

**AMERICAN RISK AND INSURANCE ASSOCIATION
1995 ANNUAL MEETING**

**SEATTLE
AUGUST 13-16, 1995**

PROGRAM

SUNDAY, AUGUST 13

8:00 am-2:30 pm **Board of Directors Meeting**
1:00-6:00 pm **Registration**
4:00-5:30 pm **President's Seminar**
The Future of Derivatives, and Derivatives of the Future
Moderator: Joan T. Schmit, University of Wisconsin - Madison
Speaker: William H. Panning, MetLife Investment Management Corporation
6:00-7:00 pm **Reception**

MONDAY, AUGUST 14

7:30-8:30 am **Breakfast**
8:00 am-5:00 pm **Registration**
8:45-10:15 am **PLENARY SESSION I**
Banks and Insurers: Competitors or Partners?
Moderator: Harold D. Skipper, Jr., Georgia State University
Speakers: Phillip S. Corwin, American Bankers Association
Gary Hughes, American Council of Life Insurance
Donald A. McIsaac, The World Bank

10:15-10:30 am **Refreshments Break**
10:30 am-Noon **CONCURRENT SESSIONS I**

Session A - Insurance Derivatives and Related Issues

Moderator: Jorge L. Urrutia, Loyola University-Chicago

1. "Information Asymmetry in Insurance Futures Markets"
Patrick L. Brockett, University of Texas at Austin, and
Samuel H. Cox, Georgia State University
2. "The Valuation of Catastrophe Futures Options: A 'Randomized Operational Time' Approach"
Carolyn W. Chang, California State University-Fullerton,
Jack S.K. Chang, California State University-Los Angeles,
and Min-Teh Yu, National Central University (Taiwan)
3. "Exchange Rate Risk in Reinsurance"
Joseph J. Launie and William P. Jennings, California State
University-Northridge, and Robert C. Witt, University of
Texas at Austin

Session B - Pensions and Retirement Issues

Moderator: Jerry D. Todd, St. Mary's University

1. "Are 401(k) Plan Participants Provided Sufficient Information to Make Intelligent Decisions?"
Jack L. VanDerhei, Temple University

2. "Investment Management, Performance, and Funding in Public Pensions"
M. Wayne Marr, Clemson University, and John R. Nofsinger, Washington State University
3. "Issues of ERISA Reform in a Period of State Health Care Experimentation"
Norma Nielson, Oregon State University

Session C - Insurer Performance, Scale Economies and Cost Efficiencies

Moderator: Lisa Gardner, Bradley University

1. "'Economic Value Added' as a Measure of Life Insurer Performance"
Vickie L. Bajtelsmit and John W. Ellis, Colorado State University
2. "Alternative Definitions and Alternative Methodologies in the Cost Efficiency of the U.S. Life Insurance Industry"
Hunsoo Kim and Martin F. Grace, Georgia State University
3. "An Investigation of Geographic Scope, Product Scope and Scale Economies in the International Insurance Industry"
Nicos A. Scordis, University of Victoria, and Frances A. Katrishen, Temple University

Session D - Property-Liability Distribution Systems

Moderator: Joseph E. Johnson, University of North Carolina-Greensboro

1. "A Comparison of Distribution Systems in the U.S. and Canadian Property-Liability Insurance Markets"
Anne E. Kleffner, University of Calgary, and Laureen Regan, Temple University
2. "Why Does the Insurance Market Support Both Agency and Direct Writers?"
Mary V. Kelly, University of British Columbia
3. "A Dynamic Model of the Coexistence of Marketing Systems in the Insurance Industry"
Sung Hun Seog, University of Pennsylvania

Session E - Issues in Risk Management

Moderator: Richard B. Corbett, Florida State University

1. "A Risk Management Approach to Controlling Workplace Violence"
Donald W. Myers and Phyllis S. Myers, Virginia Commonwealth University
2. "Minnesota Insurer Buy-Out of Environmental Clean-up Cost Liability: Comparing Market-Share v. Policy - Specific Methodologies"
Andrew F. Whitman, University of Minnesota
3. "A Review of Risk Assessment and Risk Mitigation Perspectives: Application to Risk Mitigation in Law Enforcement"
John Gutman, University of California-Berkeley

