ARIA NEWS

Vol. 7, No. 1 American Risk and Insurance Association Spring 2002

In This Issue

ARIA 2002 Annual Meeting Bienvenue à Montréal!

by Rob Hoyt, Vice President and Program Chair

It will be here before you know it. The 2002 ARIA Annual Meeting will be held August 11 to 14 at the Omni Hotel (http://www.omnihotels.com/), located in the heart of downtown Montréal, Canada (http://www.tourism-montreal.org/). The theme for the 2002 Annual Meeting is *Evolution in Risk and Insurance: Challenges and Opportunities for the Future.*

The 2nd John D. Long Ethics Seminar will open this year's ARIA meeting on Sunday afternoon and will feature presentations by Jack Balkin, Knight Professor of Constitutional Law and the First Amendment, and Director of the Information Society Project at Yale Law School, and by Larry Berger, Ph.D., of Swiss Reinsurance Company. The seminar will be moderated by Joan Schmit, University of Wisconsin-Madison. The Sunday evening welcome reception will follow immediately after the Long Seminar.

Final arrangements are being made for what promise to be four interesting and informative plenary sessions. Monday morning's session, "Convergence of Finance and Insurance," will focus on the variety of tools that have been developed to assist corporations in managing risk and capital. This session, moderated by Larry Berger, will include presentations and discussion by Christopher Culp, University of Chicago; Neil Doherty, Wharton School, University of Pennsylvania; and Prakash Shimpi, Swiss Reinsurance Company. Monday's President's Luncheon and Seminar on "Fraud in Insurance" will be facilitated by Richard Derrig, Insurance Fraud Bureau of Massachusetts. Following the luncheon, I will moderate an afternoon plenary session titled "Career Opportunities and Educational Challenges." Some of the topics covered by the panelists will include their firms' philosophy and strategy for recruiting and

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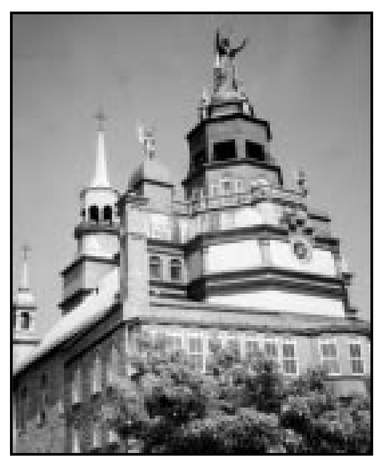
Place Jacques Cartier, Vieux Montréal



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ARIA 2002 Annual Meeting, continued

retaining talent, and the skills, aptitude, and abilities that are sought in college graduates. The panel will include Chris Lubrano of Marsh's College Graduate Program and Deborah Brown, Director of Traveler's Insurance & Underwriting Leadership Development Program.

On Tuesday morning, Phil Stichter of the Griffith Foundation for Insurance Education will moderate our third plenary session, "The Changing Environment Regarding Insurance and Financial Services Regulation." Panelists will include Terri Vaughan, Iowa Commissioner of Insurance and the current president of the National Association of Insurance Commissioners; Kevin Cronin, president of the International Insurance Council; and Robert Pike, executive vice president and secretary, Allstate Insurance Company. This session will focus on identifying the forces at work in the marketplace that are creating change and the corresponding effect on the regulatory environment. Finally, Gilles Bernier, University of Laval, is organizing a plenary session for Tuesday afternoon that will offer some valuable information from the viewpoint of our hosts in a "Canadian Perspectives" session.

In addition to these general session presentations, more than 120 research papers from authors across the globe have been selected for presentation in concurrent sessions during this year's conference.

Watch for the registration materials that will be sent out in May. Also, check the ARIA Web site at www.aria.org for updates and other information as the meeting date approaches. Feel free to contact me with any questions about this year's program. I look forward to seeing you in Montréal!

ARIA Elections Are Taking Place

It's election time again. Ballots were sent to all current ARIA members in late March. The Committee on Nominations proposed the following slate, which was accepted by the Board at its mid-year meeting on January 26, 2002:

President: Mark Browne

President-Elect: Rob Hoyt

Vice President and Program Chair: James Carson v. Steve Weisbart

Board Position 1: Rich Phillips v. Mary Weiss

Board Position 2: Robert Hartwig v. Joan Lamm-Tenant

If you have not yet voted, return your ballot to ARIA, 716 Providence Road, P.O. Box 3028, Malvern, PA 19355-0728, for receipt by May 10.

Mid-Year Board Meeting, 2002. Clockwise from left: Jim Fryer, Steve Weisbart, Larry Berger, Richard MacMinn, and Jim Carson.

ARIA President Patrick L. Brockett

Electronic Access to *The JRI*: New Developments

The Journal of Risk and Insurance is now published quarterly for ARIA by Blackwell Publishers. As each issue of The *JRI* is published, Blackwell will make it available online at its own Web site. Abstract information for the journal is available electronically at http://www.blackwellpublishers.co.uk/asp/journal.asp?ref=0022-4367. For information on full-text access, see http://www.blackwellpublishers.co.uk/online. For further information, call (800) 835-6770; fax (781) 388-8232; or e-mail subscrip@blackwellpub.com.

The JRI is a member of Synergy, a journal service that allows you to:

- Browse tables of contents and abstracts from more than 290 professional, science, and medical journals
- Create your own personal home page from which you can access your personal subscriptions, set up e-mail table of contents alerts, and run saved searches
- Perform detailed searches across Synergy's database of titles and save the search criteria for future use
- Link to and from bibliographic databases such as ISI and PubMed (MEDLINE).

Sign up at http://www.blackwell-synergy.com.

In the Spring 2001 issue of *ARIA News*, we announced that *The JRI* would be available on the JSTOR database. JSTOR has converted *The JRI* to digital files and has archived all issues in its Business Collection. Initially, JSTOR planned to archive everything except a rolling three-year window (i.e., the last three years would not be available), but the ARIA Board voted for a waiver so that all issues of *The JRI* could be available online. Richard MacMinn, editor of *The JRI*, closed the gap of archived issues by giving JSTOR permission to upload the 1998-2001 issues so that all issues would be online. After three years, all subsequent issues will "move" to the JSTOR archive.

ARIA members, however, will not be able to find *The JRI* on JSTOR unless they belong to institutions that subscribe to the Business Collection. Those who belong to subscribing institutions will be able to find *The JRI* at either http://www.jstor.org or http://uk.jstor.org. Richard is determining the feasibility of having Blackwell buy a subscription to JSTOR to let ARIA members use JSTOR through a link on the Blackwell site. The ability for all members to gain access to JSTOR through Blackwell's Web site is being investigated for 2003. Further discussion of this issue was tabled until the August 2002 meeting.

(Back issues of the current and previous two volumes of *The JRI* are available from the publisher's Malden, Mass., office at the current single-issue rate. The journal is also available on microfilm. For microfilm service, address inquiries directly to University Microfilms Library Services, Ann Arbor, MI 48106, U.S.A.)

Risk and Insurance Education at Georgia State University: A Half-Century Evolution

by Harold D. Skipper, Chair
Department of Risk Management and Insurance, GSU (www.rmi.gsu.edu)

The Department of Risk Management and Insurance at Georgia State University will celebrate its 50th anniversary next year, making it one of the oldest such programs in the world. We have come a long way from those early days when our focus was almost exclusively on insurance and actuarial science. Although these areas remain important mainstays of our efforts, our current focus is considerably broader and deeper, reflecting what we believe to be the future of our discipline.

Of course, risk management and insurance education continues to undergo significant change at all universities, reflecting parallel changes taking place in both the business community generally and financial services in particular. It seems likely that we will

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Anthony Biacchi: A New Face at ARIA Meetings

While the American Institute for CPCU and the Insurance Institute of America remain as ARIA's executive director, members of ARIA will be seeing and working with a new representative from the Institutes. He is Anthony J. Biacchi, Ed.D., CPCU, ARP (Associate in Research and Planning), who serves as senior director of examinations with the Institutes. Tony has been an ARIA member for many years and is an active member of the Society of Insurance Research (SIR), the Society of Insurance Trainers and Educators (SITE), and the National Council on Measurement in Education, which specializes in testing and measurement. Tony received his Doctorate of Education–Teacher Training and Research, Special Education Supervisors Certificate, and Master of Education–Special Education from Temple University. Welcome, Tony; we look forward to working with you!

ARIA Executive Director Tony Biacchi

Jim Fryer, who recently served in this position, will be working for CAT*ASI in Bala Cynwyd, Pa., as a continuing education compliance administrator. He will oversee the group that does course approvals and will also work with client relations and marketing. ARIA will miss Jim, and we wish him all the best!

Activities of Sister Associations and Affiliates

Asia-Pacific Risk and Insurance Association

2002 Conference
July 21-24
Shanghai, China
Primary organizer: Shanghai University of Finance and Economics (SUFE)
Web site: http://www.scicollege.org.sg/apria.htm
E-mail: Apria@scidomain.org.sg

For preliminary information on the conference program, hotel registration forms, sponsorship information, etc., go to http://www.LN.edu.hk/apria.

The December 2001 issue of the APRIA newsletter is now available at the association's Web page at http://www.scicollege.org.sg/apria.htm. Printed copies of the newsletter are also available for distribution to insurance organizations, regulators, and industry leaders in member countries (contact Jean Kwon at kwonw@stjohns.edu).

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ARIA NEWS

is published semi-annually for ARIA members and sponsors.

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Produced by the American Institute for CPCU and the Insurance Institute of America

Copy Editor: Anne H. Swigart

Editorial Assistant: Lee Gardner

Graphic Designer: Kim Dickinson

Risk and Insurance Education at Georgia State University: A Half-Century Evolution, continued

continue to move away from traditional hazard risk management toward broader approaches. Nonfinancial corporations, banks and investment houses, brokerage and consultancy firms, and insurers and reinsurers increasingly prefer students who have majored in the more analytical aspects of risk. Indeed, we are not the only risk and insurance program that has remade or is striving to remake itself to incorporate financial, operational, and other classes of risk into a more rigorous and broader approach to risk management education.

