, Allstate bought American Heritage Life Corp. and acquired CNA Personal Insurance to offer non-Allstate branded products through independent agents.

Allstate is the second-largest U.S. company in personal-lines insurance behind privately held State Farm. It had 1999 revenues of \$26.96 billion.

***Insurance Times:*** Industry Balks As Mass. Panel Finds Generic Parts 'Unsafe'

June 6, 2000, Vol. XIX No. 12

by Mark Hollmer  
InsuranceTimes

A relatively obscure Massachusetts licensing panel appears ready to stir controversy by recommending that aftermarket or generic auto repair parts "may" be unsafe.

The panel also found that aftermarket parts are "not of like kind and quality" to the original but more costly parts manufactured by auto makers.

Both motions appear to contradict the use of aftermarket parts as required in the existing law and regulations.

With the deletion of "all" and the addition of "may," the Massachusetts Auto Damage Appraiser Licensing Board softened its stance against generic, aftermarket parts at its May 24 meeting in Marlborough.

The board voted 3-2 to insert the word "may" into its original May 8 motion that said "all" structural aftermarket parts compromise the safety of a vehicle, according to a source who attended the meeting.

The panel's latest motion reads: "Structural aftermarket parts are not of like kind and quality to original equipment manufacturer parts . therefore aftermarket parts may compromise the overall safety of the vehicle."

Structural parts are used inside or under a vehicle, like a frame rail - from which the front suspension wheel is supported.

A second motion - also approved 3-2 - takes a similar strike against aftermarket parts in general, stating they "are not the exact duplicates of factory, original equipment manufacturer parts, and may jeopardize the safety and value of the vehicle."



The board includes two members of the insurance industry, two auto shop representatives and Gilbert W. Cox, Jr., who serves as chairman. Cox is an attorney and is considered a neutral party. The insurance industry supports the use of aftermarket parts as a cost-saving measure. But auto body shops say generic parts don't fit right and are of lesser quality. On the other hand, original manufacturer parts cost more.

These opinions by the licensing panel, which was asked by Insurance Commissioner Linda Ruthardt for input on the issue of aftermarket parts safety, undermine the current practices in the repair of autos. Ruthardt asked the board to investigate the issue in the wake of a Consumer Reports article last year that implied some aftermarket parts were unsafe.

Currently, when appraisers determine replacement parts are needed, regulations state that an aftermarket or used part "of like kind and quality, at the lowest possible price" must be used unless it affects vehicle safety. Other exceptions: when efforts to find cheaper parts are unsuccessful, or when a vehicle has been driven less than 15,000 miles.

The law defines "of like kind and quality" as something that is "of equal or better condition" than the part it replaces. But if Commissioner Ruthardt accepts the recommendations that aftermarket parts are "not of like kind and quality," then companies could no longer require their use.

The ADALB recommendations will be included in a draft report to be submitted to Ruthardt within a few months. Before then, they will be available for public review by June 8. Board members will take up the issue again at their June 14 meeting in Marlborough.

Peter Robertson, the Massachusetts counsel for the National Association of Independent Insurers, wrote the board to ask it to rescind its original determination.

He said the NAII is pleased the public will be able to comment on the board's draft report, but only partially happy with the revision itself.

"They backed away from their unsupported conclusion that structural aftermarket parts compromise safety . (which) was not supported at all by the record."

Yet, Robertson said, "there is still no support from the records that says these parts - at least the cosmetic parts - raise safety concerns. All the expert testimony at (an earlier ) hearing indicates that safety is not an issue with cosmetic after-market parts."

Both of the panel's motions will likely be part of any report Ruthardt receives, though additional information can be added after the June 14 public hearing.

Like the NAII, the American Insurance Association also asked the ADALB to reverse its earlier decision.

"Testimony to the board from national experts demonstrated the safety of competitive boards . (and) several studies . have demonstrated that these parts provide quality and safety in auto body repair," James Harrington, AIA vice president, northeast region, said in a press release.

In a related issue, Ruthardt is still considering an industry proposed endorsement which would allow consumers to pay an additional premium for the right to have their autos fixed with original manufacturer parts only.

**Insurance Times:** Insurers Claim Victories In Vermont Legislative Session  
June 6, 2000, Vol. XIX No. 12

MONTPELIER, Vt. - The Vermont legislature wrapped up the second half of a two-year session, with insurance interests seeing major victories on several fronts.

"Between the bad bills that were defeated and the good bills that passed, 2000 was a great year for insurance consumers in Vermont," said Gerald L. Zimmerman, associate counsel for the National Association of Independent Insurers (NAII). "We're very encouraged that next year will be just as productive."

Zimmerman attributes the session's good results in part to a more moderate shift in the House of Representatives, which generally helped on business-related issues.

"The change in the House reflects the increasing influence of the moderate 'Blue Dog' Democrats, who are defining themselves as separate from the traditional Democratic party," Zimmerman said.

"If the Blue Dogs gain strength in this year's elections, the House could be even more business friendly next year."

Insurance-related bills that passed this year include:

H. 844, overturning the controversial "ski bum" decision by the Vermont Supreme Court (*Grather v. The Gables Inn, Ltd.*) which granted workers' compensation benefits to a claimant who was injured while skiing off the premises after working hours. The bill states that recreational injuries sustained away from the job are not compensable.

H. 97, a modified version of a graduated drivers licensing program, which introduces a phased-in licensing system for young drivers. While the bill is a good start, it does not include a restriction on nighttime operation for younger drivers, which is typically included in the most effective GDL bills, Zimmerman said.

H. 185, a workers compensation bill that allows the commissioner of labor to refer certain workers' comp disputes to arbitration, and directs the commissioner to recommend to the legislature by Jan. 1, 2001, measures which would allow injured employees an earlier return to work.

Equally important for the industry was the defeat of several bills the industry said were poorly written, including:

S. 78, which would have prohibited the use of credit reports in underwriting decisions.

S. 128/H. 98, which would have established mandatory discounts on auto insurance premiums for senior citizens taking defensive driver courses.

S. 306/H. 340, which would have required insurers to notify the Department of Motor Vehicles when auto insurance policies were cancelled.

S. 308, which would have increased the amount of coverage required by motor vehicle operators.

H. 586, which called for the elimination of certain forms and filings for large commercial property and casualty policies.

H. 747, which would have raised the threshold for motor vehicle property damage for which a surcharge could be applied.

**Insurance Times:** Zurich, The Hartford Agree To Co-Market Agribusiness Products  
June 6, 2000, Vol. XIX No. 12

SCHAUMBURG, Ill. - Zurich U.S. and The Hartford Financial Services Group Inc. have formed a strategic relationship to co-market their agribusiness products. Under the agreement, effective June 1, 2000, the Zurich U.S. Agribusiness Unit will provide core property casualty coverage and The Hartford will provide livestock mortality coverage. In addition, Zurich U.S. will offer specialty products such as environmental impairment liability, umbrella, and directors and officers coverage.

#### Business Evolved

Agribusiness has evolved over the past decade from traditional farms and livestock ranches to an industry ranging from family-run specialty farms and vineyards to large industrial conglomerates using the latest scientific technology. At the same time, occurrences once accepted as normal business risks, including environmental disruption and livestock mortality, have become less tolerated in the agribusiness community due to regulatory scrutiny.

"The result is an increased awareness of specific exposures," said Zurich U.S.'s Vice President of Agriculture, William Ziletti, Jr. "Zurich's commitment to agribusiness has resulted in the development of new products to serve market needs that may have been unprotected in the past. Agents and customers alike will benefit from a program that combines broad-based agribusiness and specialty coverage with a specialty product that addresses the unique aspects of the livestock sector. "Our agribusiness customers, both agents and insureds, have told us they need stability, capacity, and fundamental knowledge of the livestock sector from their insurance company," said Robert Crutcher, president of The Hartford's International Agribusiness Group.

#### Referral Process

The program will work as a referral process, with agents of each company referring customers to the other company's product as a way to round out the customer's insurance coverage. The products themselves will remain independent, with livestock mortality coverage underwritten by The Hartford and basic property/casualty and other specialty products underwritten by Zurich U.S. The two companies estimate the market for the expanded coverage at approximately 140,000 customers.

The program will be managed by the Enterprise Risk unit of Zurich U.S., which provides package and custom casualty programs as well as group, integrated risk and total risk profiling programs for large multinational corporations and middle market companies, and The Hartford's International Agribusiness group, which has served the agribusiness community with livestock and crop coverages for more than 80 years.

**Insurance Times:** Supreme Court Narrows Federal Anti-Arson Law  
June 6, 2000, Vol. XIX No. 12

by Richard Carelli  
Associated Press

WASHINGTON - A unanimous Supreme Court on May 22 narrowed the scope of a federal anti-arson law, throwing out an Indiana man's federal conviction for setting a fire at his cousin's home.

The decision could have a direct effect on a case in West Virginia in which three parents are accused of setting a house on fire with their five children inside to collect insurance.

The federal law makes it a crime to set afire any building or other property ``used in interstate commerce or foreign commerce or in any activity affecting interstate or foreign commerce.''

A federal appeals court upheld use of that law to prosecute arson at a private residence because the owner purchased natural gas in interstate commerce, had a mortgage from an out-of-state lender and received an after-fire check from an out-of-state insurer.

That's not enough to subject someone to federal, rather than state, prosecution, the nation's highest court said.

``An owner-occupied residence not used for any commercial purpose does not qualify as property 'used in commerce or commerce-affecting activity; arson of such a dwelling, therefore, is not subject to federal prosecution,' Justice Ruth Bader Ginsburg wrote.

The issue was the crux of the West Virginia case. U.S. District Judge Irene Keeley in January delayed the parents' trials pending the U.S. Supreme Court's decision in the Indiana case.

Prosecutors say the house Ricky Brown, his wife, Barbara, and their housemate Janette Ables are accused of burning received interstate utilities like natural gas and electricity.

Ricky Brown in November was found innocent of seven counts of mail fraud. Jurors deadlocked on eight offenses, including arson resulting in death, which carries a possible death penalty. Keeley declared a mistrial on those charges.

Ricky Brown has demanded a speedy retrial.

Prosecutors have said they want to try all three together if the death penalty is removed. Barbara Brown, however, has told Keeley that she does not want to be tried with her husband. She has waived her right to a speedy trial.

The Browns and Ables also face state charges of arson, murder and conspiracy.

Keeley will schedule a conference with prosecutors and defense attorneys to decide how to proceed in light of the high court ruling, said Ted Philyaw, chief deputy clerk for the U.S. District Court's northern district of West Virginia

``It appears this unanimous Supreme Court ruling in the Jones case has narrowed the scope of federal anti-arson law. There will have to be a status conference for the parties to review this with the court,' Philyaw said.

The U.S. Supreme Court's decision set aside the arson conviction and 30-year prison sentence of Dewey J. Jones, accused of throwing a lit Molotov cocktail into the living room of James Walker's home in Fort Wayne, Ind. - the culmination of a feud he was having with

his cousin.

FBI agents joined local law enforcement officials in investigating the Feb. 23, 1998, incident, and Jones eventually was indicted by a federal grand jury under the arson law.

His conviction and sentence were upheld by the 7th U.S. Circuit Court of Appeals. Other federal appeals courts had refused to apply the federal law to such cases.

Jones' appeal to the Supreme Court had urged the justices to rule that Congress exceeded its authority and trampled on states' rights by enacting the arson law. The court since 1995 has dramatically enhanced state' rights while eroding congressional power to invoke authority over interstate commerce.

This recent decision focused entirely on the language of the federal law. Ginsburg said the trial judge in Jones' case and the 7th Circuit court mistakenly interpreted that language too broadly.

The case is Jones vs. U.S., 99-5739.

***Insurance Times:*** Hastert Eyes Clinton Help On HMO Bill  
June 6, 2000, Vol. XIX No. 12

WASHINGTON- In a private White House meeting last week, House Speaker Dennis Hastert told President Clinton he favors HMO legislation that extends new rights to all Americans with insurance, rather than a more limited series of protections in a Senate-passed bill, according to Republican sources.

At the same time, the Illinois Republican asked the president for his assistance in shaping a final compromise that limits any right to sue insurance companies.

A senior White House official said Clinton told the speaker that he also would insist on legislation that covers all Americans and that the issue was nearly non-negotiable. The president also said that as long as the bill contains a way to enforce a patient's right, the White House is "open to talk about how it is enforced," said the official, speaking on condition of anonymity. p  
heir meeting occurred the night before a larger session that Clinton convened Thursday with key congressional negotiators on a patients' bill of rights. Clinton said that discussion was designed ``to determine what the issues are and what the processes are to resolve them.''

In a statement issued after the meeting was under way, Hastert said, ``We are very close to completing a balanced bill, one that will address the issue of the uninsured as it addresses the issue of accountability.''

Despite Hastert's optimistic statement, progress toward a compromise on the health maintenance organization legislation has been fitful. That is due partly to the wide election-year gulf between Democrats and Republicans and partly to the internal differences among lawmakers of the same party in different houses. As an example, GOP sources say House Republicans recently forwarded a confidential proposal to Senate GOP negotiators outlining a proposed new right to sue the ``designated decision-maker'' in federal court for wrongful denial of care. Suits could be brought for compensatory damages as well as economic damages,

and punitive damages would be permitted under some circumstances. No class action suits would be permitted.

The House-passed measure lifts the federal ban on lawsuits for Americans in health plans that fall under federal regulation. The Senate bill contains no new rights to sue.

Republican negotiators are expected to meet this week, and a bipartisan bargaining session is also possible.

Democrats, including Sen. Edward M. Kennedy, D-Mass., sought in the White House meeting to push Republicans to agree to a timetable for resolving key issues. Republicans declined.

``We have spent hundreds of hours to put together a bill,'' Sen. Don Nickles, R-Okla., said after the meeting. ``We have made good progress despite what some may think.''

Thus far, negotiators have agreed on a variety of relatively minor points. They appeared on the verge of an accord several weeks ago on an appeals process for patients who believe they were wrongly denied care, but there has been no deal yet.

Nor have they discussed in any detail the issue of how wide-ranging the coverages should be, or on what, if any, right to give patients to bring lawsuits.

In the House, where a coalition of Democrats and Republican outmaneuvered the GOP leadership, the legislation would cover all Americans with private insurance. Many of the Senate provisions would cover a smaller group of 48 million Americans in plans regulated only by federal law.

In addition, Republicans are expected to press Democrats this week to address issues of access to insurance, including tax benefits designed to make insurance more affordable, and allow for more medical savings accounts. These allow Americans to set money aside tax-free to pay for routine care if they buy a high-deductible insurance policy in case of an emergency.

With time growing short for Congress to act in an election-year session, some Republicans have said privately in recent days they may attempt to negotiate an agreement among themselves and send it to the floor of both houses of Congress for a vote, even though it would fall short of legislation Democrats and the White House favor.

It was not clear whether that represented an attempt to wring concessions from Democrats, or whether it was an attempt to restrain Republicans most eager for a final compromise with the Democrats.

***Insurance Times:*** Mass. Testing Web-Based Life Agent License Renewal System

June 6, 2000, Vol. XIX No. 12

by Mark Hollmer  
InsuranceTimes

Good-bye piles of paper.

Hello, Internet.

That's what the Massachusetts Division of Insurance hopes to accomplish with its new online license renewal system for individual and corporate insurance agents.

The DOI will test a Web-based renewal process with eight companies over the next month. The goal is a simple one: to reduce the time-consuming process from days to a matter of minutes.

"We hope it works," said Andrew Calamare, president and chief executive officer of the Life Insurance Association of Massachusetts. Some of LIAM's members are involved in the test. "Obviously, anything that would make the renewal process more efficient is something our members are interested in," Calamare said.

#### 'More Accurate'

Julie Bowler, the DOI first deputy commissioner, is supervising establishment of the new license-renewal system. She said it will be "more accurate because you don't have to fight with a paper process."

The old license, or appointment renewal system, involves many steps.

First, the DOI prints out renewal lists for each company and mails them out. The company then checks each name for either renewal or cancellation, and mails the lists back to the DOI. After that, a division employee updates each company list manually on the computer, cross checking names and other information such as whether or not the renewal fee matches the number of renewed agent appointments.

The data-entry alone for just a single company's appointment renewals can take at least a day, Bowler said.

But the new pilot system cuts away many of the old steps:

The DOI sent out files electronically of active agents set for renewal to the eight companies participating in the pilot test: John Hancock, Massachusetts Mutual, MetLife, Prudential, Liberty Mutual, Primerica, Allmerica and Berkshire Life.

Participating companies will be able to visit a secure part of the DOI Web site, use a password and download their individual information already laid out. They'll use a database designed by Gary Buchanan, an MIS program analyst for the division.

The system will default each name to "renewal" and the user can check any cancellation under a separate column. At the same time, the system will create a total fee tally on the bottom.

Companies can electronically correct any errors they see on the division's listing, generate reports and send the information back to the DOI via email. Buchanan will then translate the data so the DOI's new computer system (launched last year) can read it.