Session F - Captive Insurers

Moderator: Claude C. Lilly, Appalachian State University

1. "Market Insurance, Captive Insurance, and Self Insurance: An Alternative View"
Li-Chin Ho, University of Texas at Arlington, Gene C. Lai, University of Rhode Island, and Robert C. Witt, University of Texas at Austin
2. "The Third-Party Premium Impact on Captive's Portfolio: Market Efficiency, Risk Shifting and Tax Deductibility"
Vladimir Vaynshtok, Srinivasa Ramanujam and Jack Nelson, College of Insurance
3. "Captive Investing"
William R. Storie, William R. Storie & Co. Ltd. (Bermuda)

Noon-1:20 pm

"Hot Topics" Luncheon

Moderator: Richard A. Derrig, Automobile Insurers Bureau of Massachusetts

Speakers: Anthony Gasich, Farmers Insurance Group

Carl A. Modecki, National Association of Insurance Brokers
William H. Panning, MetLife Investment Management Corporation

1:30-3:00 pm

PLENARY SESSION II

The Changing Scope of Risk Management

Moderator: Neil A. Doherty, University of Pennsylvania

Speakers: James V. Davis, Willis Corroon, William Kelly, J.P. Morgan

3:00-3:15 pm

Refreshments Break

3:15-4:45 pm

CONCURRENT SESSIONS II

Session A - Insurance Demand I

Moderator: Anne E. Kleffner, University of Calgary

1. "Pareto Optimality of Income Tax Deductions for Insurance Losses and Premiums"
Larry Y. Tzeng, Temple University
2. "Tax Deductions and Demand for Insurance"
Chwen-Chi Liu, Feng Chia University (Taiwan)
3. "The Demand for Flood Insurance: Empirical Evidence"
Mark J. Browne, University of Wisconsin-Madison, and Robert E. Hoyt, University of Georgia

Session B - Life Insurance Prices

Moderator: Al Auxier, University of Tennessee

1. "The Effect of Mean Reverting Interest Rates on Valuing Whole Life Insurance"
Henry C. Wurts, University of Pennsylvania

2. "The Universal Benefit Index as a Supplement to Life Insurance Cost Disclosure Indexes"
Dongsae Cho, Quinnipiac College
3. "A Model for Determining the Assumed Rate of Interest in Pricing Life Insurance Contracts"
Keun-Ock Lew, Taegu University (Korea)
Bon-Sung Koo, Samsung Life Insurance Co.

Session C - Insolvency Prediction I

Moderator: William R. Feldhaus, Georgia State University

1. "The Relationship Between Inefficiency and Insolvency: A Look at the U.S. Life and Property-Liability Industries"
Martin F. Grace, Georgia State University
2. "Management Compensation and Insolvency Risk for Property-Liability Insurers"
Elizabeth Grace, San Jose State University
3. "An Ordered Logit Model as an Early Warning System for Dutch Non-Life Insurance Companies"
Bert Kramer, University of Groningen (Netherlands)

Session D - Insurance Economics I

Moderator: Vickie L. Bajtelsmit, Colorado State University

1. "The Informational Value of Insurance Purchases: Evidence from the Property-Liability Insurance Market"
James A. Ligon, University of Alabama, and David A. Cather, University of Pennsylvania
2. "The Causes of the Commercial Liability Insurance Crisis: Theory and Empirical Evidence"
Robert C. Witt and Richard D. MacMinn, University of Texas at Austin, Gene C. Lai, University of Rhode Island, and Hung-Gay Fung, University of Baltimore
3. "The 'Smoking Gun': Insurance and the Efficiency of Liability Rules"
Neil A. Doherty, University of Pennsylvania

Session E - Automobile Insurance Issues I

Moderator: Richard D. Phillips, Georgia State University

1. "Competition and Technological Change in the Personal Automobile Insurance Industry"
Jason Hecht, Consulting Economist
2. "Public and Private Punishment and Accident Risk"
Lawrence H. Nitz and Karl E. Kim, University of Hawaii-Manoa
3. "Contracting with Costly State Falsification: Theory and Empirical Results from Automobile Insurance"
Keith J. Crocker, Pennsylvania State University, and Sharon Tennyson, University of Pennsylvania

Session F - Workers' Compensation Issues I

Moderator: Etti Baranoff, Texas Association of School Boards

1. "The Effects of Rate Regulation on Claim Cost Growth in Workers' Compensation Insurance"

Patricia M. Danzon, University of Pennsylvania, and Scott E. Harrington, University of South Carolina

2. "Factors Affecting Permanent Partial Disability Ratings in Workers' Compensation"

Jennifer Kish and David Durbin, National Council on Compensation Insurance

3. "A Study About Cross Subsidies and Their Impacts on Pricing, Quantity and Quality of Insurance in Segmented Workers' Compensation Markets"

Wook Jean Kwon, Georgia State University

5:00-6:00 pm

Annual Business Meeting

6:00-7:00 pm

Reception

TUESDAY, AUGUST 15

7:30-8:30 am

Breakfast

8:00-Noon

Registration

8:45-10:15 am

PLENARY SESSION III

Catastrophic Risks: Planning Today for Tomorrow's Disasters

Moderator: Jack M. Nelson, College of Insurance

Speakers: Scott K. Lange, Microsoft Corporation

Terry Van Gilder, Risk Management Software, Inc.

10:15-10:30 am

Refreshments Break

10:30 am-Noon

CONCURRENT SESSIONS III

Session A - Insurance Demand II

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

1. "Corporate Insurance: Competition from Capital Markets and Financial Institutions"

Neil A. Doherty, University of Pennsylvania

2. "An Empirical Estimation of the Market Demand for Life Insurance"

Mary Ann Boose and Gokhan R. Karahan, University of Mississippi

3. "Are There 'Natural' Clusters of Regions in Insurance Purchase?"

Tapen Sinha, Bond University (Australia)

Session B - HMOs and Health Insurance

Moderator: Jack L. VanDerhei, Temple University

1. "Measurements of Efficiency and Productivity and Prediction of HMO Financial Distress and Insolvency"
R.B. Drennan and Mary A. Weiss, Temple University
2. "On the Relationship Between HMO Board Composition and Financial Performance"
Anne Carroll, Rider College, Jan M. Ambrose, La Salle University, and R.B. Drennan, Temple University
3. "A Review of Federal Tax Policy Relating to Medical Care Expenditures: Are Tax Laws Providing the Appropriate Incentives?"
Ann M. Butler, Kevin L. Eastman and Alan D. Eastman, Florida State University

Session C - Insolvency Prediction II

Moderator: Martin F. Grace, Georgia State University

1. "Insurer Insolvency Classification Models: Estimation Results and the Importance of Sample Size"
James M. Carson, Illinois State University, and Robert E. Hoyt, University of Georgia
2. "State Accreditation and Insurer Solvency"
William L. Ferguson, Marshall University, and Larry A. Cox, University of Mississippi
3. "The Collapse of Confederation Life Ins. Co.: A Case of Financial Insolvency Prediction"
Gilles Bernier and Patricia Derez, Laval University

Session D - Insurance Economics II

Moderator: James A. Ligon, University of Alabama

1. "Co-Insurance and Public/Private Partnership in Deposit Insurance"
Van Son Lai and Stephane Warywoda, Laval University
2. "Price Imperfections as a Motivation for Vertical Integration"
R. Lawrence Van Horn and Susan Suponcic, University of Pennsylvania
3. "The Estimation of Deposit Insurance with Interest Rate Risk"
Jin-Chuan Duan, McGill University, and Jean-Guy Simonato, University of Quebec-Montreal

Session E - Automobile Insurance Issues II

Moderator: Samuel H. Cox, Georgia State University

1. "Using Kohonen's Self-Organizing Feature Map to Uncover Automobile Bodily Injury Claims Fraud"
Patrick L. Brockett and Xiaohua Xia, University of Texas at Austin, and Richard A. Derrig, Automobile Insurers Bureau of Massachusetts

2. "Structure and Performance of the Automobile Insurance Market"
Vickie L. Bajtelsmit, Colorado State University, and Raja Bouzouita, Central Missouri State
3. "Traffic Accidents - International Comparison"
Yehuda Kahane, Tel Aviv University (Israel)

Session F - Property-Liability Insurance Issues I

Moderator: John H. Thornton, University of North Texas

1. "Loss Sharing Without Risk Rating: Homeowners Insurance Market Adjustments After Hurricane Andrew"
Richard B. Corbett, Florida State University
2. "Market Failure in Urban Property Insurance Markets: The Case for a Residual Market"
William J. Warfel, Indiana State University
3. "Claims Service Quality in the Insurance Industry"
Brenda P. Wells and Marla R. Stafford, University of North Texas

Noon-1:30 pm **Past Presidents' Luncheon and Awards Presentation**

1:45-3:15 pm **JRI Editorial Board Meeting**

1:45-3:30 pm **CONCURRENT SESSIONS IV**

Session A - Financial Ratings and Risk-Based Capital

Moderator: Claude C. Lilly, Appalachian State University

1. "Risk-Based Capital and Risk-Based Pricing as Economic Incentives: A New Regulatory Approach"
Michael M. Barth and Robert W. Klein, National Association of Insurance Commissioners
2. "Consumer Search and Financial Ratings of Life Insurers"
Steven W. Pottier, University of Georgia, and Robert C. Witt, University of Texas at Austin
3. "An Economic Analysis of Rating Activity Effects"
James Barrese and Jack M. Nelson, College of Insurance, and David Levy, University of Baltimore
4. "Risk-Based Capital: A Dynamic Cash Flow Alternative for the Property/Casualty Insurance Industry"
Richard D. Phillips, Georgia State University, and J. David Cummins, University of Pennsylvania

Session B - Health Insurance Issues

Moderator: Sandra Gustavson, University of Georgia

1. "Empirical Analysis of Firms' Response to the Retiree Health Liability"
Ann Costello and Harriett Farney, University of Hartford

2. "Medical Savings Accounts: An Alternative Approach to Financing Health Care"
Helen I. Doeringhaus, University of South Carolina
3. "Two Methods of Subsidizing Hospital Care for the Uninsured: Welfare Implications for the Insured"
Lisa L. Posey, Pennsylvania State University
4. "A Study of Florida's High Risk Health Insurance Pool"
Ann M. Butler, Florida State University

Session C - Regulatory Issues

Moderator: Laureen Regan, Temple University

1. "Modeling Employer Responses to Insurance Reform and Regulation"
Cathi M. Callahan and James W. Mays, Actuarial Research Corporation
2. "An Examination of Economic, Political, Market and Demographic Influence on Regulatory Stringency"
Paul M. Kazenski, University of Hawaii-Manoa, William R. Feldhaus, Georgia State University, and Kenneth N. Scoles, Jr., American Institute for CPCU
3. "Asset Allocation Decision Model for the Insurer: Implications of the Model Investment Act"
Joan Lamm-Tennant, Villanova University
4. "Measuring and Characterizing Regulatory Stringency in State Insurance Markets"
Susan Suponcic, University of Pennsylvania

Session D - Insurance Economics III

Moderator: Craig B. Merrill, Brigham Young University

1. "Insurance Market Equilibrium: A Game-Theoretic Approach"
Michael R. Powers, Temple University, and Martin Shubik, Yale University
2. "Mean-Variance Adverse Selection and Alternative Cost Sharing Provisions"
James A. Ligon, University of Alabama, and Paul D. Thistle, Western Michigan University
3. "Changes in Background Risk and the Purchase of Insurance"
Harris Schlesinger, University of Alabama, Christian Gollier, University of Toulouse (France), and Louis Eeckhoudt, Catholic University of Mons (Belgium)
4. "A Model of Insurance Buildup: A Proposal"
M. Martin Boyer, University of Pennsylvania

Session E - Issues in Insurance Financial Markets

Moderator: Elizabeth Grace, San Jose State University

1. "The Impact of Macroeconomic Factors on the Stock Returns of Financial Institutions"
Roberta L. Schini, University of Nebraska-Lincoln

2. "Nonlinear Dependence in Insurance Stock Portfolio Daily Returns"
Paul Gronewoller, University of Wyoming, and Monzurul Hoque and Jorge Urrutia, Loyola University-Chicago
3. "An Empirical Examination of the Shareholder Wealth Effects of Insurance Company Withdrawal Announcements"
Michael J. McNamara and Stephen W. Pruitt, University of Memphis
4. "Testing for Nuances of Deterministic Chaos in Insurance Company Securities"
Edwin H. Duett and Robert A. Hershberger, Mississippi State University, and Vivek Pandey, Mississippi University for Women

Session F - Issues in RMI Education

Moderator: Steven N. Weisbart, TIAA

1. "Measuring Some Direct and Indirect Effects of Insurance Education"
Lisa Gardner, Bradley University, and James Barrese and Ellen Thrower, College of Insurance
2. "The Ethics of Insurance Professionals Versus Insurance Students: The Educational Implications"
Jacqueline K. Eastman, Valdosta State University, Kevin L. Eastman, Florida State University, and R.B. Drennan, Temple University
3. "Teaching Life Insurance with a Spreadsheet Methodology"
Ronald R. Crabb, University of Wisconsin-Whitewater
4. "Managing the Insurance Enterprise: An Interactive Computer Game"
Ronald R. Crabb, University of Wisconsin-Whitewater, and Arnold F. Shapiro, Pennsylvania State University

3:45-5:15 pm

ROUNDTABLE DISCUSSIONS

Table A - Using Large Insurance Databases: Issues and Problems

Moderator: Martin F. Grace, Georgia State University

Panel Members: Michael M. Barth, National Association of Insurance Commissioners

David Durbin, National Council on Compensation Insurance

James R. Garven, University of Texas at Austin

Table B - Faculty Performance Expectations and Evaluation

Moderator: Joseph E. Johnson, University of North Carolina-Greensboro

Panel Members: Patrick Maroney, Florida State University

Emily Norman, University of Memphis

Bruce A. Palmer, Georgia State University

John H. Thornton, University of North Texas

Ellen Thrower, College of Insurance

Table C - Redlining: Fact or Fiction? Problems and Solutions

Moderator: William R. Feldhaus, Georgia State University

Panel Members: Gordon Hamilton, Safeco Corporation

Robert W. Klein, National Association of Insurance Commissioners

Todd Pittman, Neighborhood Reinvestment Corporation

Table D - Health Care Reform Initiatives

Moderator: Helen I. Doerpinghaus, University of South Carolina

Panel Members: Deborah Chollet, The Alpha Center

David Christopherson, St. Cloud State University

Norma Nielson, Oregon State University

Table E - Research on RMI Education Issues

Moderator: Mary Ann Boose, University of Mississippi

1. "Anecdotes That Work: A Compilation of Anecdotes and Examples That Have Proven Useful for Teaching Insurance and Risk Management Concepts"

Mary Ann Boose, University of Mississippi

2. "An Analysis of Agency Training Programs in the Insurance Industry"

Kenneth J. Crepas and Teresa M. Palmer, Illinois State University

3. "Collegiate Insurance Education: The Industry Perspective"

Steven M. Cassidy, Howard University, Robert A. Marshall and J. Christine Taylor, Florida State University

4. "The SOA-Nankai Actuarial Program"

Kailin Tuan, Temple University

5:15-6:15 pm

Special Session: Awards Criteria for Spencer Educational Foundation Scholarships

Speakers: Anita Benedetti, Risk and Insurance Management Society

James V. Davis, Willis Corroon

WEDNESDAY, AUGUST 16

7:30-8:30 am

Breakfast

8:45-10:15 am

PLENARY SESSION IV***Critical Policy Issues Affecting Automobile Insurance***

Moderator: Terrie E. Troxel, Insurance Research Council

Speakers: Stephen J. Carroll, Institute for Civil Justice (Rand Corporation)

Richard A. Derrig, Automobile Insurers Bureau of Massachusetts

Beth Sprinkel, Insurance Research Council

10:15-10:30 am

Refreshments Break

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

Session A - Insurance Demand III

Moderator: Robert E. Hoyt, University of Georgia

1. "The Irrelevancy of Corporate Insurance to the After-Loss Investment Problem"
Sung Hun Seog, University of Pennsylvania
2. "An International Analysis of the Demand for Property-Liability Insurance"
Jaewook Chung and Mark J. Browne, University of Wisconsin-Madison
3. "On the International Trade in Insurance"
Yueyun Chen, University of California-Santa Barbara

Session B - Finance and Actuarial Issues

Moderator: Steven M. Avila, Ball State University

1. "Decision Making Under Conflicting Criteria for Actuarial Assumptions: An Expected Utility Model"
Lisa L. Posey and Arnold F. Shapiro, Pennsylvania State University
2. "Annuity Valuation with Dependent Mortality"
Edward W. Frees and Emiliano Valdez, University of Wisconsin-Madison, and Jacques Carrier, University of Manitoba
3. "Time Diversification, Safety-First and Risk"
Moshe-Arye Milevsky, York University

Session C - Efficiency, Insurer Organizational Form, and Distribution Systems

Moderator: S. Travis Pritchett, University of South Carolina

1. "Organizational Form and Efficiency: An Analysis of Stock and Mutual Property-Liability Insurers"
J. David Cummins and Hongmin Zi, University of Pennsylvania, and Mary A. Weiss, Temple University
2. "Efficiency of Insurance Distribution Systems and Organizational Forms: An Application of Data Envelopment Analysis"
Arthur M.B. Hogan, Department of the Treasury, Mark Niefer, Battelle Pacific Northwest Laboratory, P.K. Satish, Washington State University, and Robert C. Witt, University of Texas at Austin
3. "Ownership Structure and Distribution Systems in Property-Liability Insurance: A Bivariate Probit Approach"
James R. Garven, University of Texas at Austin, and Montserrat Guillen, University of Barcelona (Spain)

Session D - Legal Issues in Insurance

Moderator: Carol A.B. Jordan, Northeast Louisiana University

1. "Insurability of Punitive Damages: A Standard of Conduct"
Joseph Launie and William P. Jennings, California State University-Northridge, and Robert C. Witt, University of Texas at Austin
2. "The Professional Responsibilities of Insurance Defense Lawyers"
Charles Silver, University of Texas School of Law, and Kent Syverud, University of Michigan School of Law
3. "Are We the Experts?"
Michael L. Murray, Drake University

Session E - Property-Liability Insurance Issues II

Moderator: Nelson J. Lacey, University of Massachusetts

1. "Property & Casualty Solvency Funds as a Tax and Social Insurance System"
James G. Bohn and Brian J. Hall, Harvard University
2. "Underwriting Cycles in Property and Liability Insurance: An Empirical Analysis of Industry and By-Line Data"
Hung-Gay Fung and Gary Patterson, University of Baltimore, Gene C. Lai, University of Rhode Island, and Robert C. Witt, University of Texas at Austin
3. "Prices in the Property-Liability Insurance Market: A Theoretical and Empirical Analysis"
David W. Sommer, University of Georgia

Session F - Workers' Compensation Issues II

Moderator: Larry D. Gaunt, Georgia State University

1. "A Choice Model Between Self-Funding and Fully-Insuring Workers' Compensation"
Etti Baranoff, Texas Association of School Boards
2. "Welfare Dependence in Workers' Compensation: Do Past Claims Cause Future Claims?"
Richard J. Butler, University of Minnesota, Harold Gardner, Gardner and Associates Health Policy Research Group, and Delworth Gardner, Brigham Young University
3. "Does Experience Rating Promote Underreporting of Claims in Workers' Compensation Insurance?"
Gregory Krohm, Division of Workers' Compensation (State of Wisconsin), and Steve Ginsburg, Wausau Insurance Companies

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