This broader approach reflects financial service convergence at three levels:

- In distribution, through movements toward personal financial planning, *bancassurance*, electronic commerce (particularly as an information resource), and consultancy at the expense of more traditional insurance distribution
- In manufacturing, through movements by commercial enterprises toward innovative and holistic means of managing enterprise-wide risk and, within the financial services industry, through movements toward product convergence and toward financial service conglomerates offering a wide range of financial products and services
- In regulation, through laws allowing greater integration as well as through increased cooperation of functional regulators and, in some countries, the creation of a single financial regulatory authority.

Convergence is a logical consequence of the increasing financial sophistication of both sellers and buyers. After all, the economic underpinnings of what banks, insurers, and other financial intermediaries do are the same; only the emphasis and details differ. (This statement is not to minimize the practical importance of these details for management and regulation.) Moreover, commercial enterprises often are capable of performing many of these functions for themselves. Our program, like many other programs, continues to place relatively more emphasis on the fundamentals and relatively less on details of practice more relevant for a single type of financial intermediary or a single category of risk.

Thus, the glue that binds our faculty together is the study of risk. We focus on understanding, quantifying, financing, and developing strategies for managing risks faced by individuals, organizations, and society. We offer undergraduate, master's, and doctoral study as well as certificate programs in various aspects of risk.

At the undergraduate level, we offer a strong program with majors in RMI and in actuarial science. The program is highly regarded and, recently, *U.S. News and World Report* rated it number two in the U.S. and first among public institutions.

While we are proud of our undergraduate program, our forté is graduate education. We offer both Master of Science and traditional M.B.A. approaches, with the M.B.A. focused on breadth and the M.S. involving greater depth of study. (*U.S. News and World Report* recently ranked the Robinson College of Business's Flexible M.B.A. fifth nationally among part-time degree programs and first among public institutions. Our Executive M.B.A. is among the top 20 internationally according to *Business Week.*)

Within our master's degree programs, students can choose one of several specializations:

- Actuarial science (Master of Actuarial Science or M.B.A. with AS specialization)
- Mathematical Risk Management (Master of Science specialization)
- Risk Management and Insurance (several options, such as employee benefits specialization, through M.B.A. or M.S.)
- Enterprise Risk Management (M.B.A. or Graduate Certificate Program, both requiring seven risk-related courses)

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Risk and Insurance Education at Georgia State University: A Half-Century Evolution, continued

- Financial Risk Management (M.B.A. requiring four risk-related courses)
- Personal Financial Planning (M.B.A., M.S., or Graduate Certification Program)

Finally, we also offer a Ph.D. program. Doctoral students can choose a program of study grounded in economics or in mathematical risk management.

As alluded to earlier, our collective belief is that, to be successful in the future, our programs must be able to explore risk in its broadest sense. This means: (1) having sufficient numbers of high-quality faculty and (2) avoiding "turf" battles with our finance, accounting, and other colleagues whose fields of study might overlap with our own. With our two new hires for this fall semester—including Professor Sanjay Srivastava of Carnegie Mellon University to head our MRM program—we will be reasonably staffed with 15 full-time faculty members specialized in some dimension of risk and seven full-time legal studies professors. We are fortunate that legal studies faculty members are part of the RMI department, as this gives us enormous internal synergy as it relates to the legal (qualitative) dimensions of risk management, including the study of regulatory and other public policy issues.

To avoid turf battles, we actively engage our colleagues from other relevant disciplines in our degree programs and other work. The shining example of this philosophy is the Robinson College's newly formed Center for Enterprise Risk Management and Assurance Services (CERMAS). This new executive education and research center is a collaborative effort of the finance, accounting, and RMI programs at GSU; it is headed by a triumvirate of faculty from each area, along with a managing director with more than 20 years of consulting experience offering advice on strategy and risk management. Some may be surprised to learn that we offer courses with titles such as "Financial Engineering," "Asset/Liability Management," and "Financial Risk Management," but this fact reflects the necessary breadth of the study of risk.

To be successful in the future, the RMI program must also continue to enhance the quality and applicability of our research. We believe that successful RMI programs of the future must create an environment that encourages the generation of research that is published not only in traditional insurance-economic outlets but also in more mainstream economic, finance, and policy journals. Our Center for Risk Management and Insurance Research, under the direction of Robert W. Klein, is currently expanding its role in these directions.

We collectively place great emphasis on our teaching effectiveness and on students' welfare. We do well here, as evidenced by our receiving the Regents Teaching Excellence Award in 1999, which recognized the department as the best department among the four research universities in the University System of Georgia. Given the elective nature of our course work and programs, maintaining this emphasis on quality teaching is a critical part of our success.

Like many other programs, ours will continue to evolve in response to changes in the business and regulatory communities so that we might be around for our 100th anniversary!

ARIA Members: Don't Throw Your Membership Away!

Not only is Blackwell Publishers providing publishing services to ARIA, it is also processing membership renewals for the Association. So when you receive a letter in the mail from Blackwell, please check the contents.

