

**AMERICAN RISK AND INSURANCE ASSOCIATION
1992 ANNUAL MEETING**

**WASHINGTON, D.C.
AUGUST 16-19, 1992**

PRELIMINARY PROGRAM

SATURDAY, AUGUST 15

5:00-7:00 PM Strategic Planning Committee

SUNDAY, AUGUST 16

8:00 AM Board of Directors Meeting
1:00-6:00 PM Registration
4:00-6:00 PM Innovation in Instruction Award Winner Presentation
Moderator: Joan Schmit, University of Wisconsin
6:30-7:30 PM Reception

MONDAY, AUGUST 17

7:30-8:30 AM Breakfast
8:45-10:15 AM **PLENARY SESSION I**
Is It Time for a National Health Care Policy?
Moderator: Patricia M. Danzon, University of Pennsylvania
Speakers: Henry Simmons, President, National Leadership
Commission on Health Care Reform
Others to be Named
10:15-10:30 AM Coffee Break
10:30-Noon **CONCURRENT SESSIONS I**
Session A - Health Issues
Moderator: Leoncia Porter, Connecticut Health & Educational
Facilities Authority
1. "The Impact of Aging on Health Care Costs: A
Comparative Analysis."
Deborah J. Chollet, Georgia State University
Discussant: Dean G. Smith, University of Michigan
2. "The Effects of Co-Payments and Generic Substitution on
the Use and Costs of Prescription Drugs"
Dean G. Smith, University of Michigan
Discussant: Deborah J. Chollet, Georgia State University
Session B - Employee Benefit Issues
Moderator: Ann Costello, University of Hartford
1. "Characteristics of Retirement Plan Non-participants"
Jerry Todd and Jack Davis, St. Mary's University
2. "Gender Differences in Retirement"
Norma Nielson, Oregon State University

3. "Fee-for-Service versus HMO Expenditure Patterns within Outpatient Medical Care Episodes and Health Plan Choice"
James A. Ligon, University of Alabama
Discussant: Charles P. Hall, Temple University

Session C - Risk Management

Moderator: Richard B. Corbett, Florida State University

1. "Captive Insurance Company Insolvency: Is There a Case for Piercing the Corporate Veil?"
Moshe Porat and Michael Powers, Temple University
2. "An Alternative Public-Policy View of a Risk-Financing Concept for the Deductibility of Premiums Paid by Parents to Captive Insurers for Federal Income Tax Purposes"
Robert C. Witt, University of Texas at Austin; Li-Ming Han, Washington State University; and Gene C. Lai, University of Rhode Island
3. "Risk Coding in Large Enterprises: Theory and Application in an Egyptian Bank"
Abdel Salam M., Nashed, University of Pennsylvania

Session D - Property/Liability Issues

Moderator: Stanley R. Adamson, Southwest Missouri State University

1. "The Impact of Catastrophic Loss on Property and Liability Insurance Company Value"
Roger M. Shelor, Dwight C. Anderson and Mark L. Cross, Louisiana Tech University
2. "The Interaction Between Private Passenger Liability and Physical Damage Lines"
David Bernstein, U.S. Treasury Department
3. "Expansion of the Long-Tail Product Liability Exposure: Insurance Price-Availability Implications"
William J. Warfel, Indiana State University

Session E - Doctoral Dissertations

Moderator: James S. Tieshmann, University of Georgia

1. "The Impact of Post-Assessment Guaranty Funds on Property-Liability Insurer's Risk-Taking Behavior"
Soon-Jae Lae, Ohio State University
2. "Sampling Bias in Insolvency Studies for the Property/Casualty Insurance Industry"
Bon-Sung Koo, University of Texas at Austin
3. "Financial Analysis of the Life Insurance Industry for Regulatory Purposes"
Etti Baranoff, Texas Department of Insurance

Noon-1:30 PM Lunch - On Your Own

1:30-3:00 PM **PLENARY SESSION II**

The Continued Internationalization of Insurance: Obstacles and Opportunities

Moderator: Christopher Columbus, Government of Spain

Speakers: David Walsh, Chair, NAIC International Task Force
and Director of Insurance, State of Alaska

Others To Be Named

3:00-3:15 PM Coffee Break

3:15-4:45 PM **CONCURRENT SESSIONS II**

Session A - International Issues

Moderator: Kim B. Staking, Inter-American Development Bank

1. "Cyclicalities of International Property-Liability Insurance
Markets: Test of the Rational Expectations/Institutional
Intervention Hypothesis"

Joan Lamm-Tennant, Villanova University and Mary
Weiss, Temple University

Discussant: Francois Outreville, UNCTAD

2. "An International Perspective of Anomalies Among Insurer
Stocks"

Roger Shelor and Mark Cross, Louisiana Tech University

Discussant: Tapen Sinha, Bond University, Australia

Session B - International Market Variations

Moderator: Iskandar S. Hamwi, University of Southern
Mississippi

1. "The Insurance Business in Czechoslovakia: Market and
Regulatory Issues"

August Ralston, Iowa State University

2. "Do Taxes Matter? Capital Restructuring and Changes in
International Competitiveness in Response to Tax Reform"

Robert A. Walker, Georgetown University

3. "Life Insurance in an Increasingly Integrated and
Competitive World Economy"

Ann Butler and Victor Puleo, Florida State University

Session C - Insurer Structural Issues

Moderator: Michael R. Powers, Temple University

1. "Predicting Life Insurance Mergers: A Logit Analysis"

Michael J. McNamara, Karen Hamilton and Gene C. Lai,
University of Rhode Island

2. "The Determinants of Capital Structure: Evidence from the
Insurance Industry"

Raja Bouzouita, University of Pennsylvania

3. "Efficiency and Economies of Size in the US Life
Insurance Market"

Martin F. Grace, Lisa A. Gardner, and Stephen G.
Timme, Georgia State University

Discussant: Harris Schlesinger, University of Alabama

Session D - Investment Issues

Moderator: Larry Cox, University of Georgia

1. "Study of Economic Loss Due to Credit Risk Events"

Warren Luckner, Society of Actuaries

2. "The Impact of Pension Plan Investment Practices on the Liabilities of the Pension Benefit Guaranty Corporation"
Donald Oakes. American Institute for CPCU, Insurance Institute of America
3. "Insurance Industry Indices and Arbitrage"
Gordon Dash, Jr., Choudary Hanumara and Nina Kajiji.
University of Rhode Island

Session E - Liability Issues

Moderator: Mark Cross, Louisiana Tech University

1. "The Impact of Tort Reform on Litigation Frequency"
Joan Schmit, University of Wisconsin; Mark Browne, University of Georgia; and Han Duck Lee, University of Wisconsin
2. "An Empirical Analysis of Alternative Models for Forecasting Lost Future Earnings"
Sigmund Horvitz and Robert Nehs, Texas Southern University and Louis Stern, University of Houston
3. "Damage Schedules and Their Potential in Mitigating Adverse Selection in the Product Liability System"
Greg Neihaus, University of South Carolina and Edward A. Snyder, University of Chicago
Discussant: Joan Schmit, University of Wisconsin

Session F - Selected Insurance-Related Social Policy Issues

Moderator: Bruce A. Palmer, Georgia State University

1. "Heterogeneous Incomes and the Design of Social Security Programs"
Craig Merrill, University of Pennsylvania
2. "Life Insurance, Imminent Death and Accelerated Benefits"
John Thornton and Stephen L. Poe, University of North Texas; and Kennes C. Huntley, Mankato State University
3. "Market Asymmetries and the Demand for Medigap Insurance"
Mark Browne, University of Georgia

5:15-5:45 PM Annual Business Meeting

6:30-7:30 PM Reception

TUESDAY, AUGUST 18

7:30-8:30 AM Breakfast

8:45-10:15 AM **PLENARY SESSION III**

The Crisis in Workers' Compensation

Moderator: David Appel, Milliman and Robertson

Speakers: William Hager, President, National Council on Compensation

Insurance; James Ellenberger, Director, Occupational Safety & Health, AFL-CIO; and Robert Klein, Director of Research, National Association of Insurance Commissioners

10:15-10:30 AM Coffee Break

10:30-Noon **CONCURRENT SESSIONS III**

Session A - Workers' Compensation: Practice and Theory
 Moderator: Robert Gibbons, Insurance Institute of America

1. "A Comparative Evaluation of Workers' Compensation Ratings Laws"

Alfred E. Hofflander, University of California at Los Angeles; Patrick H. Sullivan, Sullivan & Associates; and Blaine F. Nye and Jane D. Nettesheim, Stanford Consulting Group, Inc.

Discussant: George E. Rejda, University of Nebraska

2. "Moral Hazard, Optimal Auditing and Workers' Compensation"

Georges Dionne and Pierre St.-Michel, University of Montreal

Discussant: Martin F. Grace, Georgia State University

Session B - Workers' Compensation: Controlling Prices
 Moderator: D. Han Chang, Pennsylvania State University

1. "The Effects of Rate Regulation on the Workers' Compensation Insurance Market"

Anne Carroll, Rider College

2. "Equilibrating Tendencies in Workers' Compensation Prices Under Open Competition"

Karen Roberts, Michigan State University and Michael Madden, the M & R Group

3. "Workers' Compensation Loss Control and Moral Hazard: A Study in Incentive Contracting"

Robert Puelz, Memphis State University

Session C - Regulation

Moderator: William R. Feldhaus, Georgia State University

1. "Interest Group Pressure and the Regulatory Outcome in Automobile Insurance"

Richard Phillips, University of Pennsylvania

2. "Risk Theoretic Methods for Insurance Regulation"

Michael R. Powers, Temple University

3. "Capital Structure, Investment Policy and Rate Regulation of Property-Liability Insurers"

P. V. Viswanath, Rutgers University and Richard PonArul, California State University

Session D - Pension Issues

Moderator: Craig E. Daniels, Eastern Connecticut State University

1. "Modelling the Multiperiod Pension Decision with Heterogenous Workers"

Vickie L. Bajtelsmit, Colorado State University

2. "A Flexible Benefit Selection Model"

Arnold F. Shapiro, Pennsylvania State University

3. "The Impact of Full Funding Limitation on Pension Funding"

Jack L. Van Derhei, Temple University

Session E - Risk and Insurance Economics

Moderator: To Be Named

1. "Estimates of Moral Hazard in Mortgage Default"
Allen Seward and Don S. Cunningham, Baylor University
2. "Age and Pecuniary Risk Taking"
Tapen Sinha, Bond University, Australia
3. "Moonlighting and Deductibles: A Market-Based Solution to the Problem of Insurance Contract Purchase Non-Observability"
Craig Merrill, University of Pennsylvania

Session F - Losses and Loss Reserves

Moderator: Lisa A. Gardner, Georgia State University

1. "Variability of Loss Reserves"
Peter J. Mikolaj, Indiana State University and John M. Cozzolino, Pace University
2. "Best's Insolvency Study - Life-Health Insurers, 1976-1991"
W. Dolson Smith, A.M. Best Company
3. "Estimating Interest Sensitivities of Loss Payments of Property/Liability Insurance Companies"
Jung-Ho Choi, Daehan Kyoyuk Insurance Co., Korea

12:15-2:00 PM PAST PRESIDENTS' LUNCHEONPresiding: Scott E. Harrington, University of South Carolina
Presentation of Awards**Incoming Presidential Address:** Jerry Jorgensen, University of Calgary**2:15-4:00 PM CONCURRENT SESSIONS IV****Session A - Underwriting Cycles**

Moderator: Patrick L. Brockett, University of Texas at Austin

1. "Underwriting Cycles and Exogeneous Shocks to Industry Capital: Implications for Security Prices and Empirical Tests"
Scott E. Harrington and Julie A.B. Cagle, University of South Carolina
2. "The Property-Liability Insurance Underwriting Cycle: An Alternative View"
Donald W. Hardigree and Seungmook Choi, University of Nevada, Las Vegas
3. "Underwriting Cycles and Fundamental Determinants of Competitive Insurance Premiums"
Scott E. Harrington and Julie A.B. Cagle, University of South Carolina

Session B - Regulatory Issues: Insurer Solvency

Moderator: Narendra Rustagi, Howard University

1. "Economic and Market Predictors of Insolvencies in the Property-Casualty Insurance Industry"
Robert E. Hoyt and Mark Browne, University of Georgia.

2. "An Evaluation of Financial Solvency of Health Maintenance Organizations"

Rob Drennan, Temple University and Jan Ambrose, LaSalle University

Session C - Risk and Insurance Economics

Moderator: Robert Klein, National Association of Insurance Commissioners

1. "Changes in Background Risk and Insurance-Purchasing Behavior"

Harris Schlesinger, University of Alabama; Christian Gollier, Groupe HEC, France; and Louis Eeckhoudt, FUCAM, Belgium

2. "Tests of Agency Theoretic Predictions Regarding Stock and Mutual Property/Liability Insurers"

Richard PnArul, California State University

3. "The Value of the Firm and Corporate Demand for Property and Liability Insurance"

Li-Minag Han, Washington State University

Session D - Asset Quality Issues

Moderator: Warren Luckner, Society of Actuaries

1. "High-Risk Asset Holdings and Managerial Discretion in the US Life Insurance Industry"

Brenda F. Powell and Larry A. Cox, University of Georgia

2. "Real Estate Allocation in Life Insurance Company Investment Portfolios"

Elaine Worzala, Colorado State University

3. "Bond Covenants, Insurance, and the Underinvestment Problem"

James R. Garven and Richard D. MacMinn, University of Texas

Session E - Personal Insurance Issues

Moderator: John Thornton, University of North Texas

1. "Setting Insurance Amounts in the Mortgage Transaction: A Survey of Methods"

Richard B. Corbett, Florida State University

2. "Pricing of Split Annuities as a Test of Efficiency of the Pricing of Insurance Contracts"

Ivan Call, Brigham Young University

3. "Consumer Risk Perceptions and Adverse Selection in Insurance Matters."

James A. Ligon and Paul D. Thistle, University of Alabama

Discussant: Peter J. Mikolaj, Indiana State University

Session F - Selected Property/Liability Issues

Moderator: Robert Witt, University of Texas

1. "The Insurance Marketing Dilemma"

Helen I. Doerpinghaus, University of South Carolina and James Baresse and Jack Nelson, College of Insurance

2. "Inflation is Not a Wash in the After-Tax Calculation of Lump-Sum Awards"
William G. Harris, Georgetown University
3. "Testing for Oligopolistic Behavior in the Title Insurance Industry"
Stanley R. Adamson and Walt Nelson, Southwest Missouri State University

4:15-5:45 PM DISCUSSION ROUNDTABLES

Table A - Risk and Insurance Education in Colleges and Universities

Co-Moderators: Francois Outreville, UNCTAD and William H. Rable, LOMA

Table B - Workers' Compensation Loss Control

Moderator: George Head, Insurance Institute of America

Table C - Fund Raising in the University Environment: Support for Insurance Programs

Moderator: Donald W. Hardigree, University of Nevada, Las Vegas

Table D - Modeling Insurer Insolvencies

Moderator: Robert A. Hershberger, Mississippi State University

Table E - The Equitable's Demutualization as a Case Study

Moderator: Michael E. Edelson, Harvard University

Table F - So You Thought that You Contracted with Insurer A

Moderator: Joseph M. Belth, Indiana University

Table G - Social Insurance Issues

Moderator: George E. Rejda, University of Nebraska

WEDNESDAY, AUGUST 19

7:30-8:30 AM Breakfast

8:45-10:15 AM **PLENARY SESSION IV**

The Feds are Coming (or are They?)

Moderator: To Be Named

Speakers: Lawrence Cluff, U.S. General Accounting Office; Salvatore Curiale, Superintendent of Insurance, State of New York; Others to be Named

10:15-10:30 AM Coffee Break

10:30-Noon **CONCURRENT SESSIONS V**

Session A - Regulatory Issues: Guaranty Funds and Solvency

Moderator: Sandra Gustavson, University of Georgia

1. "Guaranty Fund Systems and Policyholder Wealth"

Gene C. Lai, University of Rhode Island

2. "A Risk-Based Guaranty Fund Pricing Solution"

William D. Feldhaus and Michael M. Barth, Georgia State University

3. "A Simplified Methodology for Solvency Regulation of Life-Health Insurers"

Kenneth W. Hollman, Middle Tennessee State University;
Joe H. Murrey, Jr., University of Mississippi; and Robert
D. Hayes, Tennessee State University

Session B - Regulatory Issues: Insurer Solvency

Moderator: August Ralston, Iowa State University

1. "Contagion Effects in the Life and Health Insurance Industry Spring & Summer 1991"

Joseph D. Haley, Texas Southern University; and Kevin
J. Sigler, University of North Carolina at Wilmington

2. "Identifying Life Insurer financial Distress: Nonparametric and Parametric Classification Models and Empirical Evidence"

Robert E. Hoyt and James M. Carson, University of
Georgia

3. "Optimum Solvency Regulation and Interest Rate Changes"

J.H. von Eije, University of Groningen, The Netherlands
Discussant: Joan Lamm-Tennant, Villanova University

Session C - Insurance Marketing

Moderator: Carol A. Jordan, Eastern Kentucky University

1. "The Cost Structure of the Distribution of Property/Casualty Insurance"

Arthur M.B. Hogan, George Mason University and Robert
C. Witt, University of Texas

2. "Exclusive Dealing vs Independent Agency in Insurance: The Role of Risk Assessment"

Laureen Regan, Temple University and Sharon Tennyson,
University of Pennsylvania.

Discussant: Greg Niehaus, University of South Carolina

3. "The Relationship Between Ethical and Customer-Oriented Behaviors and the Effect on the Selling of Complex Services"

Donald W. Hardigree, University of Nevada, Las Vegas
and Vince Howe and K. Douglas Hoffman, University of
North Carolina at Wilmington

Session D - Financial Issues

Moderator: William H. Ravel, LOMA

1. "The Cost of Levered Equity Capital in the Presence of the Pure Risks"

Dongsai Cho, Old Dominion University

2. "An Application of the Theory of Leverage with Implications for Publicly and Privately held Insurers"

Larry Cox and William L. Fergeson, University of
Georgia

3. "A Generalized Continuous Time Model of Insurance Pricing Subject to Default Risk"

J. David Cummins, University of Pennsylvania

Session E - Doctoral Dissertations

Moderator: Moshe Porat, Temple University

1. "Rate Regulation and Insurer Loss Reserving Practices"
Traci Allotey, University of Pennsylvania
2. "A Financial Theory of Optimal Insurance Coverage with
Investment Opportunities"
Soonkoo Hong, University of Texas at Austin
3. "Rate Equity in the Computation of Premiums for
Automobile Insurance for Young and Mature Drivers:
Theoretical and Empirical Examination"
Emily J. Norman, Florida State University

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