

In This Issue

- 1** Chicago: A Great Location for the 2004 Annual Meeting
- 2** Synopsis of Winter Board Meeting
- 3** The Risk Management and Insurance Program at UNCC
- 3** Officer and Director Elections
- 4** ARIA Welcomes New Sponsor: The Insurance Institute of Canada
- 4** A.M. Best Company Interviews Etti Baranoff
- 5** Profile of Insurance Scholars: Richard A. Derrig
- 5** Risk Management and Insurance Positions
- 6** Activities of Sister Associations and Affiliates
- 6** Merger of the Alliance and NAIL
- 7** International MBA Program at National Chengchi University
- 8** The Institute for Civil Justice/RAND
- 9** In Memoriam: Spencer L. Kimball
- 10** The Book Corner
- 10** Guidelines for Journal Editors
- 12** ARIA Members in the News

Chicago: A Great Location for the ARIA 2004 Annual Meeting

by Larry Cox, Vice President and Program Chair

“Location, location, and location.” We all have heard the alleged three main rules for selecting real estate. Chicago already is proving to be a prime location for ARIA’s annual meeting. In the previous newsletter we enumerated the many cultural, entertainment, and architectural attractions of the Windy City. We now are discovering that Chicago is a very convenient and attractive destination for ARIA members.

At the time of this writing we have over 140 papers or paper proposals submitted for the program. A surprisingly high percentage of these are complete papers for which the authors are requesting consideration for the new Select Paper Sessions. These sessions will be limited to two presentations with a discussion session led by a prominent researcher in risk and insurance who also will offer his or her comments. This form of feedback will be a bit of a hybrid between having a full-fledged discussant and ARIA’s traditional open discussion. The intent is to combine the best of both worlds.

Suffice it to say we are delighted with the response of ARIA members to the new concept of the Select Paper Sessions. We also appreciate the generosity of the authors, virtually all of whom agreed to present their papers during our regular sessions in the event their papers are not chosen for the Select sessions. The only problem is that the decisions of the Program Committee now will be more difficult than ever, which, of course, is a good problem for ARIA to have.

In other news, we are planning plenary sessions that are designed to have broad appeal to both academicians and industry professionals. Our Monday morning plenary session tentatively features Steve Grabek, regional vice president of AIG; Bob Young, senior vice president of General Re; and a top officer of Arthur J. Gallagher. They will be discussing “What Keeps Top Managers of Commercial Lines Insurers and Brokers Awake at Night.” We are indebted to Debbie Babcock of Illinois State University for arranging this panel.

For our afternoon session, David Cummins of the University of Pennsylvania will do his usual fine job in putting together a panel to address alternative risk management. For Tuesday morning, Debbie Babcock once again is in the process of developing a panel that tentatively features David Magers, chief financial officer of Country Insurance and Financial Services; David Nadig, assistant general counsel of Allstate Insurance Company; and a top executive yet to be named from State Farm. They will be addressing the major issues that concern managers of personal lines insurers.



A view from the Chicago River.

Continued on page 2

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Chicago: A Great Location for the ARIA 2004 Annual Meeting, continued

This year, our concurrent paper sessions will be intermingled with the Select Paper Sessions throughout the remainder of Monday and Tuesday, and on Wednesday. We do have some proposals for informational sessions that also may be included. One event that is definitely scheduled, led by Bob Oakley of The Ohio State University, will focus on building risk management and insurance programs at universities. Bob is planning a panel of ARIA members from schools that have exhibited vibrant growth in recent years.

As you can tell from the foregoing discussion, many interesting sessions are in the works. Our goal is to create sessions of such high caliber, yet of such broad interest, that attendees will have a difficult time choosing which to attend. On behalf of the ARIA board and the program committee, we urge you to attend this year's meeting. The location is terrific and we fully intend to make this meeting the best one ever!

Synopsis of ARIA Winter Board Meeting

The ARIA Board of Directors met on January 24, 2004. The major items, except for the annual meeting (see p. 1) and officer elections (see p. 3), are presented here:

- The year 2003 membership renewal of 88 percent is somewhat lagging behind our goal of 95 percent.
- After reviewing ARIA's finances at the August 2003 Board meeting, the Board voted to increase the full-time annual dues by \$20 to help ensure the continued financial soundness of ARIA. The Board believes that ARIA's membership fee remains at a reasonable level and compares favorably to those for other academic organizations.
- Except for the Hedges and Strickler awards, which are both funded, all other ARIA awards will no longer include an honorarium until such time as these awards are funded.
- The Kemper Awards are being renamed *RMIR* Awards.
- All financial profits and liabilities from the 2005 World Risk and Insurance Economics Congress will be apportioned as follows: ARIA (50.0%); APRIA (16.7%); Geneva Association (16.7%); and EGRIE (16.7%).
- 2003 *RMIR* subscriptions are up 159 percent compared to 2002.
- A \$12,500 attrition penalty was assessed against ARIA for not satisfying the sleeping room guarantee negotiated in a 1999 contract with the Adam's Mark Hotel in Denver, where last year's annual meeting was held.
- An amendment to the bylaws permitting members to change the bylaws if two-thirds of those attending an ARIA meeting voted favorably was approved and signed by the Board. A vote on this amendment is being taken simultaneously with the election of officers.
- ARIA's contract with its executive director, the American Institute for CPCU (AICPCU), expires at the end of 2004. The AICPCU submitted a three-year proposal to renew its agreement with ARIA; using the 2004 fee of \$28,500 as the base, the arrangement will be funded by a yearly escalator equal to the CPI.



2003–2004 ARIA Mid-Year Board Meeting.

