Investment Benchmarking

Equity Performance Might Better Be Measured By Using the Russell Indexes

By Nolan E. Karras

In the Fall 1998 issue of this publication, it was reported that, according to the 1998 AASCIF Finance and Investment Survey, 91 percent of respondents said they used benchmarks to measure investment performance. This article will discuss equity benchmarks and draw the conclusion that the Russell 3000 Index (and its components) is an excellent benchmark for use in evaluating U.S. equity performance. Further, an analysis of the Russell 3000 Index can assist investment managers in making allocation decisions between large, mid and small capitalization (cap) U.S. stocks.

Dow Jones Industrial Average

While the Dow Jones Industrial Average (Dow) is widely quoted in the media, it would appear that it is no longer a fair representation of the equity market. It is composed of 30 large capitalization stocks and such a basket of stocks is too small to provide a barometer of the overall market. There are more than 580 stocks with investigation of the facts. Insurers have always found the claimant’s medical records, both current and prior, fertile ground to support defenses to the

New Privacy Legislation

Continuing Challenges for Workers’ Comp Insurers

By Rona S. Finkelstein,
Director, Legal Department
James A. Haynes, Esq.
Maryland Injured Workers’ Ins. Fund

The successful defense of workers’ compensation claims turns on a thorough investigation of the facts. Insurers have always found the claimant’s medical records, both current and prior, fertile grounds for the discovery of relevant evidence in support of defenses to the
Congratulations to Warren Smalley, Patricia McCarthy and their fellow employees at the New Mexico Mutual Casualty Company for the wonderful annual meeting held in Albuquerque during August. Disregarding the weather problems which eliminated the hot air balloon rides, we appreciate the planning and execution which accounted for this memorable event. Again, thanks to our sponsors who provided the financial support to make this program happen.

We are in the season for specialty committee meetings. The National Issues and Finance/Investment programs provided a great kickoff for 1999. National Issues focused on significant topics which included Federal privacy legislation, the AM Best Rating process and other topics which were of interest to the large audience which assembled for their meeting in Greater Phoenix.

The Finance & Investment meeting allowed for the introduction and discussion of several new investment strategies. While all the speakers were excellent, Joan Lamm Tennant's presentation on Dynamic Financial Analysis was simply outstanding.

The balance of our specialty meetings are being held this fall and I will cover some of the highlights in the next newsletter. Attendance has been good and our forecast is for successful meetings for all disciplines.

The CEOs have submitted recommendations for next year's committee members. Hopefully, we can build upon the success we are experiencing at these meetings, which serve as a primary vehicle for member education. Our organization has never been larger or stronger as measured by the number of employees now benefitting from these educational programs.

We'll need all the education and help available as we move further into a market with deteriorating results across the board. The experts say that “the cycle” is gone; then how do they explain 1993 - 1995 results with 1998 - 2001? If you have a theory, please call me and we will publish your thoughts in the next newsletter.
A Conversation with...
NCCI President D. W. Schrempf
By Dan Cote
Maine Employers’ Mutual Ins. Co.

A wise man once said: “The significant problems we face today cannot be solved at the same level of thinking we were at when we created them.” This quote from Albert Einstein came to mind as I prepared the final draft of this article. I thought the quote was appropriate in light of the current effort underway at National Council on Compensation Insurance (NCCI) to distance itself from the marred past of poor service and data quality. NCCI is undergoing cultural and operational change to benefit their customers — many of which are AASCIF members. This shift in culture has been lead for the last year by new NCCI President and CEO D.W. “Bill” Schrempf.

The title of this article is a quote from Mr. Schrempf during a breakfast meeting he hosted for AASCIF CEOs as well as the National Issues Committee at the AASCIF 1999 Annual Conference in Albuquerque. The meeting was held to offer insight to AASCIF membership regarding the future of NCCI and its customers in light of its purchase of IDR. The purchase was settled the morning of our discussion with Mr. Schrempf.

A number of CEOs are concerned about the lack of competition in the development of data and services as a result of the IDR purchase. The fear is, that without competition to drive effective customer service and data quality, NCCI might migrate back to its days of poor performance?

Schrempf: Today we see our role much differently than before I came to NCCI a year ago. We are focused on creating value for our owners. Those owners include many of the AASCIF organizations. We will not retreat to the old NCCI and we have every intention to demonstrate to our owners and customers that we can consistently deliver with pride. Let’s face it, one of the primary reasons which lead the development of IDR in the first place was NCCI’s poor attitude towards its customers. We are in the process of quickly changing that old attitude. Even our staunchest critics are beginning to experience a positive difference in the service and data quality. The reason for the shift in thinking with these customers is that they have agreed to partner with us, offering the kind of objective and constructive discussions necessary to move us forward. Do we have a long way to go? We definitely do, and won’t get to where we need to be without the kind of partnerships and collaborative problem solving in which we are currently engaged.