Meet Suzanne Steczak, ARIA Meeting Planner

In addition to Tony Biacchi, you'll also see Suz Steczak (STET-zak) when you register at the upcoming Montréal ARIA Annual Meeting. Suz joined the American Institute for CPCU and Insurance Institute of America in July 2001 as administrative assistant/meeting coordinator reporting to Terrie E. Troxel, president and CEO. Having many years of experience supporting executive-level management and coordinating Board meetings and executive retreats, Suz is responsible for the organization, implementation, and/or on-site coordination of the Institutes' and ARIA's mid-year and annual events and for the Institutes' advisory committee meetings. In her role as meeting coordinator, she also will secure and contract with hotels for future ARIA events. As administrative assistant, Suz is responsible for maintaining the Institutes' Board of Trustees records and preparing the briefing packages for the Institutes' mid-year and annual meetings.

Before joining the Institutes, Suz was executive assistant to the president/CEO of Shared Medical Systems, acquired in October 2000 by Siemens AG. She is pursuing a bachelor's degree in psychology at Immaculata College and volunteers at the Philadelphia Ronald McDonald House. Please welcome Suz to her new position.

Suz Steczak

Activities of Sister Associations and Affiliates, continued

Southern Risk and Insurance Association

2002 Annual Meeting
November 24-26
The Chateau Sonesta Hotel
New Orleans, Louisiana

Proposals from members and doctoral students to present research findings on risk- or insurance-related topics are encouraged and welcome. Specific subject areas include, but are not limited to, insurance law or regulation, public policy, economics, finance, healthcare, international issues, employee benefits, and risk management. Submit an executive summary (not exceeding three pages) that describes the purpose, expected results, and importance of the research. The names and affiliations of all co-authors, with telephone and fax numbers and the e-mail address (if available) of the designated contact person, should be provided on a separate cover page attached to the proposal. Also specify whether you are willing to serve as a moderator.

The deadline for submission, which will not be extended, is July 1, 2002. Submissions may be made via regular mail, fax, or e-mail to:

Dr. John Bratton
University of Central Arkansas
College of Business Administration
201 Donaghey Avenue BBA 221
Conway, AR 72035-0001
Phone: (501) 852-2360
Fax: (501) 450-5302
E-mail: jbratton@mail.uca.edu

Electronic proposals may be submitted either in the body of an e-mail message or as a Word or WordPerfect file attachment.

The Risk Theory Society

by Michael Smith, The Ohio State University

Origin

During August 1963, a small group of ARIA members held a meeting at the University of Colorado to discuss topics in risk theory. The meeting, called by Professor Robert Mehr of the University of Illinois, was intended to serve as a discussion forum for persons who had encountered an obstacle to completing a research project or who could benefit from critical comments on the project. All those attending the 1963 meeting did so by invitation from Professor Mehr. Professor Mehr's original intent was to establish a group that would be independent of ARIA, but persons invited to the 1963 meeting were all ARIA members.

A similar session was held in 1964. Following this session, the group members and the ARIA Board of Directors agreed that a Risk Theory Seminar (RTS) could be helpful in advancing the research objectives of ARIA. After 1964, the RTS continued to meet annually as a self-administered committee of ARIA, although ARIA membership was and still is not required to become a member of the RTS. Membership in ARIA is strongly encouraged, however, and nearly all RTS members are members of ARIA.

At the 1993 meeting, members voted to change the name of the RTS to Risk Theory Society. The name was chosen as a more accurate description of the form of the organization, whose purpose remains unchanged: to foster research in risk theory and insurance economics.

RTS Membership

During the first four or five meetings of the RTS, membership was restricted to individuals actively involved in ongoing research projects. Active involvement was ensured by requiring a member to present a research paper at least once every two to four meetings in order to retain membership status. The requirement guaranteed that total RTS membership would remain small; if, for example, a member was required to present a paper every three years and eight papers were presented at each meeting, total membership would be limited to 24. To solve the problem of limited membership in the early RTS, ARIA appropriated $1,500 in 1968 to help start a second seminar. The money was never used because no one wanted to leave the original RTS.

Persons invited to the first meeting of the RTS were deliberately chosen by Professor Mehr to represent a cross-section of ARIA membership. The cross-section was chosen to avoid sudden and dramatic shifts in the composition of membership and to fairly represent diverse research interests and opinions. In addition to keeping RTS membership small and active, the original membership rule had an adverse side effect: creating pressure on members to accept research proposals prepared by persons who already were members of RTS. Partly as a result of this shortcoming, the members attending the 1969 meeting voted to terminate the original rule and substituted one requiring continued attendance at meetings rather than frequent presentation of research ideas.

The rules for membership in the RTS adopted at the 1969 meeting are as follows:

1. An author presenting a paper at the RTS thereby becomes a member.
2. In case of multiple authorship, only the author(s) actually attending the Seminar is (are) admitted to membership.
3. Continued membership requires regular attendance. A member who misses meetings of the Seminar in two consecutive years loses membership status.

Membership rules adopted at the 1969 meeting are still in force, with an additional rule that confers permanent membership status on a person who maintains membership for 20 consecutive years.

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The Risk Theory Society, continued

As a result of the changes adopted at the 1969 and later meetings, RTS membership has expanded to about 70. The growth in RTS membership has caused the character of the annual meeting to move away from that of a small research roundtable toward one of a moderate-sized academic conference, although much of the give-and-take and no-holds-barred criticism of the early meetings still are present. RTS membership is diverse, including residents of at least six countries: Canada, France, Scotland, Spain, Taiwan, and the United States. Most of the Society's members are faculty members at North American universities; at least six are actuaries, two of whom are employed by insurance service organizations or insurance companies. Of all academic insurance groups in the United States, the RTS probably is the most research-oriented. Competition among authors who want to present their work at the annual meeting usually is keen; normally, about one-half of the proposed papers are accepted for presentation.

RTS Organization and Policy

The annual meeting of the RTS is administered by an elected program committee consisting of three persons: a secretary, a president, and a past president. A local-arrangements chairman is responsible for negotiating meeting and lodging facilities for the annual program. When possible, the meeting is held on or near the campus of a university at which the local-arrangements chairman is a member of the faculty. Meeting at university facilities helps to hold down costs.

RTS-elected officers serve a three-year term. Normally, the outgoing past president is replaced by the previous year's president, who, in turn, is replaced by the previous year's secretary. The secretary and president are both elected by members who attend the annual meeting, however, so the secretary could fail to advance to the position of president if the members were to vote a new person into the president's position. At the 1985 meeting, RTS members voted to create a position of RTS treasurer, whose responsibility is to manage the financial activities of the RTS.

The three members of the program committee select papers to be presented at the annual meeting from proposals submitted by existing RTS members and persons who would like to become members. In addition, the president is responsible for running the annual business meeting of the RTS and announcing the papers presented at the annual meeting. The secretary is responsible for correspondence related to the annual meeting. At the annual business meeting, the president steps down, and the secretary normally assumes the role of president. The past president has no explicit duties other than serving as a voting member of the program committee.

Financial Support

Individuals who attended the first RTS meeting in 1963 all paid their own way. Robert Rennie of Nationwide Insurance Company, who was the only insurance industry representative present at that meeting, suggested that the industry or some segment of it might be willing to provide financial support for the RTS. John Adams of Georgia State University and Rennie were appointed as a committee to investigate the possibility of industry support. (Rennie also suggested that RTS discussions focus on papers distributed to RTS participants well before the annual meeting, a practice that still is followed.) Rennie and Bob Vanderbeek of League Insurance Companies were successful in obtaining the support of the cooperative insurer members of the Insurance and Finance Conference sponsored by the Cooperative League of the USA (later, the North American Association of the International Cooperative Insurance Federation, or ICIF). Support from the ICIF continued until 1986, after which the RTS treasurer began seeking new sources of support.

Currently, the RTS receives financial support from two organizations: The National Association of Independent Insurers (NAII) and Nationwide Insurance Company. The RTS also has received support from the Alliance of American Insurers, the American

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Risk Management and Insurance Positions

Below is a list of organizations offering academic, government, and industry jobs that ARIA has received since November 2001, presented in chronological order of final posting on ARIA's Web site and whose deadlines for application have not lapsed. Please visit the ARIA Web site (www.aria.org) or contact these organizations for additional information.

November

University of Illinois at Urbana-Champaign—Actuarial Science

December

University of Iowa—Department of Statistics and Actuarial Science

January

U.S. Department of Agriculture—Senior Actuary with the Risk Management Agency

February

National Association of Insurance Commissioners—Insurance Educator

University of Hartford—Visiting or Executive in Residence in Insurance
The Barney School of Business, Economics/Finance/Insurance Department: full-time (ten months) Visiting or Executive in Residence in Insurance, beginning September 2002

April

University of New South Wales—Professor of Actuarial Studies

Attention Members:

If you believe ARIA does not have your current e-mail address because you are not receiving electronic announcements/notices, or if your address has changed, please send your correct e-mail address to aria@cpcuiia.org.

The Risk Theory Society, continued

Insurance Association, and the Griffith Foundation for Insurance Education. Funds provided to the RTS are used primarily to support travel expenses of authors presenting papers at the annual meeting. Incidental expenses involved in running the annual meeting, such as charges for meeting rooms, are paid from these funds, as is the cost of preparing a bound copy of papers presented at the annual meeting. The bound copy is distributed to organizations that provide financial support for the RTS and to the libraries of The Ohio State University and St. John's University, New York.

RTS members who attend the annual meeting without presenting a paper pay their own travel expenses. Funds used to support travel are provided to only a few individuals who present papers and cannot find reimbursement from other sources. That a number of members are willing to attend the annual meeting at their own expense suggests that the exposure to research is reward enough for many RTS members.

The Web site for the RTS is part of the ARIA Web site, accessible at http://www.aria.org/rts/. The RTS Web site, which is maintained by Jim Garven of Baylor University, includes programs of current and past meetings as well as electronic versions of papers presented at these meetings. Typically, the RTS annual meeting is scheduled during April, and the call for papers appears on the RTS Web site the preceding fall.

Send Us Your News

ARIA members can send notice of events of professional or personal significance that they would like published in *ARIA News* to the editor, Diana Lee, at diana.lee@naii.org. Please send announcements for the Fall 2002 issue. If you are not a user of e-mail, you may mail messages to Diana at 1351 Autumn Way, West Chester, PA 19380.

Reinventing State Insurance Regulation

by Commissioner Terri Vaughan (Iowa), President of the National Association of Insurance Commissioners (NAIC)

Terri Vaughan

By now, anyone who follows insurance regulation is familiar with the current debate over federal versus state regulation. Globalization, financial services convergence, and e-commerce have altered the competitive landscape of the U.S. insurance business. As insurers compete increasingly with others in the financial services market, awareness of regulatory differences has been heightened, and the industry is less tolerant of the duplication and inefficiencies that exist in the current system. Several trade associations have signaled their support for an optional federal charter, and two bills are in Congress to create such a system.

State insurance regulation has existed for more than 150 years. Its survival can be explained by two factors. First, state regulation has a number of inherent strengths: its proximity to consumers, responsiveness to local conditions, and ability to experiment and to encourage innovation in regulatory processes. Second, state regulation is not static, but is continually reinventing itself in response to changing conditions. Significant examples can be seen in the regulatory response to the McCarran-Ferguson Act in the late 1940s and in the creation of the NAIC's accreditation program following the solvency problems of the 1980s.

In recent years, state regulators have recognized that we are in a new period of dramatic market change, requiring a dramatic regulatory response. Given the market changes, new approaches are needed to provide a more cohesive and consistent regulatory system—one that recognizes both the local and the national elements of the industry we regulate.

In March 2000, the members of the NAIC adopted the *Statement of Intent on the Future of Insurance Regulation*, laying out a bold vision for streamlining state insurance regulation while continuing to provide strong consumer protection. This vision targeted several key areas for modernization: producer licensing, rate and form approval ("speed to market"), market conduct, privacy, company licensing, and financial regulation. Generally, the vision involved making more effective use of technology, increasing coordination among states and consistency in our laws and regulations, providing better transparency, eliminating unnecessary regulations, and pursuing uniformity in key targeted areas, including producer licensing and standards for life products.

In the past two years, significant progress has been made. Consider producer licensing, for example. In signing the *Statement of Intent*, state insurance regulators committed to building a streamlined national producer licensing process.When built, this will enable most agents (those with no disciplinary history or other regulatory issues) to submit a single application electronically and quickly become licensed in multiple states. Since March 2000, 39 states have adopted the necessary laws or regulations, 43 states have joined the electronic network that will facilitate multi-state licensure, and ten states are licensing nonresidents through that network. We expect to have at least 35 states doing nonresident licensing through the national one-stop system by the end of 2002. Clearly, this progress is noteworthy.

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The members of the NAIC also recognize that some problems may demand extraordinary solutions. Life insurance products are a good example. The risks assumed by life insurers generally lack local characteristics (such as mortality and investment risks), and consumers may own a life insurance policy for many years, during which they might live in several states. Consequently, the rationale for differences among states in regulatory standards becomes less clear. As asset accumulation products become an increasingly important part of the life insurance market, life insurers face more competition from other sectors of the financial services market. These other firms may be subject to a single review for a national product or to no product regulation at all. Given the competitive landscape, the cost of regulatory differences becomes more significant, and delays in getting multi-state approval can hinder a national product rollout.

In recent years, life insurers have begun to argue that they cannot compete effectively given the current multi-state review processes. They have called for a single point of filing for their products, which would allow them to file a product one time, go through one review process, and, if approved, sell the product nationally. In May 2001, the NAIC began to pilot-test a coordinated review process with national standards, called the Coordinated Advertising, Rate and Form Review Authority (CARFRA). In addition to providing a coordinated review of a multi-state product filing, CARFRA has increased the transparency of regulatory requirements, as each state clearly identifies any deviations from the national standards. This has simplified the company's task in preparing the multi-state filing.

The pilot began with ten states and three product lines. While the process shortened the time necessary for gaining approvals in multiple states, the continued existence of state deviations prevented a company from selling a single product nationally. This has caused the commissioners to focus on the deviations, with the goal of getting to uniform standards for national product filings. Several options are under consideration. Among these is the creation of an interstate compact for approving national life insurance products.

These are only two of the areas in which the NAIC is moving toward a more cohesive state regulatory structure. In other areas, regulators are promoting changes in the regulatory framework (e.g., modernizing commercial lines rate and form approval), increased coordination (e.g., groupwide financial exams, coordinated market conduct oversight), better transparency, more effective use of technology, and greater consistency in regulatory requirements. All states are now participating in the System for Electronic Rate and Form Filings (SERFF), and companies report that it has significantly cut their filings costs and regulatory review time. Several states are participating in coordinated market conduct efforts, with the goal of identifying the best models by the end of 2003. The list goes on.

Much progress has been made during the past two years. Clearly, much more is needed. Building these systems will require that we partner with legislators, industry, consumers, and others interested in an effective and efficient regulatory system. We are encouraged by the strong support we have received. Many others recognize the benefits to be gained by a focus on improving the state-based system.