The Risk Management and Insurance Program at the University of North Carolina at Charlotte

by Mark S. Dorfman, Director of the RMI Program



Mark S. Dorfman

In the five years since the risk management and insurance program began at the University of North Carolina at Charlotte (UNCC), the number of students choosing the RMI concentration has increased from 3 to approximately 40 students. The academic foundation of the program was originally put in place by Claude Lilly, who became dean of the Belk College of Business in 1998 after just eight months at UNCC. After Claude became dean, Dan Pliszka (who at the time was risk manager of the city of Charlotte) assisted me in the program. He was followed by Martin Halek, who is now at the University of Georgia. This academic year, Lars Powell (who will be returning to the University of Arkansas at Little Rock) is teaching the property and liability courses. We are also happy to announce that in the fall, Faith Neal, who is completing her doctoral dissertation at Florida State University, will join the department.

I am especially pleased about the rapid progress we have made and the high quality of students we have attracted to the program. For example, last year the students founded a chapter of Gamma Iota Sigma. One individual won the prestigious Spencer Educational Foundation Scholarship, and over two dozen graduates of the program have taken jobs in the RMI industry. One student was also selected for a Risk and Insurance Management Society (RIMS) scholarship and attended the RIMS annual conference in Chicago in 2003. This year, two of my students received the Anita Benedetti Award and will attend the meeting in San Diego. In addition to providing the two endowed chairs in insurance held by both Claude and myself, members of the local and state insurance industry have generously supported the RMI program with five scholarships that are awarded annually. The program also relies on an advisory council of insurance professionals to review program content, assess trends in the local insurance market, and provide general advice to the program.

My current studies center on the transition to private insurance markets by former Communist countries. Interest in this geographical region began when I was teaching at the Wirtschaftsuniversität Wien (the Business and Economics University of Vienna). These research activities, along with collaborating with Robert Cooper (Drake University) on comparing and contrasting European Union and U.S. insurance supervision, have provided me excellent intellectual satisfaction. Moreover, it has allowed me to attend several meetings of the Eastern European insurance supervisors and develop many friendships there, including those with the supervisors and members of the supervisory staffs in Poland, the Czech and Slovak Republics, Hungary and Slovenia. Indeed, teaching in Austria and Germany has been one of the most satisfying opportunities of my career.

One significant research contribution so far has been the development of a four-stage taxonomy of transition that allows the supervisors or other researchers to benchmark where a particular country is in the transition process. Karl Ennsfellner (Wirtschaftsuniversität Wien), a frequent attendee at ARIA annual meetings, joined me in this project. This research was published in the *Journal of Insurance Regulation* (Winter 2001). Unfortunately, data for the first 10 years of the transition are unavailable or unreliable, but Martin Halek and I are currently working on a statistical analysis based on better quality data available in recent years. After many years of work on this ongoing project, I am more than ever convinced that developing a viable private insurance market in former Communist countries is a more difficult problem in many respects than developing private markets for other financial services.

Continued on page 4

Officer and Director Elections Are Taking Place

It's election time again. Ballots were sent to all current ARIA members in early April. The Nominations Committee proposed the following slate, which was accepted by the Board at its January 24 meeting:

President: James Carson
Florida State University

President Elect: Larry Cox
The University of Mississippi

Vice President and Program Chair:
James Garven (Baylor University) vs.
Etti Baranoff (Virginia Commonwealth University)

Board Position 1: Vickie Bajtelsmit
(Colorado State University) vs. David
Sommer (University of Georgia)

Board Position 2: Jim Jones (Illinois State
University, The Katie School of Insurance)
vs. Simon Ashby (Lloyds TSB Bank, London)

Biographies of candidates are included in your packet; please take the time to read each one so you can make an informed choice. All returned ballots must be post-marked on or before May 1; send your ballots to ARIA, 716 Providence Road, P.O. Box 3028, Malvern, PA 19355-0728.

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ARIA Welcomes New Sponsor: The Insurance Institute of Canada

ARIA is pleased to welcome its latest Bronze sponsor, The Insurance Institute of Canada (IIC). The IIC, a not-for-profit organization comprising 32,000 individual members employed in the insurance business, is the professional education arm of the general insurance industry in Canada. Headed by Peter Hohman, president and chief executive officer and current ARIA member, the IIC operates through a network of 23 affiliated local institutes and chapters throughout the country. It maintains professional programs that are recognized worldwide, holds qualifying examinations and elects graduates as Chartered Insurance Professionals (CIPs) and Fellow Chartered Insurance Professionals (FCIPs). The IIC also interacts with secondary school teachers to help them inform students about careers within the general insurance industry and about how the various sectors of the business operate and interrelate. The Chartered Insurance Professionals' Society, an alumni association of 12,000 CIP and FCIP members, falls under the aegis of the IIC as well. The mission of the Society is to provide services specific to the needs of its members, the industry's most highly qualified professionals. Thanks to the IIC for its support!

What College Is the Best?

The 2004 edition of "America's Best Colleges," by *U.S. News & World Report* came out with its ranking of undergraduate business schools specializing in insurance/risk management. The top three schools are:

1. University of Pennsylvania (Wharton School);
2. Georgia State University (Robinson College of Business);
3. University of Wisconsin-Madison.

The Risk Management and Insurance Program at the University of North Carolina at Charlotte, continued

My 35 years of ARIA membership, including board participation and the presidency, have given me fond memories of many friends and some interesting controversies. Among the most satisfying changes observed during this time is the ever-increasing number of international members. It also gives me great pleasure to note that my introductory risk management and insurance textbook, which will appear in its 8th edition in 2004, is being used all over the world.

I remain firmly convinced that studying risk management and insurance allows students to think about many of society's most important problems. My educational philosophy centers on the idea that risk management and insurance are essential problem-solving tools for society, business organizations, and families, and that one of the best ways to understand risk management and insurance is to look at the problems they solve, including many of the issues occupying the presidential candidates this year. This list includes such societal concerns as health care, terrorism, pension funding, and legal liability. After three decades of teaching, I still greatly enjoy my exchanges with students, especially those that end with "Now I understand."

A.M. Best Company Interviews Etti Baranoff



Etti Baranoff

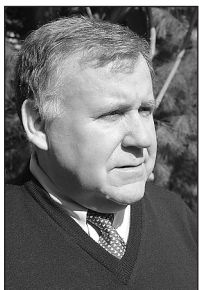
Associate professor of finance and insurance, Etti Baranoff, of Virginia Commonwealth University, was featured in the November 2003 issue of *Best's Review*. In an interview entitled "Greater Than the Sum of the Parts," Etti talks about her latest textbook for college students, *Risk Management and Insurance*, which discusses risk management methods in today's insurance environment and the interconnection among the different risks facing a family or a company. Her perspectives on various subjects, including the need for more skilled risk managers; holistic risk management; enterprise risk management and the impact of September 11, 2001; and corporate accounting scandals, are revealed in the interview.

According to Etti, there are not enough students specializing in risk management to meet the needs in the marketplace. Not many universities offer this area of specialty as a separate major or concentration. Etti also discusses the skills needed for graduating students to be employable in the field of risk management and insurance. The graduates are required to have the appropriate analytical, communication and writing skills to meet the growing demands of insurance and non-insurance firms hiring risk managers. Hence, her book also serves as a good reference guide for all insurance professionals to expand their knowledge base.

In the interview, Etti discusses the growing need for the chief risk officer to examine holistic risk, i.e., the entire enterprise including pure and speculative risks (for example, financial gains). In the post-September 11 era, Etti believes it is imperative that risk managers have a thorough understanding of insurance and contract law in order to avoid any coverage gaps. She also sees a number of emerging and continuing risks, such as e-commerce and the availability and affordability of health insurance, facing the risk manager and emphasizes the importance of predicting losses as accurately as possible. Finally, Etti emphasizes the need for today's risk managers to be more sophisticated and skilled as they use new risk mapping techniques, information systems and financial risk and catastrophe modeling to cope with current developments.

Profiles of Insurance Scholars: Richard A. Derrig

by Diana Lee, *ARIA* News Editor



Richard A. Derrig

When *ARIA* members think about “hot topics” lunches at past annual meetings or research on insurance fraud, one name usually comes to mind: Richard A. Derrig. A past *ARIA* director (1992–1995) and recipient of the President’s Award (1997), he was senior vice president of the Automobile Insurers Bureau of Massachusetts (AIB), managing the actuarial and statistical departments and directing and coordinating research projects from 1991 to the beginning of this year. Richard was also instrumental in establishing the Insurance Fraud Bureau of Massachusetts (IFFR) in 1991, serving as its vice president of research and compiling the Insurance Fraud Research Register, an annotated bibliography of worldwide insurance fraud research. [As of November 7, 2002, the IFFR contained 334 titles and 158 participants from 20 countries (see www.ifb.org).] Richard’s other responsibilities at the fraud bureau included database assembly and design, analysis of case types and information flow, management reporting systems, prosecution outcomes and investigation support.

On February 1 of this year, Richard’s career path took a slightly different turn. He “retired” after 27 years at the Automobile Insurers Bureau, including 13 years at the Insurance Fraud Bureau. Richard states, “I view retirement as the opportunity to accomplish several postponed research projects while continuing a part-time relationship with the Bureaus as a senior consultant. My major retirement project will be to consolidate the remarkable progress of the last fifteen years in understanding the theoretical and practical aspects of insurance fraud and to publish a book sometime in 2005. Additionally, I intend to continue to contribute to the actuarial and insurance communities where I can and to accept a few consulting opportunities. To that end, I formed Opal Consulting LLC, with its worldwide headquarters in Providence, R.I., where I have lived for 40 years, except for three years in the Philadelphia area, since coming to Brown University for graduate school in (pure) mathematics.” Please visit www.opalpcconsulting.com, also known as www.derrig.com, where the IFFR is maintained. “On the advice of cyber-wizard Jim Garven, I checked to see if anyone had the Derrig.com name. To my amazement, it was available and I secured the name for 10 years. It is a lot easier to remember richard@derrig.com than the alternatives.”

Prior to joining the AIB in 1976, Richard taught graduate and undergraduate mathematics at Villanova University, Wheaton College (Mass.), and Brown University for a total of 13 years. During the spring semesters of 1994 and 2002, he was a visiting lecturer and research fellow in the department of risk management and insurance at the Wharton School, University of Pennsylvania, and has been appointed a visiting scholar for 2004. Making about 140 professional presentations, Richard has lectured on various insurance topics to professional actuarial groups, the CAS, trade associations, and law enforcement personnel, and at seminars at the Universities of Barcelona, Hamburg, Montreal, and Tel Aviv, and in Pennsylvania, Illinois, Texas, Wisconsin, Minnesota, and other parts of the U.S. In addition, he has provided much expert testimony on insurance classifications, rates, insurance fraud, and some less theoretical issues such as after-market parts and anti-theft devices.

Richard’s interests and activities are diverse; his primary interest revolves around applications of mathematical models to valuation and forecasting problems in economics, finance and insurance. Current areas of research encompass investment income and profitability, claim cost forecasting methods, risk measurement of property-casualty insurance companies, auto bodily injury claims, applications of fuzzy set theory, surplus levels and risk loadings, pricing of tax-exempt securities, rating territories and fraud. Richard’s other activities have involved collaborative grants from the Harvard School of

Continued on page 6

Risk Management and Insurance Positions

Below is a list of organizations offering academic, government, and industry jobs that *ARIA* has received since September 2003, presented in chronological order of final posting on *ARIA*’s Web site. Please visit the *ARIA* Web site (www.aria.org) or contact the organization for additional information.

September

Peking University, Guanhua School of Management
The Department of Business Statistics and Econometrics
Faculty position in Risk Management or Actuarial Science (beginning August 2004)

October

Providence University in Taiwan
Department of Finance
Qualified candidates with research and teaching interests in various fields, including Finance, Risk Management, Insurance, and related areas, for tenure-track or visiting positions

St. John’s University
Tenure-track position in Actuarial Science

University of Hartford, Barney School of Business
Business faculty position in Insurance/Finance

January

University of Connecticut, School of Business
Instructor/Assistant/Associate Professor of Finance/Risk Management & Insurance (beginning August 23, 2004)

Western Risk and Insurance Association
Editor for *The Journal of Insurance Issues*
Applications should be submitted by April 1, 2004 to:

Dr. Steven Pottier, 206 Brooks Hall,
University of Georgia, Athens, GA
30602-6255

ARIA Address Change

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

Activities of Sister Associations and Affiliates

Society of Insurance Research

2004 Spring Workshop Series

June 13–16, 2004

Embassy Suites Hotel, Indianapolis, Ind.

Contact: Diana Lee, PCI;

diana.lee@pciaa.net

<http://www.sirnet.org>

Asia-Pacific Risk and Insurance Association

2004 Conference (8th Annual)

July 18–21, 2004

Seoul, Korea

Primary hosts: Korea Insurance Academic Society and Korea Insurance Development Institute

Contact: W. Jean Kwon, St. John's

University; KwonW@stjohns.edu

<http://www.apria.org> and

<http://www.apriaseoul.org>

Southern Risk and Insurance Association

2004 Annual Meeting (36th Annual)

November 21–23, 2004

Charleston, South Carolina

Send executive summaries (3-page maximum; Word or WordPerfect files accepted), with all co-authors and contact information, by July 1, 2004, to: Dr. L. Lee Colquitt, Auburn University, 303 Business Building Auburn University, AL 36849

Phone: (334) 844-3010, Fax: (334) 844-4960

E-mail: colquitt@business.auburn.edu

Western Risk and Insurance Association

2005 Annual Meeting (39th Annual)

January 5–8, 2005

Monterey Plaza Hotel, Monterey, Calif.

Send research proposals (3-page maximum, double-spaced) on or before

October 1, 2004 to:

Randy Dumm, Florida State University, RMI Department

Tallahassee, FL 32306-1110

Phone: (850) 644-7880, Fax: (850) 644-4077

E-mail: RDUMM@fsu.edu

Profiles of Insurance Scholars, continued

Public Health (for his work on seat belts), the State of Massachusetts (on traffic accidents), the National Association of Insurance Commissioners (on fraud detection) and the Casualty Actuarial Society (on risk premium).

In 1998, Richard was the recipient of the Edith F. Lichota Award for research (on the Monday effect in workers' compensation claims), offered by the Risk and Insurance Management Society. He was also co-winner of the CAS prize for the best 2002 paper in *The JRI* (on insurance fraud detection) and a Bowles Symposium/CAS prize (on equity risk premium). Richard's studies on fraud and build-up in Massachusetts bodily injury claims, co-authored with Herbert I. Weisberg, can be found in the *Journal of Insurance Regulation* (1991, 1992); *The JRI* (1994), *RISQUES* (1998) and *Insurance and Risk Management* (2003). Other published works include articles on fuzzy set theory applications in property-liability insurance, co-authored with J. David Cummins and Krzysztof Ostaszewski, in *The JRI* (1993, 1995 and 1997), the *North American Actuarial Journal* (1997), *Practical Applications of Fuzzy Technologies* (1999) and the *Encyclopedia of Actuarial Science* (2004). Richard also co-edited three books with Cummins: *Classical Insurance Solvency Theory* (1988), *Financial Models of Insurance Solvency* (1989) and *Managing the Insolvency Risk of Insurance Companies* (1991), Kluwer Academic Press.

Richard hails from New Jersey and earned his Bachelor of Science degree in mathematics from St. Peter's College, Jersey City, and his masters and doctoral degrees from Brown University. He is a member of the Mathematical Association of America, American Statistical Association and the Association of Certified Fraud Examiners. He serves on the Insurance Fraud and Auto Injury Study Committees of the Insurance Research Council, and is a publication peer reviewer for six different journals and organizations.

ARIA wishes Richard the best of luck in his new endeavors and hopes to continue seeing him at the annual meetings.

Merger of the Alliance and NAI

Effective January 8, 2004, the Alliance of American Insurers and the National Association of Independent Insurers (NAII), both financial supporters of ARIA, united as one. Now known as the Property Casualty Insurers Association of America (PCI), this exciting and historic event marks the first merger of property-casualty trade associations in decades. You should be familiar with these two trade organizations, as Rodger Lawson (Alliance), Diana Lee (NAII) and Terrie Troxel (formerly NAII) are past ARIA Board members. The goal of the merger is to create an effective, efficient and influential new association that combines the strongest characteristics of both trades. Having more political clout, PCI will provide a stronger, more dominant and unified industry voice in the states as well as Congress. Members of the consolidated trade association write nearly 40 percent of the nation's property-casualty insurance in the United States; in certain lines (specifically personal auto) and in certain states, its market share increases to over 50 percent. The combined PCI staff comprises about 140 employees. With eight regional offices throughout the country, its main office is headquartered in Des Plaines, Ill., a Chicago suburb. For additional information on the new organization, go to www.pciaa.net.

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 Rob Hoyt at rhoyt@terry.uga.edu.

Introducing the International MBA Program at National Chengchi University (Taiwan)



Jennifer L. Wang

by Jennifer L. Wang,
Associate Professor,
Department of Risk
Management and
Insurance

The College of Commerce of National Chengchi University has always been ranked as the top business administration program in Taiwan. With so many people wanting to travel to the West for an MBA degree, the dedicated professors and administrators at our college created the International Masters of Business Administration (IMBA) program to develop and nurture aspiring business elite for real-world challenges from an Asian perspective. It is hoped that Taiwan can be promoted as a truly international and regional center in Asia to give local students a view of the outside world and, in essence, bring the world to my country through the presence and experiences of international students. We are the first and only such program in Taiwan to offer a fully accredited Masters of Business Administration completely in English.

The Inception of IMBA

The IMBA program began in September 2001 as a new business administration program, added to the already stunning array of programs at National Chengchi University. The concept of the program itself is quite simple; it represents an entree for local and international students to excel in Taiwan's academic arena through cross-cultural understanding, team building and think-tank-style development. From its very inception, IMBA had an enrollment of twice the allowed number of international students in any university program in all of Taiwan. IMBA has the most varied and dynamic array of student backgrounds, the most diverse lecturers and visiting professors and a completely new concept in business education in Taiwan, i.e., learning in a completely English environment.

Highlights of the IMBA Program

The support of the Office of International Programs, our dedicated professors, the interaction among the student body and, of course, our creativity and development in the classroom are critical to giving us a true sense of the quality of our program.

Program highlights include the following:

- Total of 42 credit hours for the IMBA degree (excluding prerequisite courses)
- 50% international students and 50% Taiwanese nationals to foster an optimal international learning environment
- Full-time and part-time studies
- Community service to facilitate cultural understanding
- Field trips to companies throughout Taiwan
- International exchanges with top universities (optional)
- Internships with local and foreign international corporations
- Overseas tours to Asian countries (optional)
- Scholarships
- Eight full scholarships for qualified students from countries maintaining diplomatic ties with Taiwan, the Republic of China.

Admissions/Requirements

Each academic year, the IMBA program allows 20 international students and 22 local students admission to the program. Applicants should submit evidence of English proficiency and management study aptitude (GMAT and TOEFL scores are preferable), undergraduate transcripts, and three letters of recommendation. Also required are:

- A minimum of two years of full-time post-baccalaureate work experience
- Completion of or the equivalent of a four-year bachelor's degree
- Satisfactory previous educational academic achievement

- Competitive GMAT scores or other management study aptitude test scores preferred but not required
- Evidence of English proficiency

Facilities and Infrastructure

In addition to academic resources and a well-endowed college building, we have a fully functional wireless Intranet system; a library that houses over 40,000 books, periodicals and research publications; and some of the most modern facilities anywhere in order to foster a premier learning environment.

Basic Curriculum

All the courses in the International MBA program have been re-engineered to the Asia-Pacific region with a special emphasis on student interaction, collective effort and team-motivated learning. The courses are rigorous and demanding, but well worth the experience. Some of the more traditional offerings are statistics, management, accounting, management information systems, marketing, human resources, strategic and financial management, managerial economics, entrepreneurship, small and medium-sized enterprises, international insurance and risk management, and international business management, environment and investment. Also included are courses in Asian ethics and leadership, Asia-Pacific political environment, money and capital markets, high-tech industry and financial practice in Taiwan, contract analysis and negotiation, Chinese business in the global perspective, IT policy and e-governance, community service, Chinese culture, cross-straits political and business environment, and cross-border strategic alliances.

Program Costs

The tuition per credit hour (based on 21 credit hours) is NT\$8,800.

The IMBA Family

Truly, one of the best parts of IMBA and what we regard as the real benefit of such a program is the sense of family. While the program is young, in only its third year, we

Continued on page 8

Introducing the International MBA Program, continued

are currently developing our alumni association, IMBA consulting group, sporting activities and a host of other events and operations that set us apart from a standard and very traditional MBA degree in Taiwan. The IMBA program represents over 22 countries on five continents. In essence, we bring the world to Taiwan. We also have exchange programs with leading universities throughout the world, which adds a great deal to our ability to interact and inter-socialize with others.

Looking Forward

The future of our IMBA program is most definitely bright. We are actively growing, developing and striving for new achievements—such as greater interaction with other organizations, more sister-school affiliations, more dynamic student backgrounds—and becoming an integrated alumni association and a real-world business consulting firm partaking in many intra- and extra-curricular activities. We truly have taken business education in Asia to the next level and, while many may not know us now, you soon will.

Contact Information

If you are interested in becoming a visiting faculty member in our program or participating in our exchange programs, please feel free to contact me (e-mail: jenwang@nccu.edu.tw; Tel: +886-2-8661-3624 or +886-2-2939-3091, ext. 81235; Fax: +886-2-2939-3864). I look forward to hearing from you!

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@pciaa.net. Please send announcements for the fall 2004 issue by September 1. If you do not use e-mail, you may mail written correspondence to Diana at 1351 Autumn Way, West Chester, PA 19380.

The Institute for Civil Justice/RAND

by Laura Zakaras, Communications Director

RAND's Institute for Civil Justice (ICJ) conducts policy-relevant, empirical research on the American civil justice system. When it began its work in 1979, the debate over tort reform was characterized by anecdote and speculation, and supported only by scholarly analysis of legal doctrine. Not only were reliable data not available; many believed it was not possible to assemble it. The ICJ has changed those views and helped create a climate in which facts play an increasing role in determining how issues are defined and how arguments about them are resolved.

The ICJ is part of RAND, the nation's first think tank that emerged just after World War II to continue technology research for the Air Force. Since then, RAND has evolved into a nonprofit research institute of about 1,700 staff working in a dozen research units devoted to health, education, law, the environment, and other social and international issues. The Institute's studies attract a disproportionate share of RAND's publicity, partly because they address such contentious issues as class actions, medical malpractice and toxic torts.

The ICJ is in its 25th year, and it continues to be the rare research institution that combines policy impact, media attention and academic respect. As it moves into its second quarter-century, its research agenda is growing to reflect the increasing importance of the legal system in American society. The ICJ continues its research in its foundation area of tort law, but it now is planning to apply its rigorous, applied and empirical research style to policy areas including terrorism insurance, liability and compensation; corporate and securities law; entertainment law and economics; and health law.

Research Approach

The ICJ broadly defines civil justice as a system of formal and informal rules and procedures that sets forth the obligations and rights in our society and establishes the ground rules for resolving disputes about grievances and injuries. Within that framework, its research focuses on the processes and decisions of the courts and other dispute resolution institutions, such as workers' compensation programs and appeals processes within HMOs. For both civil litigation in general and specific types of disputes, the ICJ has developed data and conducted analysis to measure and evaluate dispute outcomes, costs and process, and their impact on the economy and society.

Several key questions appear in the ICJ's research:

- What are the aggregate and individual outcomes of disputes?
- Who wins; who loses?
- What new rights and obligations are established?
- How much money changes hands?
- What are the costs of resolving those disputes, both public and private?
- What is the impact on outcomes and costs of the procedures used to resolve these disputes?

Dispute Resolution Process

Much of the ICJ's research focuses on understanding the process and outcomes of the civil justice system in general, such as trends in jury verdicts, patterns in awarding punitive damages, civil court congestion and delay, court-administered arbitration and the use of science in the courts. For example:

- **Trends in jury verdicts.** The ICJ reports regularly on trends in jury verdicts, analysis based on a database it adds to every five years from jury verdict reporters in all the jurisdictions of California and New York, as well as several other jurisdictions across the country. Some of the data goes back as far as 1950. The research identifies trends in types of suits that reach trial, percentage of plaintiff wins, average award amounts, and frequency and size of punitive damage awards.

The Institute for Civil Justice/RAND, continued

- **Reforms to improve congestion and delay.** One of the ICJ's most influential studies evaluated the 1990 Civil Justice Reform Act passed by Congress to address problems of delays and high costs in federal courts. The study showed that the program had little effect on either time to disposition, litigation costs, satisfaction or views of fairness. It recommended other management procedures, such as shorter discovery cutoff and early setting of a trial date, to improve outcomes. The ICJ also conducted an influential series of studies that evaluated court-ordered arbitration mandated in California and other states to decongest court calendars and stabilize rising court costs. The research found that, contrary to expectation, arbitration rarely achieves statistically significant reductions in total court costs or average case duration.
- **Alternative approaches to dispute resolution and compensation.** The tort system has two basic functions: deterrence and compensation. Much of the debate about the need for tort reform over the last few decades stems from questions about the system's adequacy in performing these functions. The central question in the compensation debate is whether a liability-based system is the most efficient or equitable way to reimburse certain kinds of injuries. The ICJ has studied the performance of a variety of programs for compensating injuries that lie outside the tort system, including workers' compensation, automobile no-fault, the Black Lung Reform Act, Vaccine Compensation Program, and most recently the September 11 Victim Compensation Program.

Areas of Liability

Other ICJ work asks similar questions of specific types of disputes, such as automobile injuries, medical malpractice, product liability, law and health, mass torts, and workers' compensation. For example:

- **Automobile Accidents.** Escalating auto insurance premiums have been a major state policy issue for several decades, and during this period the ICJ has analyzed the effects of state no-fault reforms—and proposed federal Choice reforms—on premiums and costs to insurers. Its estimates of the savings resulting from different proposals have informed legislative debate by attaching dollar figures to abstract reform plans.
- **Medical Malpractice.** The ICJ has analyzed the trends that led many states to legislate constraints on medical malpractice litigation and documented the effects of state reforms, including increased filings and growth in jury awards, and effects on defense costs and net compensation to plaintiffs. A forthcoming report will highlight the effects of California's caps on awards and legal fees on defense costs and net aggregate compensation to plaintiffs for various types of injuries.
- **Product Liability.** As legal liabilities of U.S. corporations for defective products expanded in the 1970s and 1980s, the ICJ studied some of the effects of those regulations, such as increased claiming in the federal courts, increases in jury verdicts, and the effects of such litigation on product availability, price, safety and innovation.
- **Law and Health.** The ICJ has been studying the legal implications of the evolution of healthcare delivery to managed care arrangements. Some of this research has focused on the conflicts that arise when patients' desires for care conflict with cost-containment strategies of managed-care providers. Other work has examined whether expanding exposure of ERISA health plans to liability would result in a flood of civil litigation.
- **Mass Torts and Class Actions.** The ICJ has studied the unique problems that mass torts and class actions pose for litigants and the courts. It has focused on the costs and outcomes of asbestos litigation, using aggregate data collected from insurers and defendants, and other data pulled from individual closed cases. Its recent asbestos report is credited with spurring both sides to work together to change the system

Continued on page 10

In Memoriam: Spencer L. Kimball

It is with sadness that we inform you of the passing of Spencer L. Kimball, who died in Salt Lake City on October 26, 2003, at the age of 85. Considered one of the world's leading scholars in insurance law and regulation, two of Mr. Kimball's greatest professional achievements are revising the Wisconsin insurance statutes and authoring the book *Insurance and Public Policy*, for which he received the 1961 Elizur Wright Award for "outstanding original contribution to the literature of insurance."

Born in Thatcher, Ariz., Mr. Kimball was valedictorian of his undergraduate class at the University of Arizona. After World War II, when he served as a lieutenant aboard the U.S.S. Franklin as a Japanese translator and interpreter, Mr. Kimball entered law school at the university and continued his legal studies at Lincoln College in Oxford, England, as a Rhodes scholar. He served as a law professor at the University of Utah (1949–1957), during which time he became the youngest dean of the law school, and then went on to join the law faculty at the University of Michigan (1957–1968). In 1972, he was appointed dean and professor of law at the University of Wisconsin. He was Seymour Logan Professor of Law at the University of Chicago until he retired in 1988. In 1993, Mr. Kimball returned to Utah and became a research professor at UU.

Mr. Kimball co-founded AIDA, an international insurance law association. He also served as executive director of the American Bar Association Foundation in Chicago. After Kathryn, his wife of 51 years, passed away in 1990, he began writing an extensive autobiography, which was completed in 2000. He was the eldest son of Spencer W. Kimball, the 12th president of The Church of Jesus Christ of Latter-day Saints.

The Book Corner

Arnold Shapiro of Pennsylvania State University is pleased to announce the publication of a new book which he co-edited with Lakhmi Jain (University of South Australia), entitled *Intelligent and Other Computational Techniques in Insurance: Theory and Applications*. This book, based on research by the editors and 36 other authors, focuses not just on intelligent techniques, but also deals with other current computational paradigms likely to impact the industry. The paradigms covered encompass artificial neural networks and fuzzy systems, including clustering versions, optimization and resampling methods, algebraic and Bayesian models, decision trees and regression splines. The application areas include asset allocation, asset and liability management, cash-flow analysis, claim costs, classification, fraud detection, insolvency, investments, loss distributions, marketing, pricing and premiums, rate-making, retention, survival analysis, and underwriting. The book, priced at \$128 (US), is published by World Scientific Publishing Company (<http://www.wspc.com/books/comp-sci/5441.html>).

The Institute for Civil Justice/RAND, continued

through congressional action. Like its asbestos analysis, its case studies of class actions in 2000 provided the first in-depth look at what was happening in such litigation. A current study is focusing on class actions against the insurance industry.

- **Workers' Compensation.** The Institute's research into California's workers' compensation system played a key role in creating momentum for workers' compensation reform. The research also influenced the academic community by using a new methodology that links multiple state databases and tracks the careers of similar injured and uninjured employees.

Commitment to Objectivity

A constant challenge for RAND is how to maintain the freedom to follow the facts wherever they lead while accepting funds from donors who invariably have special interests. Commitment to independence is particularly important for the ICJ, which is unique among the units of RAND in that more than half of its budget comes from the private sector rather than from government contracts. The *National Law Journal* ("Rand New Man," Jan. 20, 2003) recently described the ICJ as "the legal think tank at the top" because it provides objective, empirical analysis that often disappoints advocates on one side of the debate or the other. The article gives the example of study funded largely by business interests and insurance companies, "the same voices behind the conventional wisdom that damage awards are escalating out of control," that meticulously documented the finding that tort verdicts have remained even with inflation for the last 25 years.

Its Board of Overseers—which consists of an unusual mix of insurance executives and legal counsel, leading plaintiffs' attorneys, judges, and academics—plays an important role in reviewing ICJ drafts before they are published. Robert Reville, the Institute's director, says the Board keeps them from appearing partial to any special interests. "We learn a great deal from those 12-page-plus letters that accuse us of being biased one way or the other." The ICJ is always interested in hearing from members of the risk and insurance community who would like to become involved on ICJ Boards or would simply like to receive their reports. For more information, you may call RAND at 310-393-0411, ext. 6698, or e-mail zakaras@icj.rand. Our Web site is www.rand.org/icj/.

Guidelines for Journal Editors



by Michael R. Powers,
Co-editor of *Risk
Management and
Insurance Review*

Michael R. Powers

Since becoming co-editor of the *Risk Management and Insurance Review*, I've frequently mulled over the question: *To whom is an academic journal editor accountable?*

For ARIA's two journals, the answer may seem obvious: the editors are accountable to the ARIA Officers and Board of Directors, and by way of the Board, to the membership at large. However, just as corporate executives have responsibilities that go beyond their officers, boards and stockholders, so too do journal editors. In this article, I would like to focus on the editors' responsibilities vis-à-vis the pool of authors submitting (or considering submitting) manuscripts for publication. My interest in addressing these responsibilities arises from the enlightening experience of seeing things from "both sides of the editor's desk." As the title of this piece suggests,

if we have guidelines for authors, it seems only reasonable to have guidelines for editors as well.

In today's academic environment, a published paper is an asset. Scholarly publications are increasingly important in administrative reviews for promotion and tenure, as well as merit-based compensation systems. This is true not only in North America, but throughout much of the world. Therefore, journal editors must be acutely aware of the seriousness of the role they play in allocating these assets. While one can always hide behind the opinion that there are many academic journals, and a mistake by one editor isn't a tragedy (after all, the

Continued on page 11

Guidelines for Journal Editors, continued

author can just publish the paper elsewhere), the fact is that editorial misjudgments and inefficiencies are costly to prospective authors. Even in the best of cases, if a paper is eventually accepted by a journal after a long delay, there is a clear (and theoretically measurable) financial cost. This is especially true for authors who are in the process of being evaluated for promotion and tenure.

So what are the editors' obligations to authors? It's really quite simple: a fair and speedy review.

And what are the guarantors of fairness and prompt turnaround? This is a considerably more difficult question.

Fairness

One presumed bulwark of editorial fairness is the double-blind peer-review system, currently employed by both ARIA journals as well as by many other scholarly publications. Under the double-blind system, neither the referee nor the author is informed of the other's identity. Although the double-blind approach appears to minimize the potential impact of academic rivalries, personality clashes, and other conflicts of interest, convincing arguments can be made that truly double-blind peer review can never exist because (a) the editors know the author's identity, and this knowledge can influence the selection of a "tough" or "easy" referee and (b) a well-chosen referee presumably knows enough about current research activity to have a good chance of identifying the "anonymous" author by the nature of his or her work.

Given the acknowledged shortcomings of double-blind review, it is critical that journal editors take pains to be scrupulously impartial in their dealings with authors. From my experience with the *Risk Management and Insurance Review*, I would suggest the following (partial) list of "editor guidelines:"

- Editors should take great care not to favor certain authors based upon personal friendships, professional relationships, school affiliations, etc. (One way of ensuring greater success in this area is for the editors implicitly to set higher

standards for work submitted by their colleagues, former students/mentors, and recent collaborators.)

- Editors should avoid selecting a referee who is a colleague, former student/mentor, or recent collaborator of the author.
- Editors should never lift the veil of anonymity between an author and referee unless both parties explicitly agree.
- Editors should not accept their own original research for publication. Anything published by an editor should be identified as an "editorial" or similar item.

Turnaround

If journal editors continue to insist that authors submit work to only one journal at a time, then we owe them a rapid turnaround. This does not necessarily mean that editors can guarantee a decision on a manuscript in fewer than eight weeks (after all, finding amenable referees and securing final referee reports can be a frustratingly time-consuming undertaking), but it certainly does mean fewer than eight months. In cases of egregious delay—i.e., a turnaround time greater than some reasonable "maximum"—the author should be compensated. *How?* I would be so bold as to suggest that compensation consist of immediate agreement to publish the long-delayed piece. After all, one can reasonably construe the editors' failure to act as a failure to justify rejection; and if the editors truly don't want to publish a certain piece, they always can review it themselves prior to the maximum turnaround time.

Since the above suggestion is undoubtedly heretical to some, I would hasten to note that the *Risk Management and Insurance Review* has no plans to adopt this policy. However, I have found that the concept itself provides sufficient motivation for me to do whatever I can to reduce turnaround times. Consistent with the above observations, I would add the following items to my list of "editor guidelines:"

- Editors should publicly identify the target turnaround time for manuscript decisions and do their utmost to make

each decision within this period. (To this end, editors should be willing to make immediate "desk rejections" of manuscripts that are clearly unacceptable either because they fall outside the purview of the journal's mission, or because they fail to satisfy basic standards of language, research protocols, scholarly ethics, etc.)

- Editors should not permit a manuscript to languish for more than some maximum turnaround time (perhaps six months).
- Editors should behave as though they are bound to publish papers for which they fail to justify rejection within the maximum turnaround time.
- Editorial decisions should be final, but authors are entitled to a complete explanation or clarification of any decision so that they can benefit fully from the review process.

Overall, I believe that it is extremely important for journal editors to do their best to shed light on the editorial process, often viewed as excessively murky by potential authors. To this end, I would welcome comments or questions from any ARIA members interested in discussing these issues further.

Note: Mike is with the Advanta Center for Financial Services Studies, The Fox School, Temple University. The opinions expressed in this article are his alone.

Doctoral Dissertation Award

James Tyler Leverty, a third-year doctoral student in the Department of Risk Management and Insurance (RMI) at Georgia State University, was selected to receive the distinguished State Farm Companies Foundation Doctoral Dissertation Award for his work on the measurement of property-liability insurer efficiency. Recipients were selected by an independent committee of educators and scholars who are not affiliated with State Farm. Mr. Leverty received a \$10,000 research grant, and GSU's RMI Department received a \$3,000 grant as the graduate institution.

ARIA Members in the News

The paper entitled “Fair Value of Liabilities: The Financial Economics Perspective,” by **David Babbel**, **Jeremy Gold** and **Craig Merrill**, was awarded “one of the two best papers of 2002” by the *North American Actuarial Journal*.

Mark J. Browne was named Gerald D. Stephens CPCU Chair in Risk Management & Insurance at the University of Wisconsin-Madison.

Best wishes to **James Carson** and his wife, Christy, who have a new addition to their family. Dakota Katherine Carson was born on Wednesday, January 14, 2004, at 3:52 p.m. She weighed 6 lbs. 3 oz. and measured 18 $\frac{3}{4}$ inches in length.

Casualty Actuarial Society members elected **Stephen P. D’Arcy** as their president-elect for 2004. Prior to this position with the CAS, Steve was chairman of the group’s Long Range Planning Committee and Task Force on Education and Testing.

In competition, **Georges Dionne** received The Canada Research Chair in Risk Management. His research involves studying the choices individuals make under uncertainty; developing better ways to measure the determinants of risk management; and modeling operational risk, bancassurance, and risk management of teams. The goal of Georges’ research program is to develop practical ideas and tools for reducing the private and social costs associated with different risks and to train tomorrow’s risk management leaders.

Congratulations to **Randy Dumm**, who received tenure and was promoted to associate professor at Florida State University. In addition, he was awarded a Fulbright Scholar grant to lecture at the Vienna University of Economics and Business Administration in Austria. Randy was also a presenter at the Florida Institute of CPA’s Federal Taxation Conference, speaking on “Compensation Planning for Small Business Owners.”

Rodger S. Lawson is now executive vice president of the recently formed trade association Property Casualty Insurers Association of America (PCI). Best wishes also go to Rodger and his wife, Susan, who became the proud grandparents of two little girls born last fall and in February.

Andre Liebenberg will be joining Old Dominion University (Norfolk, Va.) this fall to teach insurance.

Patrick Lietdke, **William H. Rabel** and **Terrie E. Troxel** have been appointed to the Council of Senior Advisors of the China Center for Insurance and Social Security Research (CCISSR) at Peking University.

Faith Neal is completing her doctoral dissertation at Florida State University and will be joining the risk management and insurance department at the University of North Carolina at Charlotte.

Barry Smith has been selected to hold the Mountain States Insurance Group Endowed Chair for the Study of Insurance and Financial Services at New Mexico State University. He also became a first-time grandfather to Jackson Elijah Smith, born on January 4, 2004.

For the third year in a row, **Terrie E. Troxel** has been named one of the 100 “most powerful people” in the insurance industry in North America by *Insurance Newscast*. The criterion used to determine these individuals is the level of control each has over various industry resources, such as finances, staffing, intellectual knowledge and technology, or the greatest amount of influence over these resources.

Due to his outstanding achievements in insurance, the editors of Marquis Who’s Who selected **Kailin Tuan** to be included in their recently published 58th edition of *Who’s Who in America*.

In September 2003, **Jack VanDerhei** was appointed to the U.S. General Accounting Office’s expert panel on how workers elect to receive their pension benefits at retirement.



James Carson and daughter, Dakota Carson.

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