Meanwhile, companies can mail in an accurate check to cover fees the new system already calculates.

Bowler said the goal is to make the process quicker for both companies and the DOI, and move employees from "data entry to data verification."

If the test works, the eight companies will be able to renew for real via the Web at the end of June.

That's when all companies will begin their renewal process, but those not involved in the pilot program will have to use the old paper system.

The test actually involves about 17,000 individual agent renewals plus 7,260 corporate agents. About 130,000 individual agent appointments are up for renewal this year, including 66,800 life and health renewals, and 63,200 property and casualty. A single agent can have appointments with several different companies.

The division is also gearing up for 28,129 corporate agent license renewals: 23,603 property and casualty and 4,836 life, accident and health agents.

Bowler said she hopes the system can be expanded so agents can check online to see if their appointments are renewed. She also hopes the system can be expanded to other agent license renewals.

**Insurance Times:** NY Expands Electronic Filing

June 6, 2000, Vol. XIX No. 12

NEW YORK - The New York Insurance Department has expanded its acceptance of electronic filings. Insurers can now submit policy forms and rate filings through a new program that eliminates incomplete filings, reduces review and processing time, and addresses the changing needs of consumers as a key part of the department's overall efforts towards "sped to market" insurance products, according to Neil D. Levin, superintendent of insurance.

The department will now make the System for Electronic Rate and Form Filing (SERFF) developed by the National Association of Insurance Commissioners (NAIC) and available to all insurers that have purchased a SERFF license. SERFF has been set up on a trial basis since April.

SERFF allows insurers to obtain state approval by submitting policy forms and rate filings electronically. The evaluation, review and approval also are handled electronically. p

Captive-ating Vermont

A.M. Best's Captive Directory 2000 Edition now ranks Vermont third in the world for captives domiciled, placing it behind Bermuda and the Cayman Islands. Vermont is home to twice as many captives as all other U.S. states combined.

New laws enacted this year will make it an even more attractive place for insurers and captives, maintains Dan Towle, director of financial services for the Vermont Department of Economic Development.

Under the new laws, smaller commercial insurance buyers will have greater options in "fronting" their risks with several alternatives. Insurers will also be able to include new forms of investment securities when assessing corporate financial obligations. Finally, the state also set forth a process for mutual insurers to convert to stock companies. p

Rev. Jesse Jackson to keynote NAIC meeting

National Association of Insurance Commissioners (NAIC) President and Kentucky Insurance Commissioner George Nichols III announced that Rev. Jesse L. Jackson, Sr. will be the keynote speaker during opening session of the association's summer national meeting in Orlando, Florida June 12.

"Whether in the political arena as a candidate, in the international arena as an advocate for peace and justice, or in the domestic social arena, Reverend Jackson is a respected advocate for fairness and justice. I am very pleased he will be addressing our opening session," Nichols said.

Jackson is the president and chief executive officer of the



Rainbow/PUSH Coalition, Inc. and will discuss the The Rainbow/PUSH Coalition's Wall Street Project that is headquartered in New York City. The Wall Street Project was launched on Jan. 15, 1999, to challenge corporate America to end the multi-billion dollar trade deficit with minority vendors and consumers. The Wall Street Project uses research, education and negotiations to persuade companies to close the gap by hiring and promoting more minorities to corporate boards and awarding more contracts to minority businesses.

***Insurance Times:*** Opinion Exchange  
June 6, 2000, Vol. XIX No. 12

Property/casualty CEOs believe that survival and success will depend on effectively managing the distribution of traditional and new products through multiple channels, according to the property/casualty insurance sector report of the Tillinghast - Towers Perrin 2000 Financial Services Industry CEO Survey.

The responding CEOs also named technology as one of their greatest strategic challenges in the quest to serve demanding and maturing customers.

"With the rise of 'distribution' to the first-place position this year from a fourth-place position in our survey three years ago, CEOs are defining their number one job as winning in the marketplace by getting the right products to the right customers through the right channels," said Howard Dempster, the Tillinghast - Towers Perrin consultant who conducted the survey.

Addressing distribution effectiveness and productivity was listed as one of the top three strategic issues by 76 percent of survey respondents. The CEOs' principal distribution concern is to "effectively use technology to create distinctive value."

The CEO respondents focused on five issues when asked to identify their top three strategic issues from a list of 10. In addition to distribution effectiveness and productivity, the CEOs also named increased competition, information and technology management, expense and cost management, and changing market and customer demands as their foremost priorities.

Having identified their biggest challenges, do these CEOs see themselves as in a position to conquer them?

Not really.

"The CEOs we surveyed differed in their assessments of how well prepared their companies are to deal with specific issues," said Dempster. "They feel best prepared to deal with increased competition, somewhat less prepared to deal with information and technology management as a strategic issue, and even less well prepared to deal with distribution effectiveness, changing market and customer demands, and expense and cost management."

More than half the respondents said the primary obstacles to their preparedness were technology limitations (55 percent), inadequate control of distribution channels (52 percent) and a hypercompetitive environment (50 percent).

One might argue that if they feel ill-prepared to deal with distribution changes, these CEOs might consider leaving well enough alone. There is such a frenzy to try to market in every direction and every avenue possible, it just might be that niche distribution can be an option. Some CEOs might do well to focus on keeping their present agents happy, and leave all the other options -- from banks and CPAs to kiosks and direct mail -- to others.

There no way an insurance company can just leave technology alone, however, the attitudes of these CEOs towards the Internet is puzzling.

Relatively few (under 5 percent) rated the Internet as an important distribution channel in the 1997 survey.

"Though most property/casualty CEOs see the Internet as a promotional and informational vehicle that must be able to educate and service customers, not all agree that the Internet will become a distribution channel for personal lines," explained Dempster.

If they do not believe in the Internet as a distribution force, that's all the more reason for these CEOs to concentrate on keeping their agents happy.

***Insurance Times:*** Insurers Spell Out Costs Of NY's High Auto Premiums  
June 6, 2000, Vol. XIX No. 12

NEW YORK - The high costs of injury claims and a larger number of damage claims from auto accidents in New York are far above the national average, keeping the price of auto insurance in the state high, according to the insurance industry.

The cost drivers associated with medical care, auto repair, litigation and fraud are behind the state's high auto rates, not the profits of auto insurance companies, Bernard L. Bourdeau, president of the insurer-backed New York Insurance Association, told the Assembly Standing Committee on Insurance, which held hearings last month into the cost of auto insurance.

#### Past 10 Years

Bourdeau testified that auto insurers have paid out more in claims than they received in premiums from individual drivers in seven of the past 10 years. For commercial auto insurance, auto insurers have had underwriting loses for 10 consecutive years.

"Auto insurers in New York do not make their profits from underwriting insurance, but by investing premium dollars," he said. "When auto underwriting is combined with investment income, auto insurers on average earn about five percent on the premium

dollar -- about the same as the national average.

"If New York chooses to confiscate part of the investment returns from capital serving the auto insurance market, investors will move their capital to investments that produce higher returns. New York drivers will then be left with fewer choices and higher prices," he maintained.

Bourdeau said that it is the 95 cents of the premium dollar paid out in claims and other expenses that must be examined to identify cost drivers and ways to reduce premiums.

#### Bodily Injury Claims

Citing insurance industry studies on injuries in auto accidents, he noted that in New York State, the average cost of a bodily injury claim is \$21,471 per claim, a staggering 124 percent higher than the national average.

The cost of claims under the Personal Injury Protection (PIP) portion of the state's no-fault auto policy is \$5,763--- which is 44 percent higher than the national average.

The frequency of claims for property damage in the state is 15 percent higher than the national average, while the cost of those claims is slightly below the national average, he added.

To help reduce costs, Bourdeau urged approval of amendments to the state's no-fault regulation 68 that would eliminate as much as \$100 million in fraudulent claims. These regulations would reduce the time frame for supplying proof of medical claims, work loss and other expenses to 45 days rather than 180 days. They would also reduce the time frame for submitting written notice of an accident by an injured person from 90 days to 30 days.

#### Photo Inspections

He also urged changes in the state's regulation 79 to reduce costs of running the mandatory motor vehicle photo inspection program. In addition, he said the adoption of a voluntary no-fault managed care program and approval of a measure to permit companies to engage in auto directed repair programs would further reduce premiums.

The industry representative also recommended the use of lower cost, competitively-priced cosmetic parts for auto repairs.

Measures that prohibit the use of these non-original manufacturer parts would only drive up costs, he argued.

He cautioned that state mandated rollbacks or government price fixing would only serve to reduce competition in the market place. inevitably leading to higher prices. he supported the continued use of multi-tier and flex-rating systems.

"These days most companies are not making any profits in the New York auto market," Bourdeau said. "Any measure to restrict their prices would only drive those companies out of New York."

***Insurance Times:*** AGENCY CONSULTING GROUP, INC.

June 6, 2000, Vol. XIX No. 12

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***Insurance Times:*** NY AG Sues Car Rental Firm To Include Insurance Costs In  
Basic Fees  
June 6, 2000, Vol. XIX No. 12

NEW YORK (AP) - The state attorney general's office has sued the nation's largest car rental company, seeking to force an end to its practice of tacking on extra fees for insurance coverage. The lawsuit, filed in Manhattan's State Supreme Court, charges that Enterprise Rent-A-Car has unlawfully refused to include basic personal injury and property damage coverage as part of the basic car rental fee.

Instead, court papers say, Enterprise tells car renters they will be driving with no coverage at all unless they pay an extra \$6.95 for a \$1 million policy. The state's lawsuit says this practice is illegal and has cost New Yorkers millions of dollars over the past few years.

In 1994, the state's highest court, the Court of Appeals, ruled that car rental companies may not shift financial responsibility for the legal minimum in personal injury insurance onto the renter.

Attorney General Eliot Spitzer said, ``The highest court in New York has already condemned this as being against public policy. With this lawsuit, we are seeking an end to this deceptive and unlawful practice.''

Assistant Attorney General Joy Feigenbaum said minimum personal injury liability is \$25,000 per person and \$50,000 per accident where there is no loss of life, and \$50,000 per person and \$100,000 per accident where life is lost. She said the property damage minimum is \$10,000.

Feigenbaum said Enterprise pays third parties when there is an accident and then sues the rental customer to recoup the money. ``This is illegal,''' she said. ``Basic coverage should be included in the rental fee.''

Spitzer said the lawsuit ``seeks to stop Enterprise from charging for insurance that they are obligated to provide, and it seeks money damages for customers who have paid the additional \$6.95.''

He added that the money damages could amount to several million dollars.

Enterprise, based in St. Louis, has more than 3,600 rental location in the United States. The company has more than 15,000 cars registered as rental vehicles in New York State. The company issued a statement saying that it did not understand why Spitzer's office had sued.

``The supplemental liability coverage we offer to consumers in New York is the same legal, optional coverage offered by all rental companies operating in the state,'' the statement said. ``Our company is also licensed to offer this coverage to interested renters in the state.''

``As it stands now,'' the Enterprise statement continued, ``numerous appellate court decisions have already upheld the manner in which we as a company conduct ourselves in cases involving third party claims.''

**Insurance Times:** Harvard Pilgrim Rehab Plan Approved  
June 6, 2000, Vol. XIX No. 12

BOSTON (AP) - A judge has approved a state plan to rehabilitate Harvard Pilgrim Health Care, four months after the state's largest HMO reported losses so high that the state took it over. Harvard Pilgrim was put into receivership Jan. 4 after company officials discovered losses for 1999 would exceed \$150 million. State officials later revised the estimated losses to \$226 million.

After Harvard Pilgrim was taken into state receivership, Insurance Commissioner Linda Ruthardt and Attorney General Thomas Reilly came up with a plan to turn its finances around. Supreme Judicial Court Justice Francis J. Spina on May 24 approved that plan, clearing the way for Harvard Pilgrim's rehabilitation.

The company has more than a million members in New England, including over 900,000 in Massachusetts.

``The goal has always been to allow Harvard Pilgrim's providers to continue delivering health care to its members,'' Ruthardt said. During the first three months of 2000, Harvard Pilgrim reported a net loss of \$13.4 million on total income of \$634 million. That was slightly better than the \$14.9 million net loss that had been projected, Harvard Pilgrim said in a statement.

Harvard Pilgrim predicts a net loss of about \$5 million this year, compared to net losses of \$226 million last year and \$54 million in 1998.

Ruthardt said Harvard Pilgrim would likely be released from state control within a month, after the appointment of a new board of directors to continue oversight of its finances.

#### Weekly Financial Reports

Harvard Pilgrim will have to give weekly financial reports to the state Division of Insurance, in addition to the monthly statements it already files. That requirement will stay in effect until Harvard Pilgrim repays more than \$200 million in debt, Ruthardt said.

``We've got a lot of people looking over our shoulders,'' said Harvard Pilgrim President Charles Baker.

The rehabilitation plan included increased premiums;

restructuring of operations and a reduction in the workforce, which saved \$70 million; Harvard Pilgrim's withdrawal from Rhode Island, which accounted for \$56 million in losses last year (25 percent of total losses); recontracting with all Massachusetts physician groups; creating a technology partnership with Perot Systems to improve claims processing and information systems, and introduction of a three-tier pharmacy benefit to help control prescription drug costs.

**Insurance Times:** Property/Casualty & Risk Management  
June 6, 2000, Vol. XIX No. 12

Electric offers \$50 off to online auto buyers  
BEVERLY, Mass. - Electric Insurance Company (EIC), a Massachusetts direct writer of automobile and homeowner's insurance, has launched a new discount program for online auto insurance shoppers. The eDiscount Program affords consumers a one-time savings of \$50 off the premium purchase price when they select an Electric Insurance auto policy quote from the company's Website ([www.electricinsurance.com](http://www.electricinsurance.com)). This new program is currently offered to insurance shoppers on the Internet in Arizona, Idaho, Missouri, New Mexico and Utah, with more states possibly to follow.

"The eDiscount Program is intended to pass on to consumers the savings realized through Web-based transactions," said Rich Middleton, eBusiness Project Manager for Electric Insurance.

"We're excited about the opportunity that recent growth in our online business presents to the company, our current policyholders and our future customers."

A year 2000 winner of the USA Today/RIT Quality Cup Award, the Electric Insurance site was recently ranked as one of the top online insurance sites by Gomez Associates." Middleton adds.

"Electric Insurance Company's constant commitment to service excellence drives our ecommerce efforts to deliver a service that is functional, easy to use and meets the consumer's needs. The new eDiscount Program is just another example of the efforts toward our goal of continued improvement and growth in better serving our customers."

Electric Insurance Co., established in 1966, is a direct writer of private passenger automobile and homeowner's insurance and has been a GE benefit provider for 25 years. The company has more than 125,000 policyholders in 47 states. p

InsureHelp.com adds Fireman's wine program

WARWICK, N.Y. - InsureHelp.com and Fireman's Fund Insurance Co. announced a partnership to add personal wine collection to InsureHelp's list of products. InsureHelp.com allows clients to submit information, rate, bind and remit payment for unique insurance products.

Independent agencies affiliated with InsureHelp.com will be able to offer these products from their own Web sites, as InsureHelp.com remains transparent to the consumer.

"We're very proud to begin this relationship with Fireman's Fund, especially on such an exciting product," said Keith Savino, president and CEO of InsureHelp. "This relationship works well in

both the 'click and mortar' worlds, allowing agents of Fireman's Fund to write new business passively through their own Web sites." "Being able to present new products to our agents through InsureHelp allows them new revenue opportunities \* plus significant potential for cross-selling our more traditional lines of business. It's a great match for both of our companies," said Liza Matz, agency sales manager for Fireman's Fund. InsureHelp.com's initial test agencies are in California, Connecticut, Florida, New Jersey and New York, but the system is open to agents in all 50 states. InsureHelp.com is selecting the first agencies in each state and is now accepting nationwide pre-registration, Keith Savino, president, said. Product availability is limited by state and broker availability. Agents can contact InsureHelp.com at 1-800-994-2855. p

St. Paul offers agents web tool for pricing

ST. PAUL, Minn. - The St. Paul Companies has introduced SPCQuote, a web-based tool that gives agents the ability to access current pricing information on more than 3,500 small commercial businesses such as retail establishments, manufacturers and contractors. "SPCQuote puts knowledge at agents' fingertips to maximize their competitive power in the marketplace," said Jim Lewis, senior vice president, The St. Paul Companies. "It will give an agent the confidence of knowing quotes always reflect the most recent rates and rules applicable to the state being quoted."

SPCQuote is easy to use. Agents simply log on, enter the customer account information and receive an instant quote on property, general liability, auto, umbrella and inland marine coverages. Workers compensation quoting capabilities will be added later this year.

For more information, visit the company's web site, [www.stpaul.com](http://www.stpaul.com).

First Media manages Safeco media program

KANSAS CITY, Mo. - First Media Insurance Specialists, Inc. has become the media liability program administrator for Safeco property and casualty Cos. First Media policies offer seamless coverage against media liabilities through a unique "open peril" policy.

First Media develops primary and excess liability coverages for a broad range of traditional and online media companies.

***Insurance Times:*** Company Promotes Insurance Coverage For Traffic Tickets  
June 6, 2000, Vol. XIX No. 12

Drivers make monthly payments to cover unlimited tickets

MADISON, Wis. (AP) - Think of it as insurance for traffic tickets. For a monthly fee, a motorists group will pay off your traffic fines, including those for speeding and drunk driving. National Motorists Association is offering the plan to its 7,000 members nationwide. And while it may make some drivers happy, safety experts are concerned the program could encourage reckless driving.

### Unfair Tickets

The plan is designed to help drivers financially, so they can afford to hire a lawyer or prepare themselves to contest unfair or inappropriate traffic tickets, said Jim Baxter, president of the for-profit group based in Waunakee, a Madison suburb.

Under the plan, drivers make monthly payments from \$5 to \$50, with coverage ranging from \$100 to \$1,000 a ticket. The program covers an unlimited number of tickets and costs the same regardless of driving record.

Under the prepay plan, the association pays traffic tickets that result in demerit points, which drive up motorists' insurance rates and can cost drivers their licenses.

For example, a drunken driving conviction in Wisconsin carries a penalty of six points, while illegal passing carries three points. Drivers lose their licenses if they receive 12 points within a year.

While the prepayment plan helps drivers pay their tickets, it doesn't help reduce the number of demerit points against them, the resulting insurance hikes or the legal penalties that result from traffic violations.

Mantill Williams, national spokesman for the AAA auto club, said the plan is the first of its kind in the country and questioned its wisdom.

``It just kind of flies in the face of good sense and basic logic to us, because we think there's a direct correlation between paying fines and safer driving,'' Williams said.

### Radar Detector

Joe Gibney, an NMA member in Lynn, Mass., said he had no use for the program but other people may find it beneficial.

``I have radar detector, and I'm very cautious about driving and stuff. The likelihood of me getting a ticket at this point is very minimal, to say the least,'' he said.

Baxter said most people don't deserve traffic tickets because the laws themselves have become geared more toward producing revenue than creating safer driving conditions.

``We know of municipalities where there are 300 residents and they're generating \$300,000 to \$400,000 a year from traffic tickets,'' Baxter said.

Stuart MacIntosh, spokesman for the Washington, D.C.-based Advocates for Highway and Auto Safety, said traffic laws exist to promote safety, and the contention that they are designed to raise money is ``ridiculous.''

``The concept that you should insure yourself against fines that you receive for acting illegally and potentially putting other lives as well as your life and your children's lives at risk is an anomaly to us,'' MacIntosh said.

The National Motorists Association lobbies for motorists' rights, arguing against speed limits, mandatory seat belt usage and the application of traffic fines toward law enforcement or court costs. Membership in the group includes a ``legal defense kit'' and lawyer references to help drivers contest tickets in court. The traffic ticket prepayment plan is currently in its first month and has only a dozen customers so far. Currently available only to NMA members, Baxter said the group may expand the program to the general public.



Baxter said he does not expect people to drive more recklessly because of the prepayment plan, since they still have insurance premiums, penalty points and the law to worry about.

``When people get in their car, do they drive in a manner that they think will endanger lives? Do they want to get points on their license? Do they want to get insurance surcharges that involve several hundred dollars? The answer is no.''

While safety advocates question the plan's rationale, some insurance officials have questions of their own. The NMA says the program is not insurance.

The Wisconsin Office of the Commissioner of Insurance has opened a complaint file on the company, and the Ohio Department of Insurance was also looking into the plan to make sure it has complied with necessary state regulations.

**Insurance Times:** Allstate, Home Depot Tackle Home Repair Claims  
June 6, 2000, Vol. XIX No. 12

Insurer's adjusters to work with Home Depot's stores

NORTHBROOK, Ill. - The Allstate Insurance Co. and The Home Depot announced a unique alliance to make home insurance repairs available to Allstate customers with materials from Home Depot stores.

The agreement allows Allstate insurance adjusters to work with Home Depot's 977 U.S. stores to provide repair materials and installation at reasonable prices. Use of Home Depot is at the customer's option. Initially the agreement will apply to flooring replacement, with Home Depot providing the materials and installation.

Other Products

"The alliance with Home Depot includes carpeting and other flooring products, along with the use of Home Depot material pricing for building material," said Dan Hebel, Allstate assistant vice president/claims. "It will allow Allstate policyholders who have experienced a property loss access to Home Depot's superior products and proven outstanding customer service. Other services may be added to the alliance as it moves forward, including other types of installation products."

"We're delighted to be working with Allstate and their policyholders, who are in our stores every day," said David Suliteanu, president of diversified business for Home Depot. "Home Depot and Allstate's goals are the same: provide the end customer with the best service experience, with the broadest selection of quality material and labor."

Allstate said the arrangement will have a significant impact on its claims expenses.

**Insurance Times:** Fast-Paced Entrepreneurs Urged Not To Forget Insurance Coverage  
June 6, 2000, Vol. XIX No. 12

## What small businesses need to know about insurance

by Joyce Rosenberg  
Associated Press

NEW YORK - The dream of many entrepreneurs is a successful business, with sales and profits pouring in from deals with big customers.

As these small business owners pursue those dreams, they also should be taking care of the mundane parts of running a company, such as buying adequate insurance coverage.

The kinds of insurance they'll need for their company, and the amount they need to purchase, depends on the type of business and where they operate it. If they're running a daycare center, their business has different insurance needs than a restaurant or a bakery. And if they're working out of their home, the insurance they'll need will also be different. You do know that they need business insurance in addition to their homeowners insurance, right?

Some types of business insurance are optional, while others are required either by law - workers compensation insurance is mandated by many states - or by a lending agreement. For example, if a business owns the building where it conducts business, their mortgage lender may require property and liability insurance. But even where insurance isn't required, they should purchase adequate coverage - or they could see the business they've worked so hard to build be decimated by unexpected losses.

Of course, small businesses need comprehensive property insurance that will cover damage due to fire and other calamities. They may also want extra coverage for a variety of contingencies that aren't covered in their policy; for example, they might need to pay more to get coverage for flood or other water damage, or to have windows and other glass fixtures repaired or replaced under specific circumstances.

They'll also need liability insurance, which provides coverage against injuries that occur on their property or that are caused by their employees. And most states mandate that employers purchase workers compensation insurance in case employees are injured while on the job.

If the business uses cars, trucks or other vehicles, they also need coverage.

But these are basics that every company needs to buy. Depending on what kind of business they're in, and where they conduct that business, they very likely will want to purchase coverage to protect against losses not covered in a standard policy.

For example, they might want to get business interruption insurance, which helps offset some of the losses a firm would suffer if a fire or other disaster forces it to shut down or cut back operations while they're cleaning up or rebuilding. This kind of insurance provides money to make loan payments and pay employees while the firm is regrouping.

If the company is involved in manufacturing, it should buy product liability coverage.

The Insurance Information Institute, a New York-based industry group, sells a book, ``Insuring Your Business,' ' detailing some of the specific kinds of coverage that different categories of

businesses need. For instance, it notes that retailers tend to make interior improvements to the stores they rent, so their coverage needs to reflect that investment.

The book can be ordered through the institute's Web site (www.iii.org), which also sketches out some of the insurance that businesses will need.

Home-based businesses often overlook or shrug off the need for insurance, according to authors Paul and Sarah Edwards. In their book ``Working From Home,' ' the Edwardses say at two-thirds of the home business owners they've interviewed had no business insurance at all, and most didn't know they even needed it. Many other business owners believed mistakenly that they were already covered by existing insurance.

These business people are risking huge financial losses in the event of an accident or disaster. A standard homeowners policy does not cover losses to a business located inside a home. If your house suffers fire or weather damage, and your business equipment or files are ruined, you would collect nothing. If the FedEx or UPS person trips over your children's toys while delivering a business package, your liability insurance won't apply.

The Edwardses also note that some homeowners insurance policies can be voided by the existence of a business inside a home - and a home includes a garage and any other structures on the property.

***Insurance Times:*** Lloyd's Will Not Search Swissair Crash Site  
June 6, 2000, Vol. XIX No. 12

LONDON (AP) - Lloyd's of London said last week it has scrapped plans to search the site of the 1998 Swissair crash off Canada for an estimated \$200 million worth of diamonds and jewels, saying it did not want to upset relatives of the crash victims.

Lloyd's spokesman Adrian Beeby had denied earlier that the insurance company was being insensitive by seeking to retrieve the valuables from the wreckage of the crash, which killed 229 people. He said the site had already been dredged by Canadian authorities immediately after the plane went down.

But Lloyd's later said in a statement that the license it applied for to search the site, if issued, would be used solely to deter treasure hunters.

``The reputation of Lloyd's has always been founded on its integrity,' ' the statement said. ``Consequently, Lloyd's will not dive or explore the site, respecting the wishes of the families. Lloyd's would like to apologize to all of the families of the victims of the Swissair crash for any distress caused by its application for a license.' '

Investigators still have not discovered what caused Swissair Flight 111 to crash into the ocean just off Nova Scotia on Sept. 2, 1998.

Through a Canadian insurance company, Lloyd's had asked the Nova Scotia government for permission to hunt for 41/2 pounds of diamonds and 11 pounds of jewelry listed on the flight manifest. The diamonds reportedly were in a stainless steel tube, which may have disintegrated on impact or been driven deep into the seabed. Ian Shaw, whose daughter died in the crash, argued before the Nova

Scotia legislature that no one should be allowed to ``rake through'' the site. He said other victims' relatives also opposed the plan.

Bill Estabrooks, a member of the Nova Scotia legislature who represents communities near the crash site, had said the province should reject any treasure trove application ``because of the sacredness of the site.''

***Insurance Times:*** Atlantic Mutual And The Mary Celeste Mystery  
June 6, 2000, Vol. XIX No. 12

NJ-based insurer, the long-time marine insurer, is the only surviving company that wrote insurance on the most famous of all ghost ships, the Mary Celeste

MADISON, N.J. (AP) - When documentary filmmakers are looking for a good, briny sea story to tell, they can often be found knocking on the doors of a 158-year-old insurance company in landlocked Madison.

The Morris County community is the administrative center of the Atlantic Mutual Companies, insurers of ships and their cargoes since 1842, and the only survivor of five American companies that wrote policies on the most famous of all ghost ships, the Mary Celeste.

The Atlantic wrote its first marine policy on the schooner A.F. Thorne, and 10 years later began to keep disaster logs on all maritime casualties in which the company had a share of the loss. The archive is said to be the most extensive outside Lloyd's of London.

Handwritten notes and newspaper clippings in 341 leather-bound volumes chronicle storied maritime disasters - the gold ship Central America off Cape Hatteras in 1857, the Titanic in 1912, the Morro Castle at Asbury Park in 1934, the Andrea Doria off Nantucket Island in 1956.

But the haunting tale of a much smaller vessel, the American half-brig Mary Celeste, rivals them all in its power to inflame the imagination and its ability to enthrall generation after generation with a seemingly impenetrable mystery.

On Dec. 5, 1872, the Mary Celeste was found drifting ghostlike before the wind in the ocean halfway between the Azores and Portugal, her master, Capt. Benjamin Spooner Briggs of Marion, Mass., his wife, Sarah, their 2-year-old daughter, Sophia Mathilda, and a crew of seven, all vanished.

Abandoned in Panic

There were signs that the ship - found to be seaworthy and in no danger of sinking - had been abandoned in panic.

But for what reason? The mystery has become the most widely known in the annals of the sea.

Not a trace of the 10 people on board was ever found.

Speculation over their fate has spawned numerous books and articles with theories ranging from piratical attack and mutinous murder to sea monsters and aliens from outer space.

The fascination persists 128 years later, most recently by a

television crew for the History Channel, which filmed archival material from Atlantic Mutual's disaster logs for an hourlong program on the Mary Celeste and other sea mysteries scheduled to air in August.

The Atlantic's host for such visits is Theodore R. Henke, senior vice president of the claims services division, whose own avid curiosity about the legendary brigantine and familiarity sources on the subject have made him a spokesman for the company.

``There have been other ghost ships,'' says Henke, ``but none with the cachet of the Mary Celeste.''

#### Bound for Italy

As Henke tells it, the 282-ton Mary Celeste left New York Harbor on Nov. 7, 1872, bound for Genoa, Italy. The ship's cargo consisted of 1,710 oak casks of 100-proof alcohol that consignees would dilute to fortify wine and liqueurs.

Another brigantine that would become part of the legend departed from New York eight days later. She was the 295-ton British vessel Dei Gratia, under the command of Capt. David Reed Morehouse, carrying 81,126 gallons of petroleum and bound for Gibraltar.

The Mary Celeste took a route south of the Azores; the Dei Gratia shaped a more traditional course north of the Portuguese archipelago. Both ships weathered tempestuous seas in the crossing.

In the afternoon of Dec. 5, at a point several hundred miles east of St. Mary's Island, the easternmost island in the Azores group, the Dei Gratia sighted a ship five miles distant on an opposite course. The vessel appeared to be in distress, but displayed no signal.

Capt. Morehouse scanned the ship with his glass and saw no sign of life. He recognized the vessel as the Mary Celeste.

Some crew members were dispatched to investigate.

The wheel was unlashd and turning in response to the rudder.

There wasn't a soul on the ship.

#### Missing Boat

``There was water in the hold, but not enough to endanger the ship, and the pumps worked,'' said Henke. ``Two hatch covers were off, but the main hatch was battened down with two spars. Missing were the ship's boat, and the captain's sextant, navigation book, ship's register and other papers, along with the chronometer, used to determine longitude.''

The vessel had six months of provisions and plenty of drinking water.

In the mate's cabin were found the ship's log book and the log slate, on which daily events were recorded for later entry in the main log. The last entry in the log was Nov. 24, and the last on the slate Nov. 25, showing the ship had made St. Mary's Island. With Capt. Morehouse's approval, First Mate Deveau and two others of the Dei Gratia's eight-man crew pumped the Mary Celeste dry, made repairs, and sailed it 600 miles to Gibraltar, arriving one day behind the Dei Gratia.

#### Admiralty Court

Before the Dei Gratia's claim of salvage could be considered, an inquiry was held by the Admiralty Court in Gibraltar, after which the Queen's Proctor, Solly Flood, reported to the British Board of

Trade his opinion of what occurred on board the Mary Celeste. ``My own theory or guess is,' Flood stated, ``that the crew got at the alcohol, and in the fury of drunkenness murdered the Master, . his wife and child, and the chief mate . and that they did, some time between the 25th November and the 5th December, escape on board some vessel bound for some North or South American port or the West Indies.''

Henke said his own view of what might have happened parallels that first advanced in an article in the February 1940 issue of Yachting magazine. The writer was Oliver W. Cobb, a medical doctor, a cousin of both Briggs and his wife, and a former seaman with experience on schooners.

It was Cobb's theory that fumes from a few leaking alcohol casks in the hot, unventilated cargo hold were ignited by a spark caused by the friction of steel barrel hoops chafing together from the motion of the sea. The result was an explosion that blew away the fore hatch.

Fearing worse to come from the volatile cargo, Capt. Briggs ordered everyone on board into the ship's boat tethered to the Mary Celeste by a long rope, which would be the means of returning to the vessel once the danger had passed.

A meteorological report for that area of the Azores stated that a wind of gale force prevailed in the afternoon that day. Such a wind, Cobb conjectured, could have caused the ship to lunge forward, snapping the rope and stranding all in the small boat, as the Mary Celeste sailed into history.

Henke thinks the Cobb theory the ``most plausible,' and so does the doctor's grandson, Harold Cobb, 74, of West Chester, Pa., a retired metallurgical engineer, who has collected almost everything written about his relative's ghost ship.

``The Mary Celeste sailed for another 12 years under different owners, but it was a marked ship that had trouble recruiting hands, Cobb said.

``In the English Channel, she rammed and sank another ship. She went up on the rocks off Nova Scotia. Nathan Briggs, father of the Mary Celeste's master, was retired and living in Marion when he opened his front door during a thunderstorm and was struck by lightning and killed. The ship itself ended its days rotting on a reef off the coast of Haiti.''

***Insurance Times:*** Life Insurance & Financial Services  
June 6, 2000, Vol. XIX No. 12

MetLife prepares to offer banking services  
NEW YORK- MetLife Inc. announced that its subsidiary, Metropolitan Life Insurance Co., has taken the first step towards offering banking services to its customers by establishing a new unit within the company. Judy Weiss, an executive vice president, has been appointed to head the unit. She will report directly to Robert H. Benmosche, MetLife's chairman and chief executive officer.

The unit's main responsibility initially will be to identify the best strategy to proceed in offering such products and services as savings and checking accounts, individual retirement accounts and

online bill payment. The goal is to make these banking features available by early 2001.

"Offering banking services will give MetLife the opportunity to provide our existing and future customers with greater flexibility, security, and convenience in meeting their financial goals," said Benmosche. "With her financial experience, and deep knowledge of MetLife, Judy was a natural choice to lead us into the banking arena."

Weiss has been with MetLife for more than 27 years in various key positions, most recently serving as executive vice president and chief actuary. "Offering banking services is a fundamental progression for MetLife. The company pays over \$25 billion annually on policyholder claims and our new bank will help us retain those funds and provide new services to our customers. It will also enable us to develop new opportunities for our individual and institutional businesses. Over time, we plan on making the best use of both traditional banking services and online capabilities. I am really excited about the opportunities this opens up for MetLife and its customers," said Weiss. p

CPAs have new partner in Jefferson-Pilot GREENSBORO, S.C. -- Certified public accountants who want to expand their business by offering comprehensive financial services have a new ally--Jefferson Pilot Financial. The national financial services company has introduced CPA Security, a turnkey financial services program that links CPAs with experienced Jefferson Pilot Financial agents in one of eight customized structural options.

"Our CPA Security program is designed to help CPAs offer a full range of financial services to their existing clients," said John A. Cindia, CPA, Jefferson Pilot Financial vice president for CPA marketing. "The program allows member CPA firms to immediately offer world-class expertise by teaming them with seasoned insurance, estate planning and investment professionals." The eight structural options offered by Jefferson Pilot Financial provide flexibility for growth within the CPA Security relationship. A CPA firm can start with a basic referral, begin a partnering relationship and evolve into a more active role, up to and including establishing its own limited broker dealer. The arrangement allows the CPA to retain his or her independence and expand services to clients without expending money on staffing resources.

"Lots of CPA/financial services arrangements require the CPA to give the client to a broker or agent, with the potential to ultimately lose the client," said Cindia. "With us, it's always the CPA's client; we're local partners who leverage the CPA's time while enhancing the service the CPA provides."

Jefferson Pilot Financial's program can include a corporate indemnity agreement. With the seasoned representative's supervision of the case, including reviewing and processing all paperwork, the CPA is indemnified for any liability above and beyond his or her own errors and omissions coverage.

For more information about CPA Security, contact John Cindia, CPA, at 800-458-8299, ext. 3324, or john.cindia@jpfm.com p

Hancock inks two new online agreements

BOSTON - John Hancock Financial Services has signed an agreement

to market long-term care insurance on QuickenInsurance.com and term insurance on Answer Financial, Inc.'s site at www.answercenter.com).

With the announcement, Hancock, one of the largest sellers of both long-term care and term insurance, has entered into its first online long-term care marketing pact and its fourth term insurance agreement.

"These agreements mark the continuation of Hancock's strategy to offer quality products consumers want - anywhere they want them, at any time," said Kathy Graveline, executive vice president of Hancock's retail sector.

**Insurance Times:** Despite Savings, Consumers Shy Away From Direct Pay Plans

June 6, 2000, Vol. XIX No. 12

Privacy concerns slow use of direct bill payments

by Aileen Alt Powell  
Associated Press

NEW YORK - Pioneering consumers, sick of writing a dozen checks each month to pay for everything from electricity bills to mortgage, auto insurance and credit cards, are opting for direct payment - authorizing those companies to deduct bill payments from their bank accounts.

Millions of Americans already have their salaries or benefit checks deposited directly into their bank accounts, yet relatively few have their bills automatically paid.

The nation's financial clearing houses handled 3.1 billion direct deposits in 1999, according to NACHA-The Electronic Payments Association, a Herndon, Va.-based trade group. The association says that figure represents about half of all private industry payrolls, 97 percent of federal government salaries and nearly four out of five Social Security and veterans' checks.

But direct bill payment has lagged. Last year, the clearing houses processed 1.9 billion direct payments, or less than 15 percent of total bills paid.

In short, we're far from the "paperless society" that has long been predicted as imminent.

The Direct Deposit and Direct Payment Coalition - whose members include NACHA, regional clearing house associations and the Federal Reserve - recently sponsored a survey to try to determine why consumers are comfortable with direct deposit but hesitant about direct payment.

They got some surprising answers. About a third of those surveyed said they preferred to write checks and mail them. This, they indicated, gave them a greater feeling of control of their money and helped them keep track of it.

And while more than two-thirds believed their privacy was protected with direct deposit, about the same percentage expressed concern about their privacy with direct payment.

"People are extremely private about their money," said Kathleen Gurney, president of Financial Psychology Corp. in Sonoma, Calif.



``Once they know the facts \_ and the fact is that privacy is protected \_ they could make better use of these financial management tools.''

With direct payment programs, customers authorize a company or utility to withdraw funds from their bank accounts to cover each month's bill. Some companies still mail out bills, or simply receipts, so customers can record the transactions in their checkbooks.

Federal Reserve regulations prevent unauthorized debits from your bank accounts. Companies can't take the money before the date specified, and they can withdraw only the agreed amount. The Fed rules also give consumers 60 days to stop or reverse a payment if they believe a mistake has been made.

Gurney argues that for many people who shudder at the idea of writing out a budget \_ which most financial planners do recommend \_ direct bill payment may be a help.

``It's like a prioritized spending plan,''' she said. ``With direct payment, you know in advance what your fixed bills are and what you have to pay. The discretionary money is what's left over, (and) you can decide what you want to do with that.''

There's no question but that companies save money when they don't have to process checks. The nation's financial system is less clogged with paper, too.

But consumer advocates point out that there also are savings for consumers.

``You're not paying to print extra checks, not taking the time to write them, not paying for the stamps,''' said Jean Ann Fox, director of consumer protection for the Washington-based Consumer Federation of America.

She cautions, however, that people should avoid direct payment ``if the amount varies a lot month to month . as with credit card and phone bills.''' Fluctuating amounts can lead to mistakes, she said.

Nancy Nauser, president of the Consumer Credit Counseling Service of Greater Kansas City and mid-Missouri, said consumers ``have to remember to deduct the direct payments from their checkbooks, just like they do ATM activity'' or they'll find themselves overdrawn - and perhaps paying penalty fees to the bank.

On the other hand, Nauser pointed out, direct payment all but guarantees on-time payment, and that means no late fees.

***Insurance Times:*** Federal Agents Probe Six Viatical Companies  
June 6, 2000, Vol. XIX No. 12

LEXINGTON, Ky. (AP) - Federal agents searched six companies in four states last month, looking for evidence of fraud in the business of buying and selling the life insurance policies of terminally ill patients.

Dozens of agents searched the Kelco Group, a company that specializes in sales of life insurance policies to third parties, or viatical settlements.

U.S. Attorney Joseph Famularo said similar search warrants were executed at companies in Grand Rapids, Mich.; Byron, Mich.; Lorain, Ohio; Loveland, Ohio; and Atlanta as part of an ongoing

federal investigation.

``Viatical fraud in the United States today is astronomical,'' Famularo said at a news conference. ``Estimates vary, but our latest figures show that losses incurred from viatical fraud approach \$1 billion annually.''

Famularo said no arrests were made and were not expected at this stage of the investigation. Documents related to the search warrant were under seal, the FBI said.

Kelco officials called the raid unfair.

#### 'Unfair Attack'

``We believe that Kelco is the subject of an unfair attack on the entire viatical and life settlement industry,'' said lawyer Bob Webb. ``This is an example of overzealous law enforcement that was totally unnecessary.

``Before this raid there was no notice to any Kelco representative, no request for documents that could have been provided on a voluntary basis and we have yet to receive the affidavit that allegedly supports the federal search warrant which authorized the raid.''

In viatical transactions, a company buys individually owned whole, universal, or term life insurance policies and pays a portion of the policy face value in cash immediately to the holder, who normally is elderly or terminally ill. Once the policy holder receives the cash settlement, the company takes over all premium payment obligations and cashes the policy for its full amount when the former holder dies.

#### Popular in Early '90s

When the company assumes the role as beneficiary, it can turn around and offer investment opportunities in the policy to others. Advocates say the arrangements help people who want to enjoy their assets before they die or who need money for medicine. The agreements became especially popular in the early 1990s as people with AIDS sought money for expensive last-ditch treatments.

***Insurance Times:*** U.S. Report Cites Lack Of Dental Insurance In Oral Health 'Epidemic'  
June 6, 2000, Vol. XIX No. 12

WASHINGTON - The first-ever Surgeon General's report on oral health identifies a "silent epidemic" of dental and oral diseases that burdens some population groups and calls for a national effort to improve oral health among all Americans.

The report, commissioned by Health and Human Services Secretary Donna E. Shalala, also focuses on the relationship between oral health and overall good health throughout life, the mouth as a "mirror for general health and well-being" and the association between oral health problems and other health problems.

#### 'Profound Disparities'

"During the last 50 years, there have been dramatic improvements in oral health, and most middle-aged and younger Americans expect to retain their natural teeth over their lifetimes," said Surgeon

General David Satcher, M.D., Ph.D. "However, this report illustrates profound disparities that affect those without the knowledge or resources to achieve good oral care. Those who suffer the worst oral health include poor Americans, especially children and the elderly. Members of racial and ethnic groups also experience a disproportionate level of oral health problems. And, those with disabilities and complex health conditions are at greater risk for oral diseases that, in turn, further complicate their health."

Satcher announced the report's findings at a press conference today in Washington, D.C., highlighting that good oral health and general health are inseparable.

"The Surgeon General's Report on Oral Health provides important reminders that oral health means more than sound teeth. Oral health is integral to overall health," Shalala said. "Furthermore, safe and effective disease prevention measures exist that everyone can adopt to improve oral health and prevent disease."

The report calls for a national partnership to provide opportunities for individuals, communities and the health professions to work together to maintain and improve the nation's oral health.

Satcher also urged broadened awareness and use of common preventive tactics, including personal daily oral hygiene habits such as brushing with a fluoride toothpaste and flossing daily, community programs such as community water fluoridation and tobacco cessation programs and health care provider-based interventions such as the use of dental sealants and examinations for oral and pharyngeal cancers.

#### Remove Known Barriers

"Ignoring oral health problems can lead to needless pain and suffering, complications that can devastate well-being, and financial and social costs that significantly diminish quality of life and burden American society," Shalala said. "Together we can affect the changes we need to maintain and improve oral health for all Americans and remove known barriers that stand between people and oral health services."

Dr. Satcher noted that major barriers to oral health include socioeconomic factors, such as lack of dental insurance or the inability to pay out of pocket, or problems of access that involve transportation and the need to take time off from work for health needs. While 44 million Americans lack medical insurance, about 108 million lack dental insurance. Only 60 percent of baby boomers receive dental insurance through their employers, and most older workers lose their dental insurance at retirement.

Meanwhile, uninsured children are 2.5 times less likely to receive dental care than insured children, and children from families without dental insurance are 3 times as likely to have dental needs as compared to their insured peers.

Living in a community that lacks a fluoridated water supply may also exacerbate oral health problems, and people with disabilities and complex health problems may face additional stumbling blocks, Satcher said. Yet another barrier to seeking and obtaining professional help is a general lack of public understanding and awareness of the importance of oral health.

Oral diseases and craniofacial disorders are linked to total health and well-being throughout life. Oral problems may include

dental caries or tooth decay and periodontal or gum disease, oral infections such as cold sores that occur at any stage of life, as well as birth defects in infancy and the chronic facial pain conditions and oral cancers seen in later years.

"Serious oral disorders may undermine self-image and self-esteem, discourse normal social interaction, and lead to chronic stress and depression as well as to incurring great financial cost," said Satcher.

"They also may interfere with vital functions such as breathing, eating, swallowing and speaking. The burden of disease restricts activities in school, work, and home, and often significantly diminishes the quality of life."

The report reiterates that general health risk factors, such as tobacco use and poor dietary practices, also affect oral and craniofacial health. The evidence for an association between tobacco use and oral diseases has been clearly delineated in every Surgeon General's report on tobacco since 1964, and the oral effects of nutrition and diet are presented in the Surgeon General's report on nutrition. Moreover, recent research findings have pointed to possible associations between chronic oral infections and diabetes, heart and lung disease, stroke and low-birth-weight premature births.

The report assesses these emerging associations and explores possible mechanisms that may underlie these oral-systemic disease connections.

#### Broad Course of Action

"Oral Health in America: A Report of the Surgeon General" charts a broad course of action including: enhancing the public's understanding of the meaning of oral health and the relationship of the mouth to the rest of the body; raising the awareness of the importance of oral health among government policy makers to create effective public policy that will improve America's oral health; and educating non-dental health professionals about oral health and disease topics and their role in assuring that patients receive good oral health care.

Also recommended is an expansion of the science base to determine the people and populations most at risk for serious oral health conditions, an acceleration of the application of research findings into targeted and effective health prevention methods, and promotion of their adoption by the public and health professions.

Expenditures for dental services alone made up 4.7 percent of the nation's health expenditures in 1998 -- \$53.8 billion out of \$1.1 trillion. The national health expenditures for dental services is expected to exceed \$60 billion in 2000. The report says these expenditures underestimate the true costs to the nation, since data are unavailable to determine the extent of expenditures and services provided for craniofacial health by other health providers and institutions.

***Insurance Times:*** Suit Accuses Italian Insurer Of Spurning Holocaust Claims

June 6, 2000, Vol. XIX No. 12

SAN FRANCISCO (AP) - California relatives of Holocaust victims have accused Italy's largest insurer of refusing to recognize pre-World War II life insurance policies for reasons such as a concentration camp inmate's failure to pay premiums. Their lawsuit, filed in San Francisco Superior Court, seeks class-action status on behalf of as many as 20,000 Californians whose relatives were killed or persecuted in the Holocaust and held insurance policies that were never honored.

The company, Assicurazioni Generali, is one of five European insurers working with the International Commission on Holocaust Era Insurance Claims.

The commission, established in 1998, reviews claims of unpaid policies and refers them to the companies. The Los Angeles Times reported May 9 that the companies had rejected more than three-fourths of the claims submitted so far.

``The international commission is bogus,'' Nancy Cohen, a lawyer for the four plaintiffs in the San Francisco suit, said after a news conference announcing the case. ``It's not working. Even when they pay, they don't pay what is owed, including all the interest.''

Generali, as the Italian company is known, issued a statement saying such lawsuits are ``counterproductive and only serve to further delay payments to Holocaust victims and their families.''

The international commission is ``the most just and expeditious process for resolving this matter,''

the company said. It said it had made 375 settlement offers so far, totaling nearly \$5 million, and paid \$2 million.

### ***Insurance Times:*** Guide to Brokers

June 6, 2000, Vol. XIX No. 12

#### Excess & Surplus Lines

##### Acorn Insurance

P.O. Box 269, Pelham, NH 03076

Telephone: (800) 634-7874

Fax: (603) 635-3815

E-Mail: [insoffices@aol.com](mailto:insoffices@aol.com)

Web: [members.aol.com/insoffices/bizcard](http://members.aol.com/insoffices/bizcard)

Established: 1997

Principal Officers: Rod Crawford, underwriting manager

Direct with Lloyd's: Yes

States Served: NH, MA, VT, CT, RI, ME

Top classes: Restaurants, contractors, roofers, miscellaneous general liability, inland marine, fire

#### AFG Partners

111 John Street, New York, NY 10038

Telephone: (212) 732-1100

Fax: (212) 406-3192

E-Mail: [ledelman@afgins.com](mailto:ledelman@afgins.com)

Web: [afgins.com](http://afgins.com)

Established: 1992

Principal Officers: Lester Edelman

Direct with Lloyd's: Yes  
States Served: All  
Top classes: Seacoast homeowners; property on all business  
classes; contingent income protection; landscapers

Agency Intermediaries, Inc.  
1575 Boston Post Road, P.O. Box 451, Guilford, CT 06437  
Telephone: (800) 922-3347  
Fax: (800) 522-3331  
E-Mail: info@agencyint.com  
Established: 1981  
Principal Officers: Erina P. Connors, president; Julie Sonier,  
executive vice president; Jennifer Domrest, assistant vice  
president; Manja H. Connors, secretary/treasurer;  
Direct with Lloyd's: Yes  
States Served: CT, MA, RI, NY ,NH  
Top classes: Habitational, contractors, bars/restaurants,  
vacant/renovations, general contractors.

A.I.I. Insurance Brokerage of Mass., Inc.  
183 Davis St., E. Douglas, MA 01516-1139  
Telephone: (800) 262-7475  
Fax: (800) 545-8331  
E-Mail: info@agencyint.com  
Established: 1985  
Principal Officers: Erina Connors, president; Julie Sonier,  
executive vice president; Jennifer Demrest, vice president  
Manja H. Connors, secretary/treasurer  
Direct with Lloyd's: Yes  
States Served: MA, RI  
Top classes: Restaurants/bars; vacants/renovations; contractors;  
habitational; garages

All Risk Associates, Ltd.  
277 Broadway, New York, NY 10007  
Telephone:(212) 964-3995  
Fax: (212) 267-3192  
E-Mail:araltd@aol.com  
Established: 1955  
Principal Officers: Fred Mansbach  
Direct with Lloyd's: Yes  
States Served: NY, NJ  
Top classes: Liabilities; Property; BOPs; Personal Excess;  
Umbrella

H.T. Bailey Insurance Agency, Inc.  
22 Mill Street, Arlington, MA 02476  
Telephone: (781) 641-4400  
Fax: (781) 646-3911  
Principal Officers: H.T. Bailey, Jr.; David A. Robinson; George M.  
Busnach; Carrie E. Robinson  
Direct with Lloyd's: Yes  
States Served: CT, ME, MA, NH, NY, RI, VT  
Top classes: Liquor liability; sports bars/taverns; special  
events; habitational including waterfront properties; contractor  
liability; restaurants; product liability; employment practices;  
restaurants

H.T. Bailey South Insurance Agency, Inc.  
20 Mazzeo Dr., #221, Randolph, MA 02368  
Telephone: (781) 963-2300  
Fax: (781) 963-2620  
Principal Officers: H.T. Bailey, Jr.; David A. Robinson; George M. Busnach; Carrie E. Robinson; William L. Gately; Cheryl D. McDonald  
Direct with Lloyd's: Yes  
States Served: CT, ME, MA, NH, NY, RI, VT  
Top classes: Liquor liability; medical professionals; special events; habitational including waterfront properties; contractor liability; restaurants; product liability; employment practices; restaurants; professional liability; environmental liability

Baldwin Sadler Corporation  
P.O. Box 7012, Audubon, PA 19407-7012  
Telephone: (800) 227-9040  
Fax (610) 650-9300  
Established: 1982  
Principal Officers: Robert A. Baldwin  
Direct with Lloyd's: No  
States Served: CT, ME, MA, NH, NY, RI, VT  
Top classes: Long haul truck liability, limousine liability, general livery liability, truckers' workers comp, limousine/school bus contractors workers comp, miscellaneous professional liability

Russell Bond & Co., Inc.  
866 Ellicott Square Building  
295 Main Street, Buffalo, NY 14203-2595  
Telephone: (800) 333-7226; (716) 856-8220; Fax: (716) 856-0403  
E-Mail: info@russellbond.com  
Established: 1950  
Principal Officers: Kurt C. Bingeman, president; Gary A. Hollederer, vice president/general manager; Mark M. Palmisano, vice-president finance/administration  
Direct with Lloyd's: Yes  
States Served: MA, NH, NY, CT, CO, NE, PA, WA, FL, NJ, OH, DE, DC, MD, TX, VA, NC  
Top classes: Directors & officers/employment practices liability; errors & omissions; malpractice; municipalities; financial institutions; environmental

Boston Insurance Services, Inc.  
121 High Street, Boston, MA 02110  
Telephone: (617) 428-4644  
Fax: (617) 428-4643  
E-Mail: dmurphy@bostins.com  
Web: cbewick@bostins.com  
Established: 1999  
Principal Officers: Deborah Murphy, Gordon Bewick  
Direct with Lloyd's: Yes  
States Served: MA, RI, CT, VT, NH, ME  
Top classes: Habitational classes; alarm installers; employment practices liability; day care centers; exterminators; sprinkler contractors; lessor's risks; vacant buildings; garage repair; landscapers; general contractors; detective agencies;

exterminators; wholesale distributors; alternative risk division  
for rent-a-captives

Butler-Florists' & Growers' Insurance Agency, Inc.  
20 South Street, Westboro, MA 01581  
Telephone: 800 288-5375  
Fax: 800 866-2884  
E-mail: HButler@butlerinsurance.com  
Web: Butlerinsurance.com  
Established: 1967  
Principal Officers: Robert G. Butler, Harriet Butler  
Direct with Lloyd's: Yes  
States Served: Nationwide and Canada  
Top classes: Property and liability for the horticultural  
industry; landscapers; garden centers; fruit & vegetable farms;  
greenhouse operations; equipment; lawncare  
Castle Insurance Associates, Inc.  
262 Washington St., Boston, MA 02108  
Telephone: (617) 367-9550  
Fax: (617) 367-9543  
Established: 1988  
Principal Officers: Frank Vincent, Patricia O'Driscoll, Charles  
McCarthy, Richard Coughlin  
Direct with Lloyd's: No  
Top classes: Biotechnology/medical products; computer  
hardware/software; contractors, medical/dental health facilities;  
environmental exposures

CESI Agency of New England, Inc.  
2 Cote Lane, P.O. Box 10576  
Bedford, NH 03110  
Telephone: (800) 522-9142  
Fax: (800) 522-9143  
Established: 1993  
Principal Officers: Elizabeth A. Marston, Walter Prast, Leon  
Finver  
Direct with Lloyd's: Yes  
States Served: MA, RI, NH, VT  
Additional Locations: Continental Agency of CT, Inc., P.O. Box  
5423, Hamden, CT 06518  
Top classes: Day care centers; vacant property (commercial &  
residential); contractors; professional liability, habitational;  
restaurants; homeowners

Conexco Insurance Agency Inc.  
30 Turnpike Rd.  
Southborough, MA 01772-2114  
Telephone: (800) 888-7830  
Fax: (508) 481-0773  
Web: www.ctunderwriters.com  
E-Mail: conexco@compuserve.com  
Established: 1982  
Principal Officers: William D. Kiley, president; Richard Martino,  
assistant vice president  
Direct with Lloyd's: Yes  
States Served: CT, MA, ME, NH, RI, VT, NY  
Top classes: Contractors; apartments/dwellings; restaurants;



vacant property; professional liability  
Connecticut Underwriters, Inc.  
P.O. Box 316, Portland, CT 06480-0316  
Telephone: (860) 342-0713; (800) 243-3712 (outside CT)  
Fax: (860) 342-4392  
E-Mail: ct\_underwriters@compuserve.com  
Web: www.ctunderwriters.com  
Established: 1964  
Principal Officers: William D. Kiley, president  
Direct with Lloyd's: Yes  
States Served: All New England and NY  
Top classes: Habitational risk; contractors -all types; special events; products liability; professional liability including lawyers, architects/engineers; umbrellas

Continental Agency of Conn.  
P.O. Box 187109, Hamden, CT 06518  
Telephone: (800) 922-2563  
Fax: (203) 288-2312  
Web: CA-group.com  
E-Mail: gprast@ca-group.com  
Established: 1976  
Principal Officers: Walter Prast, president; Chet Blake, vice president; Gerard Prast, vice president  
Direct with Lloyd's: Yes  
States Served: All New England states  
Additional locations: Continental Agency of RI, 1045 Warwick Ave. Warwick, RI 02888; Phone: (401) 467-1183, Fax: (401) 4671649; CESI Agency of New England, 2 Cote Lane, P.O. Box 10576, Bedford, NH 03110; Phone: (800) 522-9142.  
Top classes: Homeowners; vacant buildings (all New England states); condo and homeowners associations; personal auto and public transportation; businessowners policy; apartment buildings; workers compensation; habitational apt and BOP.

Crump of New Jersey, Inc.  
485 Route 1 South, Plaza E, Suite 290, Iselin, NJ 08830  
Telephone: (732) 634-8770  
Fax: (732) 634-8760  
Web: www.crumpins.com  
E-Mail: ccicarelli@crump.brkr.com; wdixon@crump.brkr.com; shance@crump.brkr.com; jduddy@crump.brkr.com  
Established: 1998  
Principal Officers: Charles J. Ciccarelli, president; William E. Dixon, executive vice president; Stephen Hance, vice president; James Duddy, vice president  
Direct with Lloyd's: Yes  
States Served: All states  
Top classes: General liability; professional liability; excess and umbrella coverages; workers compensation

Crump of New York, Inc.  
125 Maiden Lane, New York, NY 10038  
Telephone: (212) 635-2951; (800) 410-5686  
Fax: (212) 635-2957  
Web: www.crumpins.com  
E-Mail: ccicarelli@crump.brkr.com; maragona@crump.brkr.com;

mnosal@crump.brkr.com; kpellicane@crump.brkr.com  
Established: 1978  
Principal Officers: Charles J. Ciccarelli, president; Mark A. Aragona, executive vice president; Michael H. Nosal, vice president; Katherine Pellicane, vice president  
Direct with Lloyd's: No  
States Served: All states  
Top classes: Casualty; property; umbrellas and excess coverages; professional liability; commercial packages

Doran Excess Underwriters, Inc.  
6240 Carlisle Pike, P.O. Box 1417 Mechanicsburg, PA 17055-1417  
Telephone: (800) 553-6739  
Fax: (717) 697-7506  
E-Mail: doranco@aol.com  
Established: 1975  
Principal Officers: Ronald G. Hihn, president  
Direct with Lloyd's: No  
States Served: All states  
Top classes: Insurance agents E&O; third party administrators E&O; excess and umbrella liability; excess medical professional; excess non-medical professional.

Excess Insurance Underwriters, Inc.  
P.O. Box 1518,  
Portland, ME 04104  
Telephone: (800) 365-0136 ME, NH, VT; (800) 568-9757 RI, MA  
Fax: (207) 775-6592 ME, NH, VT; (401) 886-4447 MA, RI  
Web: excessins.com  
E-Mail: eiu@ime.net  
Established: 1977  
Principal Officers: Michael S. Adams; Ronald S. Mazer  
Direct with Lloyd's: Yes  
States Served: ME, MA, NH, RI, VT, CT  
Additional Location: 572 Main St., E. Greenwich, RI 02818  
Top classes: Commercial auto; restaurants/bars/taverns/dance halls; apartment house/dwellings; logging equipment; alarm installation, service and repairs, long haul trucking

First New England X/S  
Insurance Agency, Inc.  
229 Andover St., Wilmington, MA 01887  
Telephone: (978) 657-4189  
Fax: (978) 658-0412  
Established: 1986  
Principal Officers: Michael S. Hoskinson, president; Paul Chibnik, executive vice president  
Direct with Lloyd's: Yes  
States Served: New England, NY  
Top classes: D&O; umbrella; E&O; package; CGL and property-monoline

Global Facilities, Inc.  
P.O. Box 743  
Lynbrook, NY 11563  
Telephone: (516) 599-3800  
Fax: (516) 599-3930

E-Mail: globalfac@erols.com  
Established: 1977  
Principal Officers: Robert Shapiro, president  
Direct with Lloyd's: Yes  
States Served: CT, NY, NJ  
Top classes: Transportation; trucking; multi-peril; directors & officers; umbrella; E&O misc.; contractors including paper general contractors, roofers, artisans, steel erectors

Good Weather Insurance Agency, Inc.  
76 Lafayette Street, Salem, MA 01970  
Telephone: (800) 324-7759  
Fax: (978) 741-8786  
E-Mail: ltillman@goodweather.net  
Web: www.goodweather.net  
Established: 1993  
Principal Officers: Lauralee Tillman; Alison Jones  
Direct with Lloyd's: Yes  
States Served: All of U.S. and Canada  
Top classes: Weather insurance for all industries: entertainment, sports, retail, municipalities, manufacturing, construction  
Green Mountain Agency, Inc.  
33 Cottage St. Rutland, VT 05701  
Telephone: (800) 451-4279  
Fax: (802) 775-5590  
E-mail: jpalumbo@gmunet.com  
Web site: www.gmunet.com  
Established: 1900  
Principal Officers: Joseph T. Palumbo, president; Thomas J. Palumbo, vice president; Daisy Thar, vice president  
Direct with Lloyd's: Yes  
States Served: VT, NH, ME, CT, MA, NY, NJ  
Top classes: Commercial auto liability or physical damage; logging entities; inland marine; general liability; contractors general liability; watercraft; special events; property seasonal risks

Insurance Center  
Special Risks, Ltd.  
246 Park Street  
West Springfield, MA 01089  
Telephone: (888) 773 RISK (7475)  
Fax: (413) 781-0050  
Established: 1978  
Principal Officers: David T. Florian, president  
Direct with Lloyd's: Yes  
States Served: CT, ME, MA, RI, VT, NY, NH  
Top classes: Yachts; small craft (including personal watercraft); habitational (MA, CT and RI); bars/taverns/restaurants (MA, CT and RI); independent contractors (MA, CT and RI); vacant property; motorcycles  
Insurance Innovators Agency  
of New England, Inc.  
30 B Capital Dr., P.O. Box 680  
W. Springfield, MA 01090  
Telephone: (413) 731-1100;  
(800) 332-3847  
Fax: (413) 731-7403

Established: 1988

Principal Officers: John Flemma, president; Deborah Czerwiec, vice president; Brenda Labrie, vice president

Direct with Lloyd's: Yes

States Served: CT, ME, MA, NH, RI, VT

Additional locations: 7 October Hill Rd., Holliston, MA 01746;

(508) 893-0707 or (888) 881-6363; Fax: (508) 893-9797;

iiane@samnet.net; Bruce Leonard, Linda Schecker

Top classes: Restaurants and taverns; habitational property-dwellings and apartment buildings; recreational vehicles (mobile homes, travel trailers, watercraft); contractors' general liability; vacant property

International Excess

& Treaty Managers, Inc.

400 Massasoit Avenue

East Providence, RI 02914

Telephone: (401) 434-6180

Fax: (401) 434-0277

Web: www.ietm.com

E-Mail: ietmri@aol.com

Established: 1972

Principal Officers: Thomas A. Kelley, Sr.; Thomas A. Kelley, Jr.; James H. Kelley; Andrew Piper; Ted Polk

Direct with Lloyd's: No

States Served: ME, MA, CT, NH, NY, RI, VT, DC, PA

Top classes: All forms commercial SMPs; restaurants; municipalities; taverns; bars; all forms monoline GL, OLTs, M&C; liquor liability; umbrellas; jewelers block; special events; vacant property; large property; builders risk; apartments; nightclubs; special events; contractors; excess coverages; pollution

E.A. Kelley Co. Insurance Agency of Maine, Inc.

447 Congress St.

Portland, ME 04010

Telephone: (207) 871-1867;

(800) 235-7451

Fax: (207) 871-1879

Principal Officers: David Thomas, Debbie Baker, Betty DiBiase

Direct with Lloyd's: Yes

States Served: ME, VT, NH

Top classes: Directors & officers; habitational; homeowners; vacants; errors & omissions; restaurants, bars and taverns; auto physical damage

E.A. Kelley Co. Insurance Agency of Mass.

P.O. Box 292

Haverhill, MA 01831

Telephone: (800) 797-6713

Fax: (800) 370-2924

Established: 1986

Principal Officers: David A. Thomas, Pattie Shea, MaryAnn Comeau

Direct with Lloyd's: Yes

States Served: MA, NH, VT

Top classes: Contractors; rehabs; builders risk; vacants; D&O/E&O; habitational; environmental; umbrellas; restaurants, bars and

taverns; products; general liability

E.A. Kelley Co. Insurance Agency of Rhode Island, Inc.  
450 Veterans Memorial Pkwy., East Providence, RI 02914  
Telephone: (401) 431-9883;  
(800) 457-2326;  
Fax: (401) 431-9889  
Established: 1957  
Principal Officers: David A. Thomas, Katherine M. Kelley, Barbara L. Kelley  
Direct with Lloyd's: Yes  
States Served: CT, RI, MA, NH, ME, VT  
Top classes: Vacants; habitational; E&O/D&O; heavy general liability; umbrellas; workers compensation; auto physical damage; restaurants, bars and taverns; product liability

Joseph Krar & Associates, Inc.  
26 N. Main St.  
Southington, CT 06489  
Telephone: (800) 886-5050; (860) 628-3967  
Fax: (860) 628-3969  
Web: www.jkrar.com  
E-Mail: jkrar@jkrar.com; mkrar@jkrar.com  
Established: 1993  
Principal Officers: Joseph A. Krar  
Direct with Lloyd's: Yes  
States Served: CT  
Top classes: General liability and property; personal lines; professional liability; environmental liability; excess and umbrella

LoVullo Associates, Inc.  
689 Main St., Buffalo, NY 14203  
Telephone: (716) 856-3065  
Fax: (716) 856-8057  
Web: www.lovullo.com  
E-Mail: www.lovullo.com  
Established: 1949  
Principal Officers: Leonard T. LoVullo; Paul W. LoVullo; David W. Pietrowski  
Direct with Lloyd's: Yes  
States Served: NY, PA, CT, RI, VT, ME, NH  
Top classes: Trucking; contractors; habitational; professional; watercraft; motorcycle  
Maine Underwriters  
Insurance Agency, Inc.  
Kittery Business Center, 72 Rte. 236, Kittery, ME 03904  
Telephone: (207) 439-2265  
Web: www.ctunderwriters.com  
Established: 1992  
Principal Officers: William D. Kiley, president  
Direct with Lloyd's: Yes  
States Served: New England  
Top classes: Contractors; apartments/dwellings; restaurants/taverns; vacant property; professional liability

New Century Global, Inc.

5 Forest Park Drive  
Farmington, CT 06032-1475  
Telephone: (860) 674-3720  
Fax: (860) 674-3725  
Established: 1997  
Principal Officers: Scott Polley  
Direct with Lloyd's: Yes  
States Served: All  
Top classes: Contractors, property, tough products, professional liability, commercial umbrella habitational; small commercial package binding authorities.

New England  
Insurance Services, Inc.  
P.O. Box 63, Weatogue, CT 06089  
Telephone: (888) 845-8288 Toll Free  
Fax: (860) 844-8274  
Established: 1992  
Principal Officers: Elizabeth C. Downs, CIC  
Direct with Lloyd's: No  
States Served: CT, MA, ME, VT, NH, RI, PA, MI, IL, NY, DE, OH  
Top classes: Human service organizations; child care programs

New Hampshire Underwriters Insurance Agency Inc.  
118 Maplewood Avenue, Portsmouth, NH 03801-3787  
Telephone: (603) 427-0905  
Fax: (603) 427-6977  
Web: www.ctunderwriters.com  
E-Mail: gbalzano@atlanticconnection.net Established: 1988  
Principal Officers: William D. Kiley, president; Gerry Balzano, assistant vice president  
Direct with Lloyd's: Yes  
States Served: New England  
Top classes: Contractors; apartments/dwellings; restaurants/taverns; vacant property; professional liability  
N.I.F. Services of  
New England, Inc.  
10 Jefferson Boulevard  
Warwick, RI 02886  
Telephone: (401) 941-1200;  
(800) 878-4NIF  
Fax: (401) 461-3870  
Established: 1983  
Principal Officers: William A. Battistini, president; Mary Lou Battistini, vice president  
Direct with Lloyd's: Yes  
States Served: CT, MA, NH, RI, VT  
Additional Locations: Manhasset, NY; New York, NY; Bala Cynwyd, PA; Montvale, NJ  
Top classes: Social service agencies, profit and non profit; misc. professional liability; commercial and personal umbrellas, all general liability and property classes

North Island Group, Inc.  
30 Park Ave.  
Manhasset. N.Y. 11030  
Telephone: (516) 365-7440

Fax: (516) 365-7392

Web: nifgroup.com

E-Mail: nifmail@aol.com

Established: 1976

Principal Officers: Michael A. Orlando, Dennis Loggie, William Battistini, John Orlando, Mark Maher, Anne Grippo, Tom Marbach, John Buckley, Daniel Mogelnicki, David Vicari, Tim Dixon

Direct with Lloyd's: Yes

States Served: CT, ME, MA, NY, NJ, RI, VT, PA, DC, VA.

Additional Locations: Warwick, RI; Bala Cynwyd, PA; Montvale, NJ; New York, NY; Glens Falls, NY

Top classes: Social service institutions; professional/medical malpractice; health clubs; employment practices; real estate investment trusts; public entities; coastal homeowners

#### Professional Agents

Associates of New York, Inc.

155 E. Main St., P. O. Box 32

Brewster, NY 10509

Telephone: (914) 279-7443; (800) 243-3712

Fax (860) 342-4392

Web: www.ctunderwriters.com

Established: 1996

Principal Officers: William D. Kiley, president

Direct with Lloyd's: Yes

States Served: New York and New England.

Top classes: Habitational risks, contractors- all types; special events, shopping centers, products liability

Professional Coverage Managers, Inc.

5 Hanover Sq., 3d floor

New York, NY 10004-2614

Telephone: (212) 344-8200

Fax: (212) 344-5537

Established: 1969

Principal Officers: Richard C. Marx, president; Robert C. Meyer, senior vice president; Paul Rovelli, vice president

Direct with Lloyd's: Yes

States Served: Most states

Top classes: Architects and engineers; lawyers professional; child day care providers; casualty coverage; excess/umbrella liability; insurance agents liability

#### Pomerleau Program Administrators

184 So. Winooski Ave.

P. O. Box 485

Burlington, VT 05402

Telephone: (802) 863-2841

Fax: (802) 863-8206

E-Mail: bcourcy@pomerleauins.com

Established: 1985

Principal Officers: Brian L. Courcy

Direct with Lloyd's: No

States Served: CT, ME, MA, NH, NY, RI, VT

Top classes: Liquor liability; lawyers professional liability; accountants professional liability; fuel tank owners; day-care providers

Professional Managers, Inc. /Euclid Managers  
977 Oaklawn Ave., Elmhurst, IL 60126  
Telephone: (630) 833-1120  
Fax (630) 758-0100  
Web: webpmi.com  
E-mail: gcalhoun@euclidmanagers.com  
Established: 1981  
Principal Officers: John Colis, president; Guy R. Calhoun, senior vice president  
Direct with Lloyd's: Yes  
States Served: All states  
Top classes: All professional liability; lawyers; non-profit directors & officers; miscellaneous errors & omissions; accountants

Quaker Special Risk  
255 Park Ave.  
Worcester, MA 01609  
Telephone: (508) 755-6210  
Fax: (508) 795-0646  
Web: qsr-insurance.com  
E-Mail:  
kbranscombe@qsr-insurance.com  
Established: 1981  
Principal Officers: Karin Branscombe  
Direct with Lloyd's: Yes  
States Served: New England  
Top classes: Property -vacant, rehab, coastal, habitational, manufacturing; casualty- contractors, manufacturing, apartments, condos; restaurants, taverns, bars, adult entertainment; liquor liability; environmental - contractors, consultants, engineers; professional- EPL, D&O, E&O, lawyers, A&E

RCA Insurance  
Agency of New England  
1111 Elm St., P.O. Box 1066  
West Springfield, MA 01090  
Telephone: (413) 732-5199;  
(800) 851-9200  
Fax: (413) 739-7416  
Web: www.rca-insurance.com  
Established: 1981  
Principal Officers: Maxine Lessard  
Direct with Lloyd's: Yes  
States Served: All  
Top classes: Taverns, bars, restaurants, hotels, motels, fraternal organizations, contractors, habitational, umbrellas

RISCO, Inc.  
60 Catamore Blvd.  
East Providence, RI 02914  
Telephone: (401) 435-5400;  
(800) 533-3649  
Fax: (401) 438-0980  
Established: 1987  
Principal Officers: Barry Phillips, president; Charles Finnegan, underwriter; Ken Cook, marketing



Direct with Lloyd's: Yes  
States Served: ME, MA, NH, RI, VT, CT  
Top classes: Restaurants; taverns; habitational; D&O; employment  
practices liability

S.H. Smith & Company, Inc.  
41 North Main Street, Suite 300, West Hartford, CT 06107  
Telephone: (860) 561-3600; (800) 356-0168  
Fax: (860) 561-3606  
Web: shsmith.com

E-Mail: inquiries@shsmith.com  
Principal Officers: Scott Smith, John Williams, Dennis Donovan,  
Neil Cross, Terrence Coughlin

Direct with Lloyd's: Yes  
States Served: CT, ME, MA, NH, NY, RI, VT, OH, PA, NC, SC.  
Additional Locations: 661 Highland Ave., Needham, MA 02494; 1684  
Old Tannery Acres, Hudson, OH 45203  
Top classes: D&O; E&O; products; umbrellas; property/casualty (any  
size/type account); lawyers professional; insurance agents errors  
& omissions; alarm dealers

Smith, Bell & Thompson, Inc.  
40 Main St., Gateway Square, Suite 500  
Burlington, VT 05402-0730  
Telephone: (800) 735-1800  
Fax: (802) 862-2180; (802) 658-6191  
Established: 1927

Principal Officers: Roger Teese, president; William Thompson,  
senior vice president

Direct with Lloyd's: Yes  
States Served: Nationwide  
Top classes: Home health/medical equipment providers; social  
services; staffing services; metalworking/plastics manufacturers  
and distributors; burglar/fire alarm and extinguisher services;  
security/private investigative agencies; bed & breakfasts/country  
inns; lawyers professional; landscapers/tree trimmers

Sovereign Excess, Inc.  
800 Falmouth Rd., Suite 208A Mashpee, MA 02649  
Telephone: (800) 228-1069  
Fax: (800) 290-3966  
Established: 1990

Principal Officers: Pamela Reynolds

Direct with Lloyd's: Yes  
States Served: MA, FL, NY, NJ, PA  
Top classes: Dwellings; apartments; contractors; special events;  
new ventures

Sovereign Insurance Services, Inc.  
517 Roue 1 South, Suite 3100, Iselin, NJ 08830  
Telephone: (732) 750-2300  
Fax: (732) 750-1650  
Established: 1979

Principal Officers: Daniel J. Lynch, executive vice president

Direct with Lloyd's: Yes  
States Served: NJ, NY, PA, FL, MA  
Top classes: Contractors; apartments; umbrellas; new ventures;  
workers compensation

Sovereign Group  
International, Inc.  
242 Main St.  
Staten Island, NY 10307  
Telephone: (718) 317-7000  
Fax: (718) 248-7505  
Established: 1976  
Principal Officers: William F. Lynch, president; Joseph Certo,  
vice president  
Direct with Lloyd's: Yes  
States Served: NJ, NY, PA, FL, MA  
Top classes: Umbrellas; construction; mercantile/apartment;  
workers compensation; dwellings  
Specialty Insurance  
P.O. Box 448, Brielle, NJ 08723  
Telephone: (800) 836-1400  
Fax: (732) 223-4676  
Established: 1976  
Principal Officers: Mel Watters  
Direct with Lloyd's: No  
States Served: CT, MA, NH, NY, RI, ME, VT (total of 20 states)  
Top classes: Reliance hospitality program: restaurants,  
bars/taverns, caterers, hotel/motel, fast food, etc.

Stewart Smith  
New England, Inc.  
836 Farmington Ave.  
W. Hartford, CT 06119-1551  
Telephone: (860) 236-2300;  
(800) 433-1994  
Fax: (860) 236-6900  
E-Mail: [aniello\\_wm@stewartsmith.com](mailto:aniello_wm@stewartsmith.com); [crawford\\_ta@stewartsmith.com](mailto:crawford_ta@stewartsmith.com)  
Established: 1989  
Principal Officers: William M. Aniello, branch manager; Thomas A.  
Crawford, vice president  
Direct with Lloyd's: Yes  
States Served: New England  
Top classes: Program business; manufacturers and contractors;  
products; primary, excess and umbrella liability; excess auto;  
D&O; E&O; property

Surplex Underwriters, Inc.  
P O Box 355  
Weymouth, MA 02188  
Telephone: (617) 335-2241;  
MA: (800) 400-2241  
Fax: (617) 335-1754  
Established: 1991  
Principal Officers: Douglas Pratt, president; Barry Shaw, vice  
president  
Direct with Lloyd's: Yes  
States Served: MA  
Top classes: Professional liability; restaurants; bars & taverns;  
vacant property and apartments; package policies, liability,  
excess liability  
Surplex Underwriters, Inc.  
Box 998, Portland, ME 04104

Telephone: (207) 856-0261;  
ME: (800) 339-0261  
Fax: (207) 856-0260  
Established: 1991  
Principal Officers: Douglas Pratt, president; Denise Joy, vice  
president-underwriting  
Direct with Lloyd's: Yes

States Served: ME, VT, NH, MA, RI, CT  
Top classes: Commercial auto; professional liability; restaurants;  
bars and taverns; vacant property; apartments; general liability;  
excess liability; umbrella; inland marine

Surplex Underwriters, Inc.  
P O Box 6070  
Warwick, RI 02889  
Telephone: (401) 738-7580;  
RI: (800) 696-7580  
Fax: (401) 738-7589  
Established: 1991  
Principal Officers: Douglas Pratt, president; Barry Shaw, vice  
president  
Direct with Lloyd's: Yes  
States Served: MA, RI  
Top classes: Professional liability; restaurants; bars and  
taverns; vacant property; apartments; commercial auto; liability;  
umbrellas; excess liability; one day events; local intermediate;  
long haul cargo  
Surplex Underwriters  
of N.H., Inc.  
Box 10477, Bedford, NH 03110  
Telephone: (603) 625-5711  
Fax: (603) 625-4869  
Established: 1991  
Principal Officers: Douglas Pratt, president; Martha Titus,  
manager  
Direct with Lloyd's: Yes  
States Served: NH, MA, VT, ME  
Top classes: Professional liability; vacant property;  
restaurants; bars and taverns; liability; umbrellas; contractors'  
equipment; apartments

Surplus Line Managers, Inc.  
P.O. Box 490  
Goffstown, NH 03045  
Telephone: (800) 258-1776  
Fax: (603) 497-1774  
Web: [www.surpluslinemanagers.com](http://www.surpluslinemanagers.com)  
Established: 1960  
Principal Officers: Jon Barton, CIC, CIW, president  
Direct with Lloyd's: Yes  
States Served: NH, ME, VT, MA, RI  
Top classes: Apartments; mobile homes; miscellaneous general  
liability; E&O professional; hydro-electric dams; motorcycles;  
homeowners; watercraft; umbrellas; restaurants; contractors

Surplus Services  
Insurance Agency, Inc.

154 Wells Ave.  
Newton, MA 02159  
Telephone: (888) 349-0659; (617) 964-5340  
Fax: (617) 964-3256  
Established: 1975  
Principal Officers: Michael J. Susco, president; Diane Sheedy,  
Nancy McNab, Betty Grigalunas  
Direct with Lloyd's: Yes  
States Served: Northeast  
Top classes: Long-term care; high-valued homeowners; social  
service agencies; not-for-profits; high technology firms; workers  
compensation

Swett & Crawford  
40 Broad Street  
Boston, MA 02109  
Telephone: (617) 556-2100  
Fax: (617) 482-4635  
Web: swett.com  
E-Mail: gary\_joyal@swett.com  
Principal officers: Gary Joyal, Ron Cuneo, Lendy Lloyd, Linda  
LeCount, Art Roderick, Tony Ciulla, Deborah Williams  
Direct with Lloyd's: Yes  
States Served: All  
Top classes: Umbrella; D&O/E&O; products; property; social  
services; general liability; lawyers; insurance agents; employment  
practices liability; condominiums

Swett & Crawford of Maine  
50 Monument Square  
Portland, ME 04101  
Telephone: (207) 774-3857;  
800-492-0762 ME WATS  
800-341-0157 All other;  
Fax: (207) 772-3528  
Web: swett.com  
E-Mail: Peter\_Dumas@swett.com; Fred\_Jefts@swett.com  
Principal Officers: Peter Dumas, branch manager; Fred Jefts,  
marketing/business development  
Direct with Lloyd's: Yes  
States Served: CT, ME, MA, NH, NY, RI, VT  
Top classes: Transportation/trucking; hospitality; environmental  
contracting (incl. pollution liability); professional liability;  
municipal; liquor; garage liability; apartments; financial  
services; D&O; employment practices; umbrellas  
Tennant Risk Services Inc.  
CityPlace II, 185 Asylum Street  
Hartford, CT 06103  
Telephone: (860) 527-9717  
Fax: (860) 527-2438  
Web: www.tennant.com  
E-Mail: info@tennant.com  
Established: 1987  
Principal Officers: Robert T. Sargent, Kimberley L. Byrd  
Direct with Lloyd's: Yes  
States Served: All  
Top classes: Insurance agents/brokers E&O; miscellaneous

professional liability; directors & officers; consultants E&O;  
products liability; real estate appraisers; title agents;  
employment practices liability; architects & engineers; medical-  
related classes

Tri-City Insurance Brokers

110 William St.

New York, NY 10038

Telephone: (212) 732-1360

Fax: (212) 619-5202

Web: [www.tricityins.com](http://www.tricityins.com)

E-Mail: [jjennings@tricityins.com](mailto:jjennings@tricityins.com)

Established: 1985

Principal Officers: John Jennings; Alex Kullman

Direct with Lloyd's: No

States Served: All

Top classes: General liability; umbrellas; directors & officers;  
errors & omissions

Trinity Managers International

111 Broadway

New York, NY 10006

Telephone: (212) 766-7000

Fax: (212) 766-7009

Web: [www.trinitymgrs.com](http://www.trinitymgrs.com)

E-Mail: [info@trinitymgrs.com](mailto:info@trinitymgrs.com)

Established: 1991

Principal Officers: Barnett Rothenberg, president; Kevin J.

Lawler, senior vice president

Direct with Lloyd's: Yes

States Served: All

Top classes: Lawyers professional liability; directors & officers;  
architects and engineers errors & omissions; employment practices  
liability; construction managers and contractors errors &  
omissions

Vermont Specialty Underwriters

P.O. Box 592

Burlington, VT 05402-0592

Telephone: (800) 755-4635

Fax: (802) 862-2180

Established: 1979

Principal Officers: Roger D. Teese, president; William D.

Thompson, Sr., senior vice president

Direct with Lloyd's: Yes

States Served: VT

Top classes: Non-standard auto

D. C. White Agency

370 West Park Ave.

Long Beach, NY 11561

Telephone: (516) 431-9191

Fax: (516) 431-0569

Web: [www.lancer-ins.com](http://www.lancer-ins.com)

E-Mail: [disenberg@lancer-ins.com](mailto:disenberg@lancer-ins.com)

Established: 1950

Principal Officers: David Isenberg

Direct with Lloyd's: No

States Served: NY, NJ, FL, IL

Top classes: Business auto; truckers; dealers and non-dealers liability; garagekeepers legal liability; directors & officers XS Brokers

Insurance Agency, Inc.

21 McGrath Highway

Quincy, MA 02169

Telephone: (617) 471-7171

Fax: (617) 471-7180

Established: 1978

Principal Officers: Ned V. Mannai, CEO; Robert C. LeBrun, president; Adam W. Devine, vice president

Direct with Lloyd's: Yes

States Served: New England

Top classes: Casualty; property; professional liability; umbrellas; employment practices; directors & officers

Zimmerman Specialty Insurance Brokerage, Inc.

209 W. Central St.

Natick, MA 01760

Telephone: (508) 651-3090

Fax: (508) 651-1080

Additional Location:

10 Tower Lane

Avon, CT 06001

Telephone: (860) 678-8808

Fax: (860) 678-9669

Established: 1985

Principal Officers: Simon H. Zimmerman

Direct with Lloyd's: Yes

States Served: CT, ME, NH, RI, VT

Top classes: Property; primary general liability; umbrellas; errors & omissions; directors & officers

**Insurance Times:** Employee Benefits & Managed Care

June 6, 2000, Vol. XIX No. 12

Cigna plans larger customer service center

BRISTOL, Conn. (AP) - Cigna Corp. will expand its Cigna Healthcare customer service operations here, adding about 300 jobs over the next five years.

The company said it will increase the facility by 25,000 square feet, to a total of 127,000 square feet, to accommodate the new staff and new technology.

Planned equipment upgrades include a new phone system and voice-response technology that will direct calls to appropriate staffers.

Cigna said the completed expansion would allow the center to handle 14 million claims a year, up from 9.7 million, and about 4 million customer calls a year, up from 2.75 million.

Medical insurance enrollment has increased to 14 million as of March 31 and is expected to continue to grow, Cigna Healthcare Vice President Jim Foti said. p

Aetna provides Internet benefit administration

BLUE BELL, Pa. - Aetna U.S. Healthcare is rolling out EZLink, its

new state-of-the-art benefits administration system

EZLink is a Web-based benefits and human resource administration solution for managing benefits eligibility, enrollment, billing, reporting, and employee communications. Aetna says that EZLink customers already are reporting savings in time spent on administrative functions of up to 50 percent.

"EZLink marks an important milestone on the path toward paperless benefits transactions for the businesses we serve," said Michael J. Cardillo, president of Aetna U.S. Healthcare. "Aetna U.S. Healthcare's vision of the future includes an information 'cybersystem' that will allow employers, employees, doctors, hospitals and pharmacies to share personalized information at the click of a mouse. We call this new approach to health care e.Health from Aetna U.S. Healthcare. EZLink is our first and very significant part of this approach."

EZLink provides HR and benefits functions, including real-time eligibility, online enrollment and account maintenance, one consolidated electronic bill and Electronic Funds Transfer (EFT) payment options. The system is not limited to Aetna U.S.

Healthcare plans; EZLink delivers its technology to administer other carriers' plans as well.

EZLink is available with Aetna U.S. Healthcare HMO, preferred provider organization (PPO), and Quality Point-of-Service health benefit plans; dental, pharmacy, vision and disability coverage, and group term life insurance. Exports of data to payroll vendors also are supported, providing for payroll deductions that are consistent with the benefits that have been elected.

For more information about EZLink, contact Aetna U.S. Healthcare at 1-877-451-6816. Visit the Aetna U.S. Healthcare Web site at [www.aetnaushc.com](http://www.aetnaushc.com) and the Employer Online Services section. p

Anthem Blues in Conn. freezes small group rates

Anthem Blue Cross and Blue Shield in Connecticut announced it will hold the line on rate increases for employer groups of one to 50 employees through the end of 2000.

The price freeze includes groups purchasing BlueCare, Anthem's health maintenance organization, and Century Preferred, the company's preferred provider organization. p

Vermont off-the-job injuries blocked from WC

Governor Howard Dean has signed into law a measure (H 844) designed to correct a state Supreme Court decision allowing an injured employee to access benefits from workers compensation for an off-the-job injury.

The bill was in response to the state Supreme Court decision in *Grather v. The Gables, Ltd.* A "ski bum" employed by the lodge was awarded by the high court decision workers compensation benefits for a skiing accident that happened after working hours. His claim was that he was entitled to benefits because his employer gave him a restricted ski pass for the resort where he was injured as part of his job.

The new law clearly defines injuries that occur beyond or outside the parameters of the job description and employment requirements are not eligible for workers compensation benefits. The law went into effect on April 19, the day Gov. Howard Dean signed it.

"If this bill had not passed, the high court decision would have caused a major disruption in Vermont's workers compensation market

with implications for other states," maintained Gerald Zimmerman of the National Association of Independent Insurers (NAII).

**Insurance Times:** RI Blues: Public Supports Limited Networks To Save  
June 6, 2000, Vol. XIX No. 12

But survey critics contend poll shows the opposite

PROVIDENCE, R.I. (AP) - Blue Cross & Blue Shield of Rhode Island has released a survey it says indicates the public would tolerate more restrictions to keep costs down.

Written questionnaires were sent to 350,000 residents to determine what the public wants from health insurance, The Providence Journal reported. Sixteen percent, or 57,000 people, returned the questionnaires.

The findings show that 14 percent would choose a plan with limited networks, if the network reduced costs by 10 percent a year. Twenty-four percent said they would do so if costs were reduced by 20 percent a year and 51 percent said they would if costs were reduced by 30 percent a year.

#### Critics of Survey

The Health Care Organizing Project, a coalition of consumer and provider groups, criticized the survey. The group said those numbers actually show residents are not interested in limited networks.

But Blue Cross spokesman Scott Fraser said a 14 percent response shows that a significant number support such plans.

``What we've always said about network products, we think there is a market for them,'' he said. ``We're not saying everybody has to be in them.''

According to the survey, three quarters believe the government should be regulating health care more.

#### More Regulation

Ninety-three percent said drug companies need more regulation, while 90 percent pointed to health insurers. Hospitals need more regulation according to 76 percent and 64 percent said doctors need more.

While Fraser said those results reflect the public's anxiety over the collapse of Harvard Pilgrim, the health care coalition said they indicate a call for government control over health insurance.

``It's pretty straightforward,'' said Kate Coyne-McCoy, a candidate for Congress and member of the Health Care Organizing Project.

``People obviously want control of their health insurance and their health care. They know they cannot get it from their health insurers so they want government to regulate it.''

**Insurance Times:** Major Corporations To Move Toward Employee Defined  
Health Plans  
June 6, 2000, Vol. XIX No. 12



Could trigger dramatic changes in plan designs

A recent Booz Allen & Hamilton survey of Fortune magazine's "100 Best Companies to Work For" found that most were anticipating a longer-term shift to defined-contribution health care benefits plans to manage rising health care cost inflation. However, the pace of this change will be slowed by strong consumer reluctance to adopt the new systems, the McLean, Virginia-based consultant maintains.

'Quiet Revolution'

According to Booz Allen & Hamilton consultant Gary Ahlquist, "A quiet revolution in healthcare benefits is coming, as employees are placed in the driver's seat for selecting their own health plans in an open market. Over the next 10 years, employer-sponsored health plans will evolve en masse into defined-contribution formats, finally and irrevocably creating a consumer-driven healthcare system in the United States."

Consumer resistance

However, Ahlquist noted that stiff consumer resistance would slow adoption of defined contribution plans, as employees used to a limited range of choices are faced with a dizzying menu of products and options. Companies unwilling to alienate employees in a tight labor market have delayed implementing the plans. Nevertheless, a number of the large employers surveyed are ready to make the transition to defined-contributions when marketplace conditions are more favorable. Factors that could trigger a sharp increase in conversions to defined-contribution health care plans include:

A general recession that could spur layoffs and rising unemployment, making employers more willing to risk initial employee dissatisfaction in return for long-term health care savings.

Rising health care costs, which have recently been increasing at an annual pace of 5% to 9%, a rate of inflation two or three times the growth rate of the Consumer Price Index.

Additional government mandates or loss of protections under self-insurance plans.

As the changeover occurs, Ahlquist said he anticipates a new entity to emerge, which he called "HMOs'R'Us.coms" -- insurers and others who will design new products tailored to the needs of individual consumers. For example, consumers may choose a plan that requires certain "healthy" behaviors in exchange for enhanced benefits and lower costs.

"The transition to defined contribution plans will become a tidal wave within three to five years, and eventually, employer-managed, defined-benefit health plans will be largely a memory," Ahlquist said. "When we look back, the revolution will seem inevitable."

**Insurance Times:** Wealthy Found More Unhappy With Hmos  
June 6, 2000, Vol. XIX No. 12

NEW BRUNSWICK, N.J. (AP) - Wealthy, highly educated people are more unhappy with their HMOs in New Jersey than lower-income residents, a poll sponsored by the state found. About 30 percent of residents who earn over \$100,000 a year were unhappy with their health maintenance organizations, while 16.4 percent of those with incomes under \$25,000 were unhappy, according to the survey released Wednesday by Rutgers University and the state Department of Health and Senior Services. The residents earning more than \$100,000 made up 13.1 percent of the 7,983 residents interviewed in 1998, the study said. Those earning under \$25,000 made up 8.5 percent of the poll's base.

#### College Grads

One third of college graduates interviewed said they were unhappy with their health plans, while only 14.5 percent of residents with a high school education or lower expressed dissatisfaction, the poll said.

Researchers from the Eagleton Center for Public Interest Polling at Rutgers conducted telephone interviews of the residents, who were enrolled in 20 New Jersey HMOs. The data from the poll were also used to complete an HMO report card that year, which the state began doing to try to compel the health plans to provide better care.

Residents were asked to rate their HMOs from 1 to 10. A rating of 6 or less was considered to be an unsatisfactory one, said Matthew Carlson, a research fellow who works for Rutgers' Institute for Health, Health Care Policy and Aging Research and the state Health Department.

#### Dissatisfaction Distribution

Carlson said it's no secret that many people are dissatisfied with their health plans, but ``this is a first stab at trying to sort of understand what the distribution of dissatisfaction is.''

Carlson said there is no evidence that higher-educated and wealthier residents got inferior health care.

``They may be more demanding of their health care providers. they may expect more,''

Carlson said. ``It's also true . that it may be the low-income people who have very low expectations. This is all relative.''

Tom Breslin, the spokesman for the Department of Health and Senior Services, said the lower educated, lower income individuals had less expectations and therefore were more satisfied with their plans.

He said the higher income, higher educated individuals had higher expectations for their plan or plans.

``The one thing that's unique is that all members entering into an HMO received the same information regarding benefits, membership review and specific appeals rights,''

Breslin said. ``We will certainly include in our annual review of consumer satisfaction levels this information.

The survey had a margin of error of plus or minus 3 percent.

BLOOMINGBURG, N.Y. (AP) - It was all over a confusing zip code. That's what Emma Biggins kept telling her insurance company when they said she was ineligible for coverage because she lived in the wrong county.

Aetna/US Healthcare told Biggins, 77, last December that because she lived in Sullivan County outside the service area, she would be dropped from their Golden Medicare Plan as of Feb. 1. That began five months of calling, writing and administrative nightmares for Biggins as she tried to prove to the insurer that though the Bloomingburg Post Office zip code includes Sullivan County, it also covers parts of Orange County. That's where Biggins lives.

While she was submitting letters of proof from her post office, town clerk, tax collector and board of elections, she was also having health problems that totaled \$9,870. All the claims were rejected by the insurer and Biggins claimed her calls to the company were getting her nowhere.

When the Times Herald-Record newspaper called the insurer several weeks ago to ask about Biggins' case, the insurer resolved the issue.

Company spokeswoman Jen King said Biggins' coverage was being retroactively restored.

``It appears that, somewhere along the line, we dropped the ball,'' said King. ``We regret any difficulty Mrs. Biggins had.``

***Insurance Times:*** Ruthardt Says Odds Favor Federal Intervention In Insurance  
June 6, 2000, Vol. XIX No. 12

Mass. commissioner predicts states will be unable to fend off federal licensing standards; says better education on insurance will be needed

"Do you want your business cards to say 'Dickie Dire, I am state licensed,' or 'Dickie Dire, I am federally licensed?' . the federal and state licenses may be worth exactly the same thing in terms of what you have to know, but which one sounds better to a customer?"

by Mark Hollmer  
InsuranceTimes

BOSTON - Massachusetts Insurance Commissioner Linda Ruthardt said she believes the federal government will have to establish uniform licensing standards for the industry because a majority of states won't be able to do it themselves.

"The federal system is going to come into place just because of the odds," Ruthardt said.

CPCU/Advisers Forum

Ruthardt spoke about the issue and other changes she anticipates within the insurance industry during a joint meeting of the Boston

CPCU Society and the Massachusetts Association of Licensed Insurance Advisers -- held May 18 at the Harvard Club on Federal Street.

Her comments revolved around the Gramm-Leach-Bliley Act (GLB), which gives states three years to come up with uniform or reciprocal licensing standards as part of insurance/banking reform legislation passed this year.

If at least 29 states can't do so, then the law would establish a federal agency --the National Association of Registered Agents and brokers-- to guide and enforce those standards.

Ruthardt said national licensing will come for a number of reasons, including lobbying by the National Association of Insurance Commissioners. Their push, she said, focuses on "one of the two alternatives that we're . less likely to have," which would cause federal regulation to kick in because of the absence of state laws.

But there's also an industry desire to simplify the complex regulatory system in each state, she said, which federal uniformity would address.

#### 'Stop Funny Barriers'

"There's obviously a great desire to stop having some of the really funny barriers .," she said.

"The reality is . on the commercial side, that general liability is pretty much the same everywhere . so why would you need to have separate state licensing to sell property/casualties on your (general liability) policy to a manufacturer or to an Internet company?"

Ruthardt went on suggest that federally licensed insurance agents may even have more cachet with customers.

"Do you want your business cards to say 'Dickie Dire, I am state licensed,' or 'Dickie Dire, I am federally licensed?' . the federal and state licenses may be worth exactly the same thing in terms of what you have to know, but which one sounds better to a customer?"

At the same time, Ruthardt said, the "trend towards simplicity" of federal regulation could have some down sides, affecting some personal lines products and "mostly 'mom-and-pop' kind of commercials."

But in the long run, Ruthardt said, the move should help improve competition and pricing.

#### Other Predictions

Ruthardt made a number of other comments about how the Gramm-Leach-Bliley Act will affect the insurance industry. Among them: Massachusetts and other states are guilty of having trained consumers that "somehow there is this insurance division and it protects you no matter what you buy . that we approved the policy (so) it must be O.K. .

#### Paternal System

"That kind of paternal/maternal system is on its way out," she said, " . mostly because the federal GLB (law) is going to change the way a lot of this stuff is sold or produced."

Ruthardt said one unanswered question is what the state legislature will do to protect consumers until unified standards and changes are more clearly understood.

"Will the general court figure out how to keep sanity in place?"  
. until at least they have consumers who know that there is no  
long a 'Mama Bear or a Papa Bear' watching over you and even have  
to start reading this stuff and try to understand it."  
Ruthardt predicts consumers under a new unified regulatory  
system will have to "buy advice," and that schools will even have  
to step in and educate the public about how to buy insurance.  
"There's a lot of stuff schools teach . but we don't teach it in  
the business courses and we don't teach it in the life school  
courses," she said. "And it's going to have to start happening."  
Commissioners of Insurance will be very different in the future.  
"About five to 10 years from now, don't expect that there will be  
many commissioners of insurance who just do that . at the state  
level," she said. "The reality is there's a possibility of someone  
in charge . at the federal level (that will be) doing this  
insurance function for national companies who want to be federally  
chartered

#### Silent on Solvency

Solvency and guarantee funds. Ruthardt said the new GLB law  
doesn't address either issue. But legislation, she said, will be  
need to determine what happens if a company like Traveler's  
Insurance begins to fail (Ruthardt said the company is going for  
its federal charter "sooner rather than later.")

In the end, Ruthardt said, state and federal laws letting the  
banking and insurance industries join each others' business is a  
good thing, despite "serious problems" ahead in hashing out the  
details.

"That what a lot of what insurance companies have been doing for  
years is, in fact, a banking function is not such a bad thing,"  
she said.

### ***Insurance Times:*** CPCU Broadcast: GLB Another Y2K-Like Challenge For Industry?

June 6, 2000, Vol. XIX No. 12

by Mark Hollmer  
InsuranceTimes

BOSTON - Will implementing the Gramm-Leach-Bliley financial  
services modernization law - and addressing the resulting privacy  
issues - be as challenging as preparing for Y2K?

At least one industry insider thinks so, and said as much during  
the second of two CPCU live satellite broadcast panel discussions  
held May 24 to address the issue.

#### 'Daunting' Task

"It will be daunting to put all of these privacy changes (into  
effect)," said Richard Bernstein, vice president, general counsel  
and secretary of Metropolitan Life Auto & Home.

"It is (similar) to Y2K," he said, with "thousands of man-hours  
it could be an expensive, time-constraining, systems-draining  
project."

Bernstein spoke during the second discussions. Locally,

Massachusetts professionals watched the broadcast at Bunker Hill Community College in Boston.

Panelists in the first discussion focused on the new law and its general implications. The second panel talked about the future of modernization efforts.

Some additional highlights and comments from each of the discussions:

Members of the first panel talked briefly about the lack of big mergers between banks and insurance companies in the wake of laws breaking down the barriers between the two. Andres Navarrete, assistant general counsel with the Capital One Financial Corp., offered one theory: "Banks enjoy a greater point of profitability," he said. "Insurance companies have a high rate of risk and therefore the numbers may not be there." He added: "Nobody has yet proven that one-stop shopping is something that insurers want."

Kansas Insurance Commissioner Kathleen Sebelius, speaking during the second panel, pointed out that the GLB law says "states can pass more restrictive laws to protect consumers and we're likely to do that."

But another panelist - Joel Wood, senior vice president of federal affairs for the Council of Insurance Agents & Brokers -- said he hoped states would stay uniform as they change their banking and insurance laws.

#### 50 Standards

"If you have a handful of states not passing tougher standards . if you have 50 standards out there, it's going to be a disaster," he said.

The first panel included Pamela Allen, vice president of federal affairs for the National Association of Mutual Insurance Companies; David Farmer, senior vice president, federal affairs for the Alliance of American Insurers; Navarrete and Benjamin Zycher, a senior economist with the Rand Corporation. Marsha Egan, assistant vice president of C.N.A. Personal Insurance, served as moderator.

Paul Equale, chief executive officer of the Independent Insurance Agents of America, moderated the second panel, which included Bernstein; Vance Gudmundsen, assistant general counsel for Capital One Financial Corp.; J. Robert Hunter, director of insurance for the Consumer Federation of America; Sebelius and Wood.

***Insurance Times:*** NAIC: Privacy Rules Should Cover Workers Comp Claimants, Too  
June 6, 2000, Vol. XIX No. 12

KANSAS CITY, Mo. - The National Association of Insurance Commissioners (NAIC) suggested that protections under the Gramm-Leach-Bliley Act should extend to workers compensation claimants. Regulators discussed the idea on May 16 during pre-NAIC working group meetings on privacy protection under the new federal regulations released on May 12.

At present, privacy protections under the GLB Act do not include commercial policyholders, including workers compensation

insurance.

"At the heart of the issue is whether workers compensation claimants should be included in a notification that their personal information could be given to a non-affiliated third party for marketing or other purposes," said Robyn Rowen, senior counsel for the National Association of Independent Insurers (NAII).

"The definition of privacy protection written in the Act is 'protection for individuals who obtain financial products for household or personal purposes.' However, the spirit of act itself may open the door to include commercial claimants, including workers compensation claimants."

Regulators also considered other issues, including additional disclosure requirements.

**Insurance Times:** Mass. Agents Select New Ad Tagline Stressing 'Person-To-Person' Service

June 6, 2000, Vol. XIX No. 12

by Mark Hollmer  
InsuranceTimes

Massachusetts consumers will be hearing a lot more about "person to person" this fall.

Those three words make up the bulk of the new tag line for the new Massachusetts Association of Insurance Agents advertising campaign.

Here it is in full: "Massachusetts Independent Insurance Agents, Our Idea of Service is Person to Person."

The MAIA developed the tag line with Groppi Advertising Design of Braintree. Both worked together to produce television and newspaper ads to increase consumer awareness about doing business with an independent insurance agent, according to MAIA press information.

But don't expect to see the ads just yet. They'll actually launch this fall on network television stations and in newspapers.

The MAIA's advertising budget will run in the six figure range, Frank Mancini, the association's executive vice president, said in a previous Insurance Times interview.

Nationally, the IIAA is developing its own branding campaign separate from the state effort.

In Massachusetts, the MAIA will finance the campaign, in part, through member and independent agency company support.

Participating members can place their own taglines at the end of both print and television ads.

Throughout this month, the MAIA will also hold nine agent forums devoted specifically to the campaign. Agents will have the chance to find out how to participate in the statewide campaign.

The first two forums will be held on June 7 and 8, at King's Grant Inn in Danvers and the Ramada Inn Rolling Green in Andover, respectively. Both will run from 9 a.m. to 10:30 a.m.

For more information, call MAIA at 1-800-972-9312.

**Insurance Times:** Calif. Commissioner Faces State Senate Ire  
June 6, 2000, Vol. XIX No. 12

SACRAMENTO (AP) - California Insurance Commissioner Chuck Quackenbush refused last week to testify before a Senate committee investigating his creation and use of a nonprofit fund, saying he was deferring to his lawyer's advice.

``I have become increasingly concerned that this committee's agenda is less about reform to benefit consumers and more about a personal political ambush,'' Quackenbush told the Senate Insurance Committee. He walked out after reading a written statement.

Sen. Jackie Speier, the committee chairwoman, called a 10-minute recess before reconvening. Speier, D-Daly City, said the Senate would subpoena Quackenbush for another hearing.

The committee called Quackenbush to answer questions about several allegations, including his decision to let insurers avoid up to \$3 billion in potential Northridge earthquake-related fines by contributing about \$12 million to the California Research and Assistance fund.

Quackenbush said the fund was created for consumer assistance and seismic research, but he has acknowledged that none of the money had been spent for either purpose so far.

Critics say much of the fund's spending, including public service TV ads featuring Quackenbush, has benefitted him politically.

In his statement to the Senate committee, Quackenbush defended his record as insurance commissioner and said he created the fund to help consumers. He said he would ask a management consultant to help develop better procedures for administering it.

Quackenbush noted that his attorney, Donald Heller, asked the committee to postpone the hearing to give him more time to prepare, but the committee refused.

``So here I stand \_ conflicted between following the advice of my lawyer, or responding to what I can now only assume will be politically motivated questions,'' Quackenbush, a Republican, told the committee. The Legislature is dominated by Democrats.

Quackenbush, also under investigation by the Assembly Insurance Committee and Attorney General Bill Lockyer, retained Heller after testifying before the Assembly committee earlier this month.

After Quackenbush walked out of the hearing, his office released a copy of a March 1999 memo from an Assembly staffer to Richard Steffen, staff director of the Senate Insurance Committee, advising him not to write a letter to Quackenbush ``on anything, we have to set him up first . if we do not completely ambush him he will slide out of it.''

After Speier reconvened the committee, Steffen testified that he stood behind his actions.

``We're all political animals here whether we admit it or not,'' Steffen said.



Speier, a Daly City Democrat who has expressed interest in the commissioner's job, said her goal was helping consumers and denied that the hearing was politically motivated. She said she would continue with the hearing into the afternoon, calling insurance executives and other to testify.

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***Insurance Times:*** A Family Agency In The Granite State  
June 6, 2000, Vol. XIX No. 12

The following is an Agency Profile conducted by Penny Williams of InsuranceTimes with Greg Eastman, of the Hunkins & Eaton Agency, Inc. located in Littleton, N.H., a town of about 6,000. There is also a branch office in Lisbon, N.H.

How long has your agency been in business?

The agency has been in existence since 1880. One of the oldest continually operated businesses in Littleton

Describe the local community and any target markets your agency serves.

The local community is well-diversified economically. This agency is a generalist in nature, targeting personal lines and small-to-medium size business markets

What do you think are the major reasons for your agency's success?

The success of this agency is deeply rooted in its employees. My parents, Winton and Patricia Eastman, operated this agency from 1957 until 1993 and they codified an excellent relationship with their employees, three (of five) of whom are still working in the agency today. This is very much a family business and the working environment reflects it. I employ five CSRs; one has been with Hunkins & Eaton for 30+ years, another for 22 years, a third for 9 years (20+ years in the insurance business). This is a second-generation agency, which enjoys a "family" rapport.

We also enjoy very good relationships with the companies we represent: Peerless, Acadia, Union Mutual, Vermont Mutual, Mt. Washington, Merchants, Progressive, and Reliant.

What do you think makes your agency different or sets it apart from others?

Distinguishing features, which add to our success: Employees work very well together as a team, they are very knowledgeable and are empowered to do what they need to do

How does your agency attract new business?

We have scaled back on the more traditional forms of advertising, radio and print, with no adverse affects. Our advertising emphasizes that we are an "independent agency," offering up a number of companies, versus the direct writer that can only offer their one product that the insured has to "fit" in to. Also, this agency is active in the communities we operate in, supporting

local schools, organizations, etc.

In what community and/or industry activities are you, your agency or employees involved?

I have been involved in various community organizations including past president of the Littleton Area Chamber of Commerce, former board member of the North Country Home Health Agency. I am a director of the Littleton Industrial Development Corp., an executive committee member of the Independent Insurance Agents of New Hampshire, a director of the North Country YMCA, a director of North Country Investment Council (NCIC) and a director of Passumpsic Bank FSB, a relatively new bank located in Littleton, and I am a member of the Littleton Rotary Club.

Staff members are also involved in community activities including volunteering on a local rescue squad; another sits on the board of a local crisis intervention center, in addition to various church programs.

How long have you been in the insurance business and how did you happen to get into the agency business?

I have been involved in the insurance business since May 1991. I was previously employed by Fleet Bank in Manchester, N.H. for seven years

Please describe your own role in the agency how you are involved with clients with employees with insurance companies.

I am responsible for the overall administration of the agency, including marketing, financial management and technology, and work with the commercial lines side of the agency.

What parts of your job do you like best which the least?

Parts of my job I like the most: customer relationships, employees; enjoy the relationships with vendors and company personnel. Never had a day I did not want to go to work.

Briefly describe your office in terms of furnishings, equipment, decorations, etc.

No executive office. We work in one open office, no cubicles. Furnishings are not new or elaborate; have decided to invest in people and technology.

Is there one maxim, guiding principle or piece of advice that has guided you in your career? What is it?

1. Keep your employees happy.
2. Keep your customers happy.
3. Cash flow.

If you were not an insurance agent, what other career or job would like to try and why?

I always thought I would like to teach because I was very influenced by a number of very good teachers when I was in school. They made a big difference to me.

What advice would you give someone entering the agency business and hoping to own an agency someday?

I came into this family business without any experience in insurance, except that I was familiar with various insurance terms

from the childhood dinner table. A banking background had given me the basis to feel comfortable with the business side of the agency. One issue I always kept in mind was whenever I propose any change it must be well communicated throughout the organization. When I first started in the business, we were not automated as we know it today-we had one 'stand-alone' computer utilized primarily for rating. Within two years, I implemented a complete automation system including all business functions with an emphasis on an agency management system (DORIS) and an accounting system. Wholesale change, or any change for that matter, must include good communication and interaction with the staff.

How do you see the insurance agency system and/or your own agency changing over the next five years?

How do I see the agency system changing in next 5 years - Who knows? It is, no doubt, a very exciting time in this industry as the financial institutions consider if/when they get involved, if they haven't already. The independent agency system is still one of the best delivery systems in the marketplace. The Internet adds further competition, which will only force everyone to do a better job-a benefit to consumers.

### ***Insurance Times:*** Personal Lines

June 6, 2000, Vol. XIX No. 12

Coyne to succeed Marcon as CEO at ISO; Antonopoulos named president at Crum & Forster; BrokersPortal names two sales directors; Thornton joins Carlin Agency

#### Insurance Services Office

Insurance services Office, Inc.'s President Frank J. Coyne will become ISO's chief executive officer on July 1, succeeding Fred R. Marcon, who will remain chairman, if shareholders approve changes to ISO's corporate charter in a June 21 vote.

Marcon has served as ISO's chairman since 1995 and as chief executive officer since 1988, when he was named president. He relinquished the title of president to Coyne last year. Coyne joined ISO last year from Kemper Insurance Cos.

#### Crum & Forster

Nikolas Antonopoulos has been named president of Crum & Forster. He will be responsible for running the day-to-day operations of the Morristown, N.J.-based commercial lines insurer, reporting directly to Bruce Esselborn, chairman and chief executive officer. Prior to joining Crum & Forster last year as executive vice president, Antonopoulos was a principal of Marsh & McLennan Capital, Inc.

#### Aetna

Aetna announced that Michael J. Cardillo, president of Aetna U.S. Healthcare, is retiring from the company.

Aetna Chairman and CEO William H. Donaldson, who recently took on the additional role of CEO of Aetna U.S. Healthcare, will continue in that role. Adviser Robert S. "Steve" Miller will serve with

Donaldson in the office of the CEO. The previously announced search for a CEO for the health business will continue.

#### Mass. NAIW

The Massachusetts Association of Insurance Women, Suffolk Chapter, has installed new officers for the 2000-2001 year. They include Director Mary Davies, of George Peters Insurance Agency, Newton; Assistant Director Lee-Ann Oatman, of Crum & Forster, Woburn; Secretary Jeanne Riopelle, Mass. Teachers Association, Boston; and Treasurer Rebecca Puma, Crum & Forster, Woburn.

#### Liberty Mutual

John A. Tymochko has been named senior vice president for individual life at Liberty Life Assurance Co., in Dover, N.H., a member of the Liberty Mutual Group. Tymochko gains responsibility for the management of the company's personal lines underwriting, service and claims operations. He is also responsible for the management of all Liberty Life personal lines distribution channels.

#### StarNex

StarNex, the Wrentham, Mass.-based provider of the BrokersPortal online technology ([www.BrokersPortal.com](http://www.BrokersPortal.com)), has named James W. Kerley as its chief marketing officer. Kerley was most recently vice president and general manager of Trinity Communications in Boston, where he consulted to such firms as New England Financial, GE Financial Assurance, Manulife Financial, Allmerica Financial and National Life of Vermont.

The company has also added two national sales directors to direct its outreach to insurance carriers. David Larrivee comes to StarNex from Tufts Health Plan. Steve Cassidy has more than 15 years experience in group insurance sales, including with Unum Corp., Allmerica and, most recently, with Sun Life of Canada. StarNex, which recently closed on \$11 million in venture capital from Firemark Investments of New Jersey and IVANS of Connecticut, seeks to build a marketplace that connects insurance providers, brokers and third-party vendors.

#### Rhode Island

Gov. Lincoln Almond has named Tom Schumpert as the new executive director of the state Economic Development Corporation. Schumpert has served as director of the Department of Business Regulation, which includes insurance supervisory responsibilities, since 1999.

#### Business Management Group

Pamela Jay Paralikis has joined the staff of Business Management Group in Hartford as an automation consultant. Paralikis works with independent agencies and brokers using AMS Sagitta agency management system. BMG is a full service insurance and financial services management consulting firm.

#### NASBP

The National Association of Surety Bond Producers has chosen James P. Pateidl as president. Pateidl, an insurance veteran of 31 years, is executive vice president of surety operations with Lockton Companies in Kansas City, Mo.

Joining Pateidl as officers are David H. Skillings, president of

Skillings-Shaw & Associates in South Freeport, Maine, who was elected first vice president. Brian R. Driscoll, president of J. Barry Driscoll Insurance Agency in Norwell, Mass, was elected second vice president.

#### Carlin Insurance

Patricia A. Thornton has joined Carlin Insurance in Natick, Mass. as commercial lines marketing manager. She will concentrate on the development and management of middle market accounts. She joins Carlin after 17 years with Helmsman Insurance Agency in Weston, Mass.

#### Vermont Mutual

Donna M. Melendy has been hired as personal lines underwriting supervisor for Vermont Mutual Group, Vermont Mutual Insurance Co., Northern Security Insurance Co and Granite Mutual Insurance Co. She formerly was with Champlain Casualty Co. of Vermont. The same groups of companies has also added Alan J. Ritchie as commercial lines underwriting manager. Ritchie comes to the companies with several years of experience as a senior underwriter and business consultant.

#### Coalition Against Fraud

Veteran communicator James Quiggle has been named director of communications of the Coalition Against Insurance Fraud, announced Dennis Jay, executive director. Quiggle has spent nearly 20 years in public relations, including 10 within the insurance industry. He formerly headed public relations for the National Association of Professional Insurance Agents.

#### Fred C. Church acquires Gorman-Litchfield

Fred C. Church Insurance Inc., based in Lowell, Mass., recently acquired the Gorman-Litchfield Insurance Agency in nearby Dracut, Mass.

***Insurance Times:*** Harleysville Mutual Insurance Company  
June 6, 2000, Vol. XIX No. 12

May 23, 2000

355 Maple Ave.  
Harleysville, PA 19438

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, Massachusetts 02210 Attn: Financial Surveillance and Company Licensing, within 14 days of the date of this notice.

May 23, 2000

Great American  
Insurance Company  
580 Walnut St.  
Cincinnati, OH 45202

The above company has made application to the Division of Insurance for a license/ Certificate of Authority to transact 54C- Comprehensive Motor Vehicle and Aircraft 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.