In essence, the NAIC's vision involves making state regulation as efficient as possible while building–through the states–the national uniform systems where uniformity is needed. This two-tiered approach provides the best prospect for maintaining the inherent advantages of our current system, avoiding a cumbersome system of dual regulation, and responding to the real market changes that demand regulatory evolution.

ARIA Members in the News

In January 2002, James Carson joined the Risk Management & Insurance faculty at Florida State University after having worked at Illinois State University for the past eight years.

Jim Garven has been granted tenure as a full professor of finance and insurance at Baylor University.

Jim Jones, CPCU (and new ARIA member), assumed the position of executive director of the Katie School of Insurance and Financial Services at Illinois State University on November 15, 2001. Jim comes to the Katie School from the American Institute for CPCU, where he was a program director and director of the Center for Performance Improvement & Innovation. In addition to offering programs leading to insurance majors and minors, the Katie School provides executive education, professional development, and industry research.

Joseph J. Launie, CPCU, FACFE, is retiring from California State University at Northridge, effective May 2002. He is currently professor emeritus of finance and insurance and is teaching one more semester before his retirement.

Christopher M. Lewis, managing director and head of NetRisk's Enterprise Risk Advisory Group, recently joined the Finance faculty in the School of Business at the University of Connecticut, where he will be helping to modernize and advance the University's Risk Management and Insurance program. Christopher brings to the University a broad range of experience from research, private-sector consulting, and public-sector risk management experience.

Richard MacMinn has decided to leave the Swiss Re Chair at the University of Nottingham this summer to return to the United States. He has accepted the Risk Management Chair at the Katie School, Illinois State University. For the immediate future, his e-mail address as editor of *The JRI* will continue to be macminnr@uts.cc.utexas.edu.

The School of Risk Management Re-Opens

The new Robert Clements Chair in Risk Management and Insurance is indeed a wonderful gift to The School of Risk Management, Insurance and Actuarial Science of St. John's University, situated in downtown Manhattan. While students, faculty, and staff can be very pleased with and proud of this honor, they cannot forget the horrific September 11 terrorist attacks on the once-nearby World Trade Center. Although the school itself did not have any visible physical damage, it was immediately closed as an institute of learning and was instead used by the city and the Red Cross as a respite center for rescue workers and volunteers. The Red Cross departed at the end of November, and students began to return to the building for the spring term in mid-January. The closing of the fall semester did result in significant disruption, with many courses being dropped and many students withdrawing from school. "Despite these problems, we consider ourselves very fortunate," says Dr. Ellen Thrower, SRM's executive director. "While enrollment dropped following September 11, I am confident that with the SRM now reopened and ready to accept students, it will pick up. The importance of a return by SRM to normal operations cannot be minimized. The role it will play in the changing and rapidly shifting world of insurance and financial services is more important now than ever before." Dr. Thrower believes that active financial support from insurance companies is necessary to ensure the continuation of the school's efforts.

Related Links

For links to professional organizations and societies related to risk and insurance, ARIA members are encouraged to peruse the ARIA Web page at http://www.aria.org/links.htm.

New Chair Established at The School of Risk Management

ACE Limited and XL Capital, Ltd., announced that they have jointly pledged $3 million to establish the Robert Clements Chair in Risk Management and Insurance at The School of Risk Management, Insurance and Actuarial Science of St. John's University (formerly The College of Insurance). The Chair was established in honor of the founder of ACE and XL and to mark his retirement as chairman of the Board of Overseers of The School of Risk Management. Executive Director of The School of Risk Management Dr. Ellen Thrower said, "We believe this is the largest single gift ever made to establish an endowed chair in risk management and insurance."

The School of Risk Management, Insurance and Actuarial Science (SRM) was founded in 1901 as The Insurance Society of New York; over the years, it evolved into The College of Insurance (TCI). In May 2001, TCI merged with St. John's University, becoming a school of The Peter J. Tobin College of Business. Mr. Tobin is a 1965 graduate of St. John's College of Business and the school's current dean. Mr. Clements was elected chairman of The College of Insurance Board of Trustees in 1994 and, following the merger with St. John's University in 2001, he was elected chairman of the Board of Overseers of the new school.

Located in New York City's downtown financial district, SRM awards undergraduate, M.B.A., and M.S. degrees in the insurance, risk management, and actuarial science disciplines. Through its Center for Professional Education, SRM also provides education, training, and consulting services to industry, governments, and regulators worldwide.

Left to right: Peter J. Tobin, dean, The Peter J. Tobin College of Business, St. John's University; Robert Clements, chairman, Arch Capital Group, Ltd.; Dr. Ellen Thrower; Brian Duperreault, chairman and CEO, ACE Limited; and Brian M. O'Hara, president and CEO, XL Capital, Ltd.

The Book Corner

Michael R. Powers, director, Advanta Center for Financial Services Studies, Temple University, and co-editor of the *Risk Management and Insurance Review*, is posting a link for his new book, *The Economics and Politics of Choice No-Fault Insurance* (co-edited with Ted Lascher). The book was published by Kluwer Academic Publishers and is described at http://www.wkap.nl/book.htm/0-7923-7467-3. It includes a foreword by former presidential nominee and Massachusetts Governor Michael Dukakis and chapters by Jeffrey O'Connell, Joan Schmit, and others.

This summer, Addison-Wesley Publishing Company will publish the 8th edition of *Principles of Risk Management and Insurance*, a premier college textbook in the field. Authored by George Rejda of the University of Nebraska, this edition features a host of revisions designed to keep the text current in the wake of the 9/11 tragedy and recent

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upheavals in the Social Security program and the U.S. Tax Code. Included are an in-depth examination of the far-reaching effects of the World Trade Center attack on commercial property and liability insurance, workers compensation and life insurance, and the recent controversial report on saving Social Security through partial privatization, issued by the President's Commission to Strengthen Social Security. In addition, Rejda discusses in detail the many changes introduced into tax law by The Economic Growth and Tax Relief Reconciliation Act of 2001 and their effect on the individual worker. Also featured are new policies issued by Insurance Services Office (ISO) that substantially revise its Commercial Property Insurance and Commercial Crime Insurance programs; streamlined "Insight" boxes with current, real-world examples; and numerous Internet resources with updated URLs. In short, the 8th edition is poised to dominate the market once again with its unparalleled coverage of important risk and insurance issues and their relevance for not only the industry, but also the reader. For additional information, go to http://www.aw.com/info/rejda/8e.html.

Yakov Ben-Haim (yakov@aluf.technion.ac.il), faculty of Mechanical Engineering Technion—Israel Institute of Technology, has written a book, *Information-Gap Decision Theory: Decisions Under Severe Uncertainty*, published by Academic Press. This book discusses an information-gap modeling approach to decision-making under uncertainty, constituting a new and revolutionary way to address tough decision problems. Info-gap decision theory is radically different from all current theories of decision under certainty. The difference originates in the modeling of uncertainty as an information gap to formulate decision algorithms, assess decision performance, identify and evaluate options, determine trade-offs and risks, and evaluate strategies for investigation. It has been written for decision analysts, including project management consultants, financial and economic analysts, engineers, and analysts in planning offices and public agencies, who provide quantitative support for the decision-making process in all areas in which systematic decisions are made. From the Academic Press catalog: http://www.apcatalog.com. From Amazon.com: http://www.amazon .com/exec/obidos.

ARIA salutes its institutional sponsors and expresses appreciation for their support of risk and insurance education in universities around the world.

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Joint Conference Under Consideration

Representatives of ARIA, the Asia-Pacific Risk and Insurance Association, EGRIE (European Group of Risk and Insurance Economists), and the Geneva Association met in March to discuss the feasibility of holding a joint conference of the four organizations and the appropriate objectives of such a meeting. Representing ARIA was Harold D. Skipper (Georgia State University). Participants agreed that this kind of event, especially if held periodically, could do much to promote continuing awareness of education and research in the broad area of insurance economics and to provide an important forum for networking among researchers and others with an interest in the topics. It has been proposed that an Organizing Committee, consisting of two representatives from each of the co-organizers, be created; this group would be responsible for establishing the structure of the conference and for overseeing key administrative and logistical matters. The first conference would be sponsored by ARIA and would be held in conjunction with our Annual Meeting in 2005 in Salt Lake City, Utah. Stay tuned for further updates.

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A NASA Exercise: Or Dealing With a "Space" Problem*

Do you think like NASA? Here's the situation: Your spaceship has just crash-landed on the moon. You were scheduled to rendezvous with a mother ship 200 miles away on the lighted surface of the moon, but the rough landing has ruined your ship and destroyed all equipment aboard, except the 15 items to the left.

Your crew's survival depends on reaching the mother ship, so you must choose the most critical items available for the 200-mile trip. Place number one by the most important item, number two by the second most important, and so on through 15, the least important.

NASA's ranks and its rationale will be included in the next issue of *ARIA News*. If you are interested in this information now, please e-mail Diana Lee, *ARIA News* editor, at diana.lee@naii.org.

* This exercise is a variation of one provided by The Carroll-Keller Group, Ltd., a training and consulting firm in Oak Brook Terrace, Ill. (www.carrollkellergroup.com), at an NAII Team Performance Workshop. It was designed to compare error-point totals for any individual to those of a group of individuals, with the intent of showing that group totals are usually lower than those of any individual; i.e., team decision-making is more beneficial than an individual decision. (Error points are the difference between ranks of the individual or group and NASA ranks.)

Items	Your Ranks
Box of matches	______
Food concentrate	______
50 feet of nylon rope	______
Parachute silk	______
Solar-powered portable heating unit	______
Two .45 caliber pistols	______
One case of dehydrated milk	______
Two 100-pound tanks of oxygen	______
Map of the moon's constellation	______
Self-inflating life raft	______
Magnetic compass	______
Five gallons of water	______
Signal flares	______
First-aid kit containing injection needles	______
Solar-powered FM receiver-transmitter	______