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2003 Annual Meeting: You're Going To Have a Good Time in the Mile-High City

by James Carson, Florida State University, and Diana Lee, National Association of Independent Insurers

This year's meeting in Montreal drew one of the largest attendances ever. Plans already are underway to make next year's event in Denver on August 10–13 even more worthwhile. Denver, known as the Mile-High City (<http://www.denver.com/>), and its surroundings offer a wonderful array of attractions for everyone. A popular gathering place, the city boasts fine restaurants, shops, and museums. Come discover the beautiful, natural splendor of the Rocky Mountains and Red Rocks, or learn about the days of the Wild West, the gold rush and mining camps, American Indian treasures, fur trappers, and Buffalo Bill. Visit the state capitol, Coors Brewing Company, the U.S. Mint, Elitch Gardens amusement park, or the home of the Unsinkable Molly Brown. Perhaps the Colorado Rockies will even be at home to play baseball! Our host hotel is the elegant Adam's Mark (<http://www.adamsmark.com/denver/index.asp>) in the heart of the city near the 16th Street Pedestrian Mall, a mile-long, tree-lined promenade where visitors can enjoy the outdoor cafes, street performers, vendors, fountains, and artwork.

The theme for the 2003 Annual Meeting is "Assessing the Risks: Action and Reaction in the Insurance Industry." Insurers are using new methods to assess, categorize, price, reduce, and transfer risk. Plenary sessions will feature experts from various segments of the industry, who will share their insights on innovations and changes related to reinsurance, underwriting, ethics, and other important areas.

Proposals to present research related to any risk and insurance topic are welcome and encouraged. Send proposals to ARIA's vice president and program chair, James Carson, at jcarson@cob.fsu.edu by February 14, 2003.

More details on the 2003 Annual Meeting will be provided on the ARIA Web site (<http://www.aria.org/>) and in the next issue of *ARIA News*.



Denver, Colorado, skyline

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President's Message

by Mark Browne, University of Wisconsin



Mark Browne

During the last several years, ARIA has undertaken major initiatives that will affect the organization for years to come. These include the launch of the organization's second journal, creation of the ARIA Web site, the appointment of the American Institute for CPCU and the Insurance Institute of America as executive director, and the implementation of an agreement with Blackwell Publishing to provide membership and publishing services. All of these changes were made to enhance the value of ARIA to its members. The association currently provides more opportunities for intellectual dialogue and a higher level of membership service than it has at any point in its history.

Whether these initiatives prove to be successful will depend on the desires and efforts of the ARIA membership in the years ahead. For instance, the *Risk Management and Insurance Review*, which provides a unique outlet for risk management and insurance research, depends on the contributions of authors as well as the diligent work of reviewers and editors. Contributions of research suitable for publication are necessary for the long-term viability of the journal. In addition, so that ARIA can continue serving membership needs, individuals are strongly encouraged to submit articles and other items to the semi-annual newsletter, *ARIA News*.

The ARIA Web site, which has become one of the most important services provided to the membership, requires significant support from the members of ARIA. The efforts of Jim Garven in originally creating the Web site and Ryan Lee in hosting it have benefited all who use it. For the Web site to continue to be valuable, it will require continual updating with relevant content. Additional effort will be needed periodically to reformat its appearance and incorporate new technology.

ARIA's future focus must be on improving the programs that it has undertaken. There is every reason to believe that ARIA will be successful in doing so. The membership of the organization is highly dedicated. Financial support from the risk management and insurance community is growing. Perhaps most important, the discipline of risk management and insurance is playing an increasingly important role in business and society, a promising development for ARIA.

New ARIA Officers and Directors

Congratulations to the newly elected ARIA officers and directors for 2002-2003:

President: Mark J. Browne, University of Wisconsin-Madison

President-elect: Robert E. Hoyt, University of Georgia

Vice president and program chair: James M. Carson, Florida State University

Director: Joan Lamm-Tennant, General Cologne Re Capital Consultants

Director: Mary A. Weiss, Temple University

Congratulations to the ARIA 2002 Award Winners

compiled by Anthony J. Biacchi, American Institute for CPCU

Robert C. Witt Award

Outstanding feature article in *The Journal of Risk and Insurance* (\$750 prize; \$375 each)
Presented to Christian Gollier (University of Toulouse, France) and Louis Eeckhoudt (FUCAM, Mons, Belgium) in recognition of “Which Shape for the Cost Curve of Risk?”

Robert C. Witt Award

Outstanding feature article in *The Journal of Risk and Insurance* (\$750 prize; \$375 each)
Presented to Stewart C. Myers (Massachusetts Institute of Technology) and James A. Read, Jr. (The Brattle Group) in recognition of “Capital Allocation for Insurance Companies”

Robert I. Mehr Award

A literature contribution having a ten-year influence in the field of risk and insurance (\$500 prize; \$250 each)
Presented to Ran BarNiv (Kent State University) and James B. MacDonald (Brigham Young University) in recognition of “Identifying Financial Distress in the Insurance Industry: A Synthesis of Methodological and Empirical Issues”

Kulp-Wright Book Award

An outstanding original contribution to the literature of risk and insurance (\$1,000 prize)
Presented to Georges Dionne (HEC Montreal) in recognition of *Handbook of Insurance* (Huebner International Series on Risk, Insurance and Economic Security, Volume 22)

Les B. Strickler Innovation in Instruction Award

(\$1,000 prize)
Presented to James Kallman (St. John’s University) in recognition of Riskopoly: A Final Exam

Kemper Award for the Best Feature Article in 2000–2001

Best feature article in the *Risk Management and Insurance Review* (\$1,000 prize; \$333.34 each)
Presented to Richard Butler (Brigham Young University), Yijing Cui (University of Minnesota), and Andrew Whitman (University of Minnesota) in recognition of “Insurers’ Demutualization Decisions”

Kemper Award for Best “Perspectives” Article in 2000–2001

Best “Perspectives” article in the *Risk Management and Insurance Review* (\$500 prize; \$250 each)
Presented to Jan Ambrose (LaSalle University) and Helen Doerpinghaus (University of South Carolina) in recognition of “Managing Mental Health Care: Stakeholder Effects and Policy Implications”

Casualty Actuarial Society Research Award for 2001

A paper published by ARIA (in either *The JRI* or *RMIR*) in the previous year that is most valuable to casualty actuarial science (\$1,000 prize)
Presented to Stewart C. Myers (Massachusetts Institute of Technology) and James A. Read, Jr. (The Brattle Group) in recognition of “Capital Allocation for Insurance Companies”

President’s Award

Presented to Richard MacMinn (Illinois State University)

See page 12 for photographs of some of this year’s award winners.

Risk Management and Insurance Positions

Following is a list of organizations offering academic, government, and industry jobs that ARIA has received since April 2002 and whose deadlines for application have not passed. Please visit the job page on the ARIA Web site (<http://www.aria.org/jobs/jobs.htm>), or contact these organizations for additional information.

April

Mississippi State University
Lecturer in Financial Services
Department of Finance and Economics

University of New South Wales
Professor of Actuarial Studies

June

Illinois State University
Assistant/Senior Assistant Professor—
Insurance and Risk Management
Department of Finance, Insurance, and
Law and the Katie School of Insurance
and Financial Services

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ARIA NEWS

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Laura Partsch
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Risk Management and Insurance Positions, continued

July

University of Minnesota
C. Arthur Williams, Jr., Insurance Industry Chair, Industrial Relations Center, Carlson School of Management

The Wharton School, University of Pennsylvania
Assistant Professor

August

Georgia State University
Associate or Full Professor of Actuarial Science, Actuarial Science Program
Department of Risk Management and Insurance
Associate Professor or Professor of Finance, Department of Finance, J. Mack Robinson College of Business

University of Alberta
Assistant, Associate, or Full Professor in Actuarial Science, Department of Mathematical and Statistical Sciences

University of Georgia
Assistant Professor of Risk Management and Insurance

September

National Cheng-Chi University (NC CU)
Four to six visiting faculty positions specializing in different areas, including management information systems; accounting and finance; managerial economics; international insurance, and risk management or investment

National Cheng-Chi University (NC CU)
Visiting Professor of Risk Management and Insurance

University of Iowa
Assistant Professor of Actuarial Science

October

University of New South Wales
Lecturer/Senior Lecturer in Actuarial Studies

Serve on an ARIA Committee

If you are interested in becoming active on one of ARIA's committees, check the ARIA Web site at <http://www.aria.org/> for contact information, or e-mail ARIA president Mark J. Browne at mjbrowne@facstaff.wisc.edu.

Fraud: A Hot Topic on a Hot Day

by Richard A. Derrig, senior vice president of the Auto Insurer Bureau and Vice President-Research of the Insurance Fraud Bureau of Massachusetts



Richard Derrig

The following is a summary of the lecture Mr. Derrig delivered at the 2002 Annual Meeting President's Seminar and Luncheon.

Salad, mystery meat, dessert, coffee, and fraud—an irresistible combination that enticed ARIA members to attend the President's Seminar and Luncheon in Montreal rather than venture out onto the steamy midsummer streets. The meeting started with a video presentation of some of the more interesting Massachusetts fraudsters: attorneys; medical providers; and clown, rock-star, and sky-diving claimants. Attendees were tested early on for their understanding of the wildly ambiguous meaning of the topic “fraud.” Given the situation of an e-mail offering recipients the opportunity to become a

“street bishop”—\$29 for ordination; \$19 for an ID badge with clip; and \$15 for a dozen ceremonies for weddings, funerals, and baptisms—requiring only a promise to “honor God,” the sage audience recognized that, however inappropriate the offer might be, it is not fraud.

It was proposed that “fraud” be restricted for sensible discourse to criminal fraud, covering transactions that (1) result from clear and willful acts; (2) are proscribed by law; (3) involve obtaining something of monetary value; and (4) are conducted under false pretenses. Accepting this proposal requires the ubiquitous 10 percent estimate of fraud in claim payments to be drastically revised downward, perhaps by a factor of twenty-five. If (criminal) fraud is so low relative to the large dollar values as high as \$80 billion so often heard in the press, then what are the other, broadly defined, fraudulent claims? If we lump the remainder in an “abuse” category, then “fraud and abuse” is the set of all criminal, as well as inappropriate, unwanted, undesirable, inflated, exaggerated, and otherwise deadweight claims that make our insurance coverage cost more than it “should.” That raises the interesting question of how to deal with the separate fraud and abusive insurance transactions.

Seminar attendees were then tested a second time to rank the “players” in the insurance system in order of their relative value in defending against fraud and abuse as it exists now and under optimal conditions. The top ten principal players were identified as shown in the table below.

FRAUD AND ABUSE
DERRIG'S RANKING OF TOP TEN DEFENSES

Optimal	Ranking (“1” is most important)	
	Fraud Control	Abuse Control
1. Adjusters	5	5
2. Computer Technology	7	4
3. Criminal Investigators	3	9
4. Data and Information	6	3
5. Experts	8	7
6. Judges	9	8
7. Lawyers	10	1
8. Legislators	4	2
9. Prosecutors	1	10
10. Special Investigators	2	6

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Fraud: A Hot Topic on a Hot Day, continued

Lawyers and prosecutors optimally play opposite roles in fraud and abuse cases. For fraud, deterrence will occur only if the potential for judicial action is real, which means effective prosecution is a must. Optimally, for abuse control, prosecutors play no role; rather, lawyers filing civil suits against abusers and lobbying the legislature for systematic abuse controls play the primary part in reducing abusive practices. Legislators always play a key role because they set the ground rules. The remaining players fall in a natural order, with criminal (fraud bureau) investigators playing a leading role in fighting fraud while the special investigators curb abuse at the company level. On average, attendees ranked most of the defenses in the mid-range but ranked adjusters, data and information, and the legislators most often at the top.

Now that your fraud interest has been piqued, watch for the all-fraud September issue of *The JRI*, which covers a range of cutting-edge theoretical and empirical topics.

The Center for Insurance Studies at California State University Fullerton

by Mary Ellen Nossaman, Assistant to Dr. Weili Lu

A Bridge Between University and Industry

Since its inception in the fall of 1998, the goal of California State Fullerton's Center for Insurance Studies (CIS) has been to build a bridge between the university and the insurance industry. Dr. Dennis O'Connor, former chair of the Finance Department, believed strongly that if students were exposed to the diversity of careers available to them in the industry, they would respond with interest. He and other professors, including present CIS Director Dr. Weili Lu, worked together to create a program in the Finance Department of the College of Business and Economics that would provide students with such an exposure. Like-minded professionals in the industry, such as Jim Gutmann, partner at Wood-Gutmann Insurance Brokers, and Richard Glassman, former vice president of Mercury Insurance Group, joined the effort to build a program that includes an enhanced insurance curriculum and a wealth of interaction with the industry.

As we move forward with this vision, a distinctive program is gaining strength and reputation. Students ready to graduate can receive as much career guidance and help as they need to move into employment, and the industry is happy to receive them. Member companies that hire our graduates report that they are delighted with the education level and hard-working spirit of the new employees. Some have told us that our students "walk right through" tests they must take at the company. Through our program, students receive a high-quality, practical education, and the industry receives a well-prepared employee pool. In this way, we believe that the Center fulfills a unique and necessary role.

"Under the directorship of Dr. Lu, CIS has received strong support from the business community," said CSUF president Dr. Milton Gordon, who has been a keen supporter of the Center. In addition to industry executives, educators have also responded enthusiastically. Dr. Anil Puri, dean of the College of Business and Economics, and Dr. Donald Crane, director of the Certified Financial Planning program, have been strong advocates of the program and contribute to its excellence through their counsel on the CIS Advisory Board.



Gabriel Tirador (right), president of Mercury Insurance Group, accepts a plaque as incoming chair of the CIS board of directors from CSUF president Dr. Milton Gordon.

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Activities of Sister Associations and Affiliates

Southern Risk and Insurance Association

2002 Annual Meeting (34th Annual)
November 22–24
Chateau Sonesta Hotel, New Orleans, La.
Program chair: Brenda P. Wells,
University of North Texas;
wells@cobaf.coba.unt.edu
For registration information, contact:
John Bratton, University of Central
Arkansas; jbratton@mail.uca.edu
Web site: <http://www.terry.uga.edu/sria>

Western Risk and Insurance Association

2003 Annual Meeting (37th Annual)
January 2–5
The Maui Prince Hotel, Maui, Hi.
Program chair: Anne E. Kleffner,
University of Calgary;
anne.kleffner@haskayne.ucalgary.ca
Web site: <http://www.wria.org>

Midwest Finance Association

2003 Conference (52nd Annual)
March 27–29
Adam's Mark Hotel, St. Louis, Mo.
Program chair: Arnold R. Cowan, Iowa
State University; e-mail: arnie@iastate.edu
Web site: <http://www.mfa2003.org/>

Risk Theory Seminar

2003 Annual Meeting (41st Annual)
May 2–4
Georgia State University, Atlanta
Proposal deadline: December 15, 2002
Send abstracts or papers to: Arthur Snow,
University of Georgia; snow@terry.uga.edu
For local arrangements, contact:
Martin F. Grace, Georgia State University;
mgrace@gsu.edu
Web site: <http://www.aria.org/rts>

Asia-Pacific Risk and Insurance Association

2003 Conference (7th Annual)
July 20–23
Bangkok, Thailand
Primary host: Chulalongkorn University
and the Society of Actuaries of Thailand
For additional information, contact:
W. Jean Kwon, St. John's University;
KwonW@stjohns.edu
Web site: <http://www.scicollege.org.sg/apria.htm> or <http://www.apria.chula.ac.th>

ARIA Members in the News

James M. Carson has been appointed the Payne H. and Charlotte Hodges Midyette Eminent Scholar in Insurance at Florida State University, College of Business.

At the Casualty Actuarial Society's 2001 Annual Meeting in Atlanta, **Stephen D'Arcy** (University of Illinois) and **Richard W. Gorvett** (Zurich North America) received an award for their paper "Measuring the Interest Rate Sensitivity of Loss Reserves." The paper was published in the 2000 CAS *Proceedings*.

James R. Garven, professor of finance and insurance and director of the risk management and insurance program at Baylor University, has been appointed to the Frank S. Groner Memorial Chair in Finance at the Hankamer School of Business at Baylor.

The 2002 LOMA/LIMRA Strategic Issues Conference and the Asia Pacific FLMI Conference were recently held in June in Shanghai, China. **Dr. Kailin Tuan**, professor emeritus at Temple University, was honored at the Strategic Issues Conference and received a plaque for his many important contributions to education. In addition, Dr. Tuan was invited to give the valedictory address at the FLMI conference, during which LOMA designations were conferred and education awards were given. Dr. Tuan is featured in an article, "Looking at the Asian Market Shift," in the June issue of *Risk Management*, the Risk and Insurance Management Society's journal.

Call for Papers

In recent years, financial economics has changed the way we look at liability measurement and investment strategies. Should these developments affect the way actuaries should value retirement plans? If so, how? The Society of Actuaries has issued a call for papers on "Current Pension Actuarial Practice in Light of Financial Economics." The call for papers is available online at www.soa.org/research/pension_financial.html.

The Center for Insurance Studies at California State University Fullerton, continued

The achievements of the Center during the last four years have included the following:

- "Insurance and Financial Services" has become one of the six tracks in the finance major.
- Insurance scholarships have increased dramatically, from \$5,000 in 1999 to \$22,500 last year. These scholarships not only aid those already in the program but also draw business students from a variety of majors to the insurance courses.
- Enrollment in program courses has risen consistently, to a high of 611 students in the last academic year. The enrollment for financial planning classes has reached the classroom limit every semester.
- Now in its fourth year, CIS has placed more than 200 students with our member companies as full-time employees.
- This past summer, an insurance internship program was begun, with member companies supplying a minimum of two summer intern positions. We had very good response from students, receiving more than fifty resumes. We believe that the program provides an important experience to students, giving them a taste of the industry, and we expect the CIS intern program to continue to expand rapidly because of strong student demand.
- Insurance classes provide field trips to member companies, where students receive first-hand experience with the company's employees, executives, work environment, etc.
- The Center launched two contests. The first, the business writing contest, is sponsored by the Orange County chapter of the CPCU Society and is open to all business writing students. Last year, 12 faculty members and approximately 1,000 students participated. The second case contest is hosted annually for four sections of Principles of Risk Management and Insurance. About 120 to 160 students participate in each contest.
- A guest-speaker program is firmly in place. Insurance and other business-course instructors can select from a CIS list of speakers who bring a wide variety of interesting and current topics to the classroom.
- CIS presents on-campus symposia with member companies four to six times per year. These events are an important part of the CIS philosophy to provide a wide variety of interface with the industry. Our first symposium, in 1999, was with Mercury Insurance Group, and the keynote speaker was Michael Curtius, then president of the company, chair of the CIS board of directors, and fervent supporter of the Center. More than 150 students crowded the Titan Theater to listen to him speak about insurance careers. This year, Glenn Schafer, president of Pacific Life Insurance, spoke at the company's annual CIS symposium. Mr. Schafer, along with a group of seven executives, spoke with a full house of business students about career opportunities with the company. His speaking was practical, lively, and humorous, and students responded with many good questions. This year, we also presented a financial planning symposium, as well as our annual symposia with the Auto Club of Southern California and the Mercury Insurance Group.
- CIS has established a \$10,000 Faculty Research Grant. The resulting research will be published in a refereed journal, thus increasing the program's exposure and reputation.
- The Center provides guidance to both traditional and non-traditional students, including industry professionals who wish to continue their education.

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The Center for Insurance Studies at California State University Fullerton, continued

- We are now publishing the third edition of our newsletter, *The Bridge*, and have designed a Web site with job listings and direct links to our member companies. Our Web page has attracted more than 2,000 visits to date.

The founding vision is holding true. Students have responded with interest and enthusiasm to what they have learned about the industry through the CIS program, and this, in turn, has given member companies access to a first-rate talent pool. To quote Dr. Lu, “It is a great service for us to build a bridge of opportunity between the university and the insurance industry. I see our students crossing the bridge to become future stars in the business world. At CIS, we are the bridge builders, and it’s an exciting venture.”

For more information on the Center for Insurance Studies or the Insurance and Financial Services program, please contact Director Weili Lu at (714) 278-3679 or wlu@fullerton.edu, or visit our web site at <http://www.business.fullerton.edu/CIS>.

The Alliance of American Insurers: Celebrating Eighty Years of Service to Its Members

by Rodger S. Lawson, Ph.D.

Terrorism, mold, credit scoring—those issues weren’t on the radar screen. In fact, radar screens weren’t around when the Alliance of American Insurers was formed eighty years ago. But issues of mutual importance to mutual insurance companies were the driving force behind the alliance of three newly created associations back in 1922. Those associations represented auto, fire, and workers compensation insurers that realized that a united front would serve the property-casualty industry well. Thus was born the American Mutual Alliance, now known as the Alliance of American Insurers.

One of the first battles that the Alliance faced was legitimizing the mutual insurance concept in the face of heavy attacks from stock companies. The Alliance produced an annual publication called *The Test of Time* that documented the survival rate of stock, mutual, and reciprocal forms of organization. It showed that mutual companies had a much better survival rate than the others.

The battles between mutuals and stock companies largely came to an end in the mid-1940s when, faced with the possibility of sweeping federal oversight of the insurance business, the Alliance and other industry groups worked with the NAIC and the states to enact a series of modern rate regulation bills that strengthened state regulation and put companies on equal footing.

By the late 1970s, the Alliance changed its membership rules to allow full membership by non-mutual companies. Today, the Alliance has grown to some 340 members with a balanced representation of both mutual and stock companies. They range from small, single-state insurers to large multi-line companies writing national and international books of business. Those companies write about \$28 billion in direct premiums each year.

Members drive the agenda of the Alliance through a strong committee and board system. Tony Dickson, president of New Jersey Manufacturers Insurance Company, has been an Alliance member for twenty-five years and now serves as chairman of the board of directors. “The Alliance has a public policy research program that is second to none, and it communicates its public policy positions extremely well,” he said. “One of the most important positives is the way the Alliance reaches a consensus. This is a member-driven organization, not a staff-driven organization, and the Alliance is head and shoulders above other trades in that respect.”

Continued on page 8

ARIA Sponsors Institutes Award

Each year, the American Institute for CPCU and the Insurance Institute of America (IIA) recognize the outstanding academic achievements of insurance professionals completing various educational programs. Out of thousands of CPCU (Chartered Property Casualty Underwriter) and IIA graduates during a single academic year, fewer than 100 individuals are honored with either the Award for Academic Excellence or the Distinguished Graduate Award. The latter is presented to the top graduate of each program offered by the Institutes. ARIA is pleased to sponsor one of the Awards for Academic Excellence in the Institutes’ Associate in Risk Management (ARM) program. The 2002 recipient of this award is Ellen Stoops Knerr, CPCU, ARM, corporate risk manager at Markel Insurance Company, Richmond, Va. Congratulations to Ms. Knerr.

Dissertation Award Available

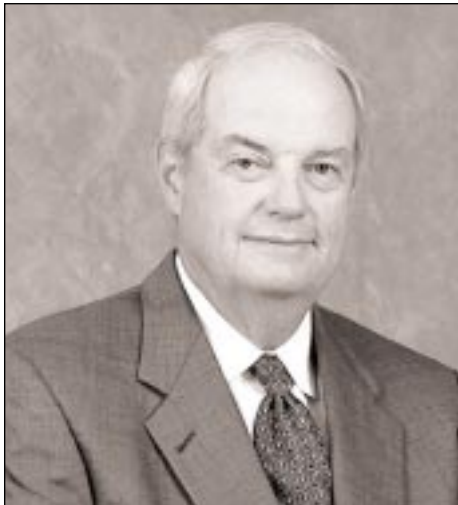
Applications for the State Farm Companies Foundation Doctoral Dissertation Award will be available on December 1, 2002. Dissertation awards are given in two categories:

- Business
- Insurance and risk management

Annually, up to three awards may be presented in each category. Each winner receives a \$10,000 grant, and the winner’s school receives a \$3,000 grant.

For more information about the doctoral dissertation awards, please contact:

State Farm Companies Foundation
One State Farm Plaza, B-4
Bloomington, IL 61710-0001
(309) 766-2161 (8 A.M. to 4 P.M. CT)
E-mail:
home.sf-foundation.494b00@state-farm.com



Rodger S. Lawson, Ph.D.
President, The Alliance of American Insurers

Even though the Alliance has been based in the Chicago area for its entire existence, a strong presence in the nation's capital as well as regional offices in ten key locations supported by counsel in the state capitals ensure solid representation on issues at the federal and state levels. A strong supporter of state regulation over federal chartering, the Alliance has worked long and hard in leading an effort to modernize the state regulatory process and has been a strong voice at the National Association of Insurance Commissioners and other regulatory gatherings.

With its members' input and approval, each year the Alliance identifies key issues on which to focus. Among current issues are the following:

Terrorism Insurance—The events of September 11, 2001, forever changed the way we view insurance. The terrorist attacks raised entirely new issues about the role of government as the insurer of last resort. The Alliance and its member companies played an important role in assisting with the recovery for the victims of September 11, and the past year has seen a whirlwind of activity aimed at passing a terrorism insurance backstop in Washington. The Alliance has led efforts to reach agreement on a plan for a government-supported reinsurance program that would allow the industry to once

again provide some form of coverage for terrorist events without jeopardizing the financial stability of individual companies.

Credit Scoring—The Alliance believes that credit scoring is a highly predictive indicator of loss and that insurers should not be restricted from using this underwriting tool. In the past year alone, the Alliance worked on the issue in forty-three states and has sought to minimize the effect of restrictive bills introduced in thirty-one states. Our efforts in working with the NAIC, NCOIL, and other legislative groups have helped soften some of the criticism initially surrounding the issue. We have also been involved in joint efforts with other industry trades to help educate lawmakers, regulators, agents, and consumers about the benefits of credit scoring and of maintaining a good credit history.

Mold—Increasing state and federal authorities' awareness of industry concerns related to mold and educating the public about the issues surrounding the debate over so-called toxic mold have been increasingly important tasks for the Alliance. We believe insufficient scientific knowledge exists at this time to sanction the establishment of permissible exposure limits to mold or to set assessment and remediation standards. We support the federal government's funding and development of research and information regarding the mold hazard. The Alliance seeks to preserve and strengthen existing policy limitations on mold coverage.

Reform of New Jersey's Auto Insurance Laws—For the past couple of years, the Alliance has been working with the administration, the legislature, and the Department of Banking and Insurance to press our goals for reform. We support legislation to permit binding authority for administrative law judge decisions. We want to reduce medical fraud abuse and to modify the medical fee schedule to include more treatment codes. The Alliance is urging implementation of the Automobile Insurance Cost Reduction Act and seeking timely approval of policy

forms in New Jersey. With the announced reductions in policies by State Farm, we have worked with state officials to minimize the effect on consumers and to prevent disruption of the marketplace.

These are just a few of the major issues in which the Alliance is actively involved. New issues arise daily, and that's where the Alliance takes on a job that few individual companies have the resources to handle.

Our members tell us that the Alliance provides an unmatched service when it comes to keeping them apprised of regulations, legislation, issues, and trends that affect their business. They rely on the Alliance not only to help keep them in compliance, but also to keep them ahead of the multitude of public policy issues they face.

It takes a tremendous effort to track, sort, and analyze the 40,000 bills that are introduced each year in the fifty states and Congress that could have an effect on our members. Working with our members, we can determine when and where to mobilize our resources and how best to advocate our position. And when we bring our efforts to an issue, I think we have a very enviable track record.

Looking ahead, the property-casualty industry will always have plenty of challenges. But in the past year, we've all been sharply reminded of just how vitally important insurance is to the economic foundation of this great country. Ben Franklin realized that importance when he and his fellow Philadelphia firefighters founded the first insurance company in this country 250 years ago. That company, the Philadelphia Contributionship, was one of the Alliance's first members. Someone described insurance in those days as "the victory of human thought over the rude violence of life." Our greatest challenge—as the Alliance, as insurers, as Americans—is to protect and preserve our American way of life so that it continues to allow human thought to prevail.

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Insurance Research Council: Continuing the Research Mission

by Diane Epstein, IRC Research Analyst

The Insurance Research Council (IRC) is a division of the American Institute for CPCU and the Insurance Institute of America and is located in Malvern, Pa. It was founded in 1977 under the aegis of property and casualty insurers and associations to inform the industry and the general public about public policy matters. IRC's Advisory Board, whose members include executives from leading property and casualty insurers and trade organizations, guides the Council's research agenda. Through the years, IRC research topics have included the following: auto injury claiming behavior and compensation, insurance fraud, catastrophic losses from natural disasters, uninsured motorists, workplace safety, adequacy of motor vehicle records, environmental impairment liability, insurance costs for small businesses, and urban insurance.

Perhaps the most unique and enduring IRC contribution is its auto injury closed claim research. The latest report in this series, *Injuries in Auto Accidents: An Analysis of Auto Insurance Claims*, was published in 1999. The study includes information on injuries, medical treatment, losses, payments, time to settlement, and attorney involvement for auto injury claims closed in 1997. Participating insurers represented 70 percent of the private passenger auto insurance market for that year and contributed data on more than 80,000 closed claims. The IRC is collecting data for its fifth report in this series, which will be released in 2003.

Also, the IRC recently completed studies investigating several important topics, including no-fault auto insurance, insurance fraud, accuracy of motor vehicle records, and vehicle occupant safety. The following are summaries of these projects:

Auto Insurance Costs and Claiming Behavior. In spring 2001, two IRC reports, *Auto Injury Claiming Behavior in No-Fault States: An Analysis of New York PIP Claims* and *Auto Injury Claiming Behavior in No-Fault States: An Analysis of Florida PIP Claims* (cost: \$10 each in the U.S.; \$20 each elsewhere, postpaid), showed that PIP claims in these states were more likely to exhibit factors associated with fraud and buildup than were claims in other no-fault states. These factors include increased attorney involvement, higher incidence of sprain and strain injuries, and increased use of certain medical specialists. Because of surging PIP costs in New York—average loss costs in that state rose by 79 percent from 1995 to 2000—the IRC completed an additional, in-depth study of New York closed PIP claims. The IRC report, *Auto Injury Claiming Behavior in No-Fault States: An Analysis of New York PIP Claims* (cost: \$35 in the U.S. and \$50 elsewhere, postpaid), shows that one in four New York PIP claims appears to involve buildup, or the inflation of damages resulting from otherwise legitimate auto injuries.

Additionally, the IRC recently released *Trends in Auto Injury Claims* (cost: \$75 in the U.S. and \$100 elsewhere, postpaid). This report looks at auto claim costs and frequencies nationwide and by state from 1980 to 2000 (territorial data are included for years 1995 to 1997, aggregated).

Insurance Fraud. Insurance fraud costs the property-casualty insurance industry an estimated \$30 billion annually. The IRC partnered with the Insurance Services Office, Inc. (ISO), to investigate this problem through an insurer survey of fraud-fighting perceptions and practices. The findings of this survey are summarized in the report *Fighting Fraud in the Insurance Industry* (cost: \$75 in the U.S.; \$95 elsewhere, postpaid).

Motor Vehicle Records. The IRC conducted an analysis of more than 50,000 traffic violations in selected states to examine MVR accuracy. Findings of this research appear in *Adequacy of Motor Vehicle Records: An Analysis of Traffic Violations* (cost: \$35 in the U.S.; \$50 elsewhere, postpaid). The data show that MVRs are often incomplete sources of information on traffic violations.

To purchase reports, contact IRC by phone at (610) 644-2212, ext. 7569, or by fax at (610) 640-5388. You can also log on to the IRC Web site, <http://www.ircweb.org>, to get news releases and information on IRC publications and events.

The NASA Space Exercise: NASA's Rankings and Rationale

The spring 2002 issue of *ARIA News* included the National Aeronautics and Space Administration's (NASA's) exercise involving fifteen items necessary to enable a space crew that has crashed on the moon to locate the mother ship, 200 miles away. These items are: one box of matches; food concentrate; fifty feet of nylon rope; parachute silk; one solar-powered portable heating unit; two .45-caliber pistols; one case of dehydrated milk; two 100-pound tanks of oxygen; one map of the moon's constellations; one self-inflating life raft; one magnetic compass; five gallons of water; signal flares; one first-aid kit containing injection needles; and one solar-powered FM receiver-transmitter.

To get to the mother ship, you must first survive, then navigate, and finally transport the crew and equipment. Those become the ranking-ordering priorities: (1) survival and (2) transportation. Following are NASA's rankings and rationale of the importance of these fifteen items.

Five items on the list are essential. Without oxygen, you will die. Without water, you'll die before you've traveled 200 miles. Without the map, you will likely wander until you die. Without food, you may not have the strength to travel 200 miles. Without the FM transmitter-receiver, you may not be able to determine the mother ship's exact location (the mother ship may need to talk you in if your stellar navigation skills are rusty). Therefore, those are the first five items: (1) oxygen, (2) water, (3) stellar map, (4) food concentrate, and (5) solar-powered FM receiver-transmitter.

The next four items could be left behind, but they might solve problems that you might expect to have on the trip. The moon's surface is rough and broken in many areas. As in mountain climbing, individuals may slip and may suffer injury. So, first you need the rope to tie the crew together. Then you need the first-aid kit. Because the first-aid kit

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The NASA Space Exercise, continued

includes injection needles, you'll be able to inject pain-killers and antibiotics. When you reach the moon's lighted surface (or if you're already there), you'll want protection from the sun. Space suits are nice, but they are not designed for prolonged exposure to solar radiation and heat. Both the parachute silk and the life raft will provide shelter. More than likely, both will be needed. The parachute silk is easier to carry and could be shaped into a backpack to carry supplies. So, the next four items are: (6) fifty feet of nylon rope, (7) first-aid kit, (8) parachute silk, and (9) self-inflating life raft.

The next three items may prove helpful in some unlikely situations. Should the FM radio fail and your navigation skills aren't stellar, the flares could help guide rescuers to you. There may be times in the rough terrain when added propulsion would help scale a slope. Used properly, the pistols can provide a significant amount of force compared to the moon's limited gravity. Finally, the dehydrated milk could be a backup food source, although combining it with water may prove futile. The next three items are: (10) signal flares, (11) two .45-caliber pistols, and (12) one case of dehydrated milk.

The last three items don't support any of the priorities. However, two have potential salvage value. While the solar-powered heater will work only where it isn't needed, you may be able to salvage climbing aids, weights to hold down shelters, etc. The only real value in the compass is the glass and the needle. The glass could be an additional backup communication device. The needle could be used as a straight pin to fasten pieces of parachute silk. Because the matches have no functional or salvage value, the last three items are the following: (13) solar-powered portable heating unit, (14) magnetic compass, and (15) box of matches.

ARIA Address Change

The ARIA Executive Office has eliminated its post office box. All correspondence should be addressed to ARIA, 716 Providence Road, Malvern, PA 19355.

The American College Celebrates Its 75th Anniversary!

by Eric Gordon, Director of Public Relations, The American College

The American College marked its 75th anniversary on June 12 and 13, 2002, with a two-day event celebrating the College's history as the nation's oldest and largest academically accredited educational institution devoted exclusively to financial services. Located on a thirty-five-acre campus in Bryn Mawr, Pa., The American College serves more than 35,000 students, predominantly on a distance education basis, and offers an array of specialized designation programs, a Master of Science degree in financial services, and customized continuing education programs for those pursuing a career in financial services.

Evening Festivities

The festivities began with a black-tie reception and dinner at the Ritz-Carlton Hotel in downtown Philadelphia. More than 200 senior financial services executives, supporters of the College, and their spouses attended the event. Following the dinner, College employees joined the attendees of the Ritz-Carlton Hotel function for an evening of awards and entertainment at the new Kimmel Center for the Performing Arts. After some opening remarks, Thomas J. O'Haren, CLU, presented the Huebner Gold Medal, the highest honor the College can bestow. William T. Walsh, CLU, ChFC, and Samuel J. Foti, CLU, were this year's award winners. Mr. Walsh is a retired agency manager for the Barth Earhart Karr Agency of Wayne, Pa., part of AXA Advisors. His support of professional education and The American College is particularly well known in the Philadelphia area. He is a charter member of the Golden Key Society and an ongoing contributor, fundraiser, speaker, and host of visiting alumni over his long career. Samuel J. Foti, CLU, is president and chief operating officer of The MONY Group, a position he has held since 1994. He joined the College's board of trustees in 1996 and was immediately involved in its strategic planning and direction. He served the College as chairman of the board of trustees from 2000 to 2001, during which time he led the College to its current level of financial strength and academic success.

Later in the evening, Dr. Samuel H. Weese, CLU, CPCU, president and CEO of The American College, spoke of both past successes and the promise of a bright future, and he articulated a vision for the College: "The College will evolve to become the ultimate credible source of knowledge for financial services professionals and for the general public." After closing remarks by Charles R. Wright, CLU, chairman of the board of trustees, entertainment was provided by Mark McVey from the Broadway cast of *Les Miserables* and by composer and entertainer Marvin Hamlisch.



Participating in the rededication of MDRT Foundation Hall on the campus of The American College were (left to right) Allen Bruce, CLU, ChFC, 2002 MDRT Foundation president; Marvin Feldman, CLU, ChFC, MDRT president; Dr. Samuel H. Weese, CLU, CPCU, president and CEO of The American College; and Mitchell W. Ostrove, CLU, ChFC, incoming MDRT Foundation president. Photo by Kelly & Massa Photography

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The American College, continued

MDRT Foundation Hall Rededication

The following day, honored guests of the College attended the rededication of MDRT Foundation Hall. During the ceremony, the senior leadership of the Million Dollar Round Table (MDRT) and the MDRT Foundation presented checks to the College totaling \$125,000. Marvin H. Feldman, CLU, ChFC, MDRT president, presented the first check for \$75,000, representing the balance of a \$100,000 pledge by the MDRT to the MDRT Foundation Hall building renovation initiative. “It is rewarding to know that MDRT members helped fund the building’s creation,” said Mr. Feldman. “The American College continues to be a tremendous asset, resource, and credential for all of us in the life insurance and financial services industry.” To date, \$1.3 million has been raised for the renovation of MDRT Foundation Hall from MDRT members across the country. A fundraising goal of \$2 million has been established.

Allen Bruce, CLU, ChFC, 2002 MDRT Foundation president, presented a second check for \$50,000 to the College, representing part of the MDRT Foundation’s pledge of \$100,000 toward the renovation of the building. “The College is held in high regard by the Foundation because of our shared commitment to helping others better themselves,” Mr. Bruce said. “The MDRT Foundation is proud to have its name on this building and to have contributed to its creation more than thirty years ago.” Originally constructed in 1972, MDRT Foundation Hall houses the Vane B. Lucas Memorial Library, one of the finest resources of financial information in the country. Faculty offices and the office of the president are also in the building. MDRT Foundation Hall was built in part with donations provided by Million Dollar Round Table (MDRT) members from across the country through the MDRT Foundation.

The building was designed by Mitchell/Giurgola Associates and was awarded the highest medal of excellence in design by the American Institute of Architects in 1974. Besides being aesthetically pleasing, the building’s design has helped to preserve the center of the campus as open space. MDRT Foundation Hall uses many natural materials as part of its design. The College grounds are an arboretum, and these natural design elements allow the building to blend in with its surroundings. While natural in appearance, the building uses new technology. MDRT Foundation Hall hosts a video studio, an audio studio, and an advanced computer network.

The Engle Lecture

The anniversary festivities concluded with two renowned experts in finance and economics discussing “Which Way for the Stock Market?” in the LaGrassa Auditorium at the Gregg Conference Center. The lecture featured bestselling authors Jeremy J. Siegel, from the University of Pennsylvania, and Robert J. Shiller, from Yale University. “This lecture was of keen interest to investors, given the volatility of the stock market during the past several years,” said Professor Roger Bird, the Frank M. Engle Distinguished Chair in Economic Security Research at The American College and coordinator for the annual Frank M. Engle Lecture in Economic Security. “These two men have decidedly different views on the future of both the stock market and the growth rate of the American economy.”

Dr. Shiller is the author of *Irrational Exuberance*, an analysis of the stock market boom since 1982. In 2000, the book won the Commonfund Prize and was a *New York Times* nonfiction bestseller. In his book, Dr. Shiller argues that the stock market is facing years of little growth—if any. Dr. Shiller is the Stanley B. Resor Professor of Economics at the Cowles Foundation for Research in Economics at Yale University. He is one of the most bearish economists in the country and has written about financial markets, behavioral economics, and macroeconomics.

Offering a different perspective at the lecture was author Jeremy J. Siegel. Dr. Siegel has just completed an expanded edition of his book *Stocks for the Long Run*. The new edition will be published this year. He is more optimistic than Dr. Shiller and argues that



The American College was the site of the 25th Frank M. Engle Lecture in Economic Security. Participating in a debate entitled “Which Way for the Stock Market?” were (L) Jeremy J. Siegel, the Russell E. Palmer Professor of Finance at the Wharton School at the University of Pennsylvania, and Robert J. Shiller, the Stanley B. Resor Professor of Economics at the Cowles Foundation for Research in Economics at Yale University. Photos by Kelly & Massa Photography



On June 12, 2002, The American College bestowed its highest honor, the Huebner Gold Medal, on two financial services industry professionals. They are (left) William T. Walsh, CLU, ChFC, retired agency manager for the Barth Earhart Karr Agency of Wayne, Pa., part of AXA Advisors, and Samuel J. Foti, CLU, president and chief operating officer of The MONY Group. The ceremony took place at the Kimmel Center for the Performing Arts in Philadelphia and was part of The American College’s 75th anniversary celebration.

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ARIA 2002 Award Winners, continued



Patrick Brockett presents the President's Award to Richard MacMinn (left).



Jan Ambrose (left) and Helen Doeringhaus (center) accept the Kemper Award for best "Perspectives" article from Patrick Brockett.

The American College, continued

the stock market remains one of the best long-term investments available. In addition to authoring books, Dr. Siegel is the Russell E. Palmer Professor of Finance at the Wharton School, University of Pennsylvania.

The 2002 Frank M. Engle Lecture is the twenty-fifth in the series of lectures endowed by the late Frank M. Engle, who was a distinguished insurance agent and business executive. The purpose of the Engle Lecture is to stimulate objective study of the economic life of the United States in the global economy, with particular emphasis on the social and economic effect of private and public economic security mechanisms.

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