We have a number of initiatives underway which have us squarely focused and driven toward resolving our weaknesses. The purchase of IDR is only one small hurdle in a series of many larger ones which we must navigate in order to provide our owners and customers with a sense of “Wow!” Some of the initiatives currently underway include:

• Agreements with our owners and customers that will allow for constructive and objective dialogue which will offer us the kind of information we need to be appropriately responsive. Some of this will be accomplished through

CONTINUED ON PAGE 16

AASCIF News & Notes

CEO Meeting: That Annual AASCIF CEO meeting is set for Thursday, January 13 from 8 – 4 at Ballys Las Vegas. The annual CEO dinner will be held at The Tillerman in Las Vegas on Wednesday, January 12 at 6 p.m. Rooms have been reserved for CEOs for two nights, January 12 and January 13 (if you plan to attend the committee meeting on Friday, AASCIF will pay for the night of the 14th as well).

2000 Committee Info: All-Committee meeting will be held at Bally’s Las Vegas on Friday, January 14 from 8 – 4. Rooms have been reserved for committee members for two nights, January 13 and January 14.

Member Dues: All Full Members and Associate Members should have received your 2000 dues invoice by now.

Keep an Eye on New Privacy Legislation

Because of the enactment of new privacy legislation in many states, the task of obtaining such medical records has become more difficult.

As a response to the potential for abuse in the dissemination of personal health care information without the patient’s consent, states have begun to enact health care privacy statutes. These laws are an effort to balance appropriate access to medical records with protection of the privacy of individuals. A number of states have enacted specific laws on the collection, storage, release and re-release of medical information. Others have more general privacy laws, which, directly or by implication, affect medical records. Still others have allowed agencies such as state hospitals to develop internal rules governing the release of medical information without explicit legislative direction. It would be unwise to assume today that there is any state that does not have some form of regulation regarding the release of medical records.

Regardless of the mechanism by which different states regulate the release of medical records, the trend is to require either the patient’s explicit consent, or a notice to the patient with an opportunity to object, before the records will be released. The variety of state laws also complicates the investigation and litigation of workers’ compensation cases. For example, an injured worker may file a claim for benefits in Maryland and have significant medical records in Pennsylvania, Delaware, Virginia, the District of Columbia, or West Virginia. To obtain such records the adjuster must understand the restrictions imposed by the privacy laws of the neighboring states. In addition, the state may not recognize a subpoena issued by another state. Finally, the explosion of privacy legislation can cause delays in obtaining medical records even when the injured worker cooperates fully, which can slow the adjudication of claims and payment of benefits in legitimate cases. The same delay may seriously prejudice the defense at trial where relevant evidence remains buried in a data bank.

Aside from the difficulties in obtaining medical information, Maryland and other states have recently imposed limitations on the “re-disclosure” of medical information. This type of legislation imposes duties on all persons...
who have medical records in their possession. Typically, an improper re-release of medical information will subject such persons to civil and criminal penalties. This re-disclosure trap should be recognized in advance by claims adjusters, vocational rehabilitation professionals and others who possess individual medical information.

Perhaps the most important characteristic of current law is that it is evolving year by year and occasionally month by month. It is not enough to understand the current statute and regulations. It is also essential to identify and track proposed legislation and rules. This is especially true at the federal level, where both Congress and the Department of Health and Human Services are considering far-reaching national measures.

The Health Insurance Portability and Accountability Act passed in 1996 required the Secretary of the Department of Health and Human Services to develop recommendations to protect the privacy and confidentiality of health care records. Those recommendations, which included the establishment of a basic national standard of protection for medical records, were presented to Congress in September of 1997. If Congress did not pass legislation by August, 1999, the law required the Secretary of Health and Human Services to develop federal regulations to limit the authorized uses of medical information and provide for penalties in the event of abuse. Either by legislation or by regulation, the federal government will play a far more significant role in regulating the collection, storage and release of medical information than it does today.

There are currently four bills in Congress concerning the disclosure of medical records. All are still under consideration by Committee. The effect of those bills in final form may be:

1. A federal standard which applies to all states regardless of whether the state has an existing statutory or regulatory scheme of its own;
2. A federal standard which may permit or prohibit more restrictive state privacy standards which exceed the federal requirement;
3. A federal standard that may permit or prohibit state rules in privacy-related arenas where the federal standard does not impose requirements.

It is certainly true that regulations are often delayed and that most proposed legislation does not become law. However, federal standards on the release of medical information are a distinct possibility within the next twelve months. The new age of privacy protection presents new challenges and pitfalls for the unwary. The following suggestions may cast some light in an unfamiliar landscape:

- Be sure to track statutory and regulatory changes carefully in your home state as well as other states because medical information may be stored at a facility in a different state.

Rona Finkelstein is Director of the Legal Department for the Maryland Injured Workers Insurance Fund and a member of AASCIF’s Law Committee.
Around AASCIF is a regular feature of the AASCIF newsletter. It briefly covers items of interest submitted by AASCIF members. To ensure that your organization is included, send information to Michael Bourque, Maine Employers' Mutual Ins. Co., P.O. Box 11409, Portland, ME 04104, by fax at 207.791.3335 or via e-mail at mbourque@memic.com

California

**Dividend Projected:** California State Compensation Insurance Fund announced in early October projected dividends for thousands of the organization's policyholders. State Fund declared a $29.5 million dividend for policies incepting in the first quarter of 1998 and projects dividend declarations for the second through fourth quarters of 1998. State Fund expects the total payout to be $101 million after the final declaration and calculation of all 1998 policy year dividends. State Fund also declared a re-calculation of 1997 policy year dividends which will return an additional $3 million to policyholders.

Colorado

**CCIA Changes its Name to Pinnacol Assurance:** Colorado Compensation Insurance Authority (CCIA) announced its name change to Pinnacol Assurance, effective September 15. According to the company, the alternative spelling of Pinnacol, combining the words Pinnacle and Colorado, represents the company's Colorado roots that date back to 1915 and the company's commitment to being the best in the workers' compensation arena. The transition to the new name includes a new logo, a renewed print and advertising campaign and new corporate collateral materials.

“We changed our name to more accurately reflect who we are and where we're going,” said Gary Pon, Pinnacol's president. “Over the past two years, we have reinvented the way we do business. We've streamlined our processes and have developed one-step access to policy and claims information.”

Among the innovations Pinnacol Assurance has introduced to its policyholders and broker is its 24-hour, online, real-time service for reporting claims, monitoring the progress of a claim, and running reports to summarize policy and claims data. Custom-
ers may also check billing information, locate statewide educational seminars or find a SelectNet doctor by location.

Kentucky

Fries at the Helm: Kentucky Employers’ Mutual Insurance (KEMI) Board of Directors announced in late July that it had asked Roger Fries to return to his duties as President and CEO of KEMI, and that Fries agreed to the move. Board Chair David Snowden said that KEMI’s Board had been looking—without success—for an applicant with Fries’ qualifications. “So, we said why not take a chance and invite him back home. Thank goodness, he said ‘Yes.’” Snowden said. Fries was appointed KEMI President and CEO in 1995 when it was formed as part of sweeping legislative reforms in the area of workers’ comp.

Maine

Capital Returned: In October, Maine Employers’ Mutual Insurance Company returned more than $15.5 million to policyholders who had contributed capital to the company’s start-up. This was the second distribution of capital from MEMIC, which, while under no legal obligation to do so, intends to return the remaining $25 million over the next three years. The first distribution took place in 1998, a full five years ahead of initial projections.

Missouri

MEM celebrates repayment: Missouri Employers’ Mutual Insurance (MEM) announced its repayment by receiving a paid-in-full receipt from Missouri Governor Mel Carnahan.

“Paying off the loan is a milestone for MEM and Missouri,” said MEM President and CEO Dennis Smith. “MEM’s startup loan marked the first step toward a better workers’ compensation market. Today, Missouri businesses are reaping the benefits, paying 23 percent less in premium than they were in 1992.”

Despite the highly competitive market, MEM helped foster, the company has achieved financial stability and a reputation as Missouri’s premier workers’ compensation company. As the largest provider of workers compensation with nearly 15 percent of the insured market, MEM has almost double the market share of its nearest competitor with 7.4 percent.

“MEM has developed financial stability in a short time due to quick acceptance by the market, excellent loss prevention strategies and innovative claims management,” said Smith. “As the industry leader, we continue to shape Missouri’s workers’ compensation market.”

Nevada

Two Steps Down, Two to Go: Employers Insurance Company of Nevada and Aon Re, Inc., announced earlier this summer a major quota share reinsurance program for Employers Insurance Company of Nevada. The transaction was led by Gerling Global International Reinsurance Company and was completed on June 30, 1999 to essentially eliminate all losses occurring prior to July 1, 1995 up to a limit of $2 billion.

This transaction followed and was part of Nevada legislation passed and signed by Governor Kenny Guinn in May of this year. Along with its reinsurance program, Employers Insurance also announced the receipt of a favorable letter ruling from the IRS regarding its anticipated reorganization into a private mutual company. This marked the completion of two of four requirements set out in the legislation. The two remaining requirements are the incorporation of a new company and qualification by the Nevada Insurance Commissioner of the new company.

Utah

Partnership with N.D.: Advantage WorkComp Services Inc., a wholly owned subsidiary of WCF, has partnered with North Dakota Workers Compensation Bureau to provide medical bill review and audit, bill entry, and on-site case management. Under the agreement, Advantage will employ six registered nurses and five support staff who will reside in the Bureau’s offices. As the unbundled services arm of WCF, Advantage offers companies services such as bill review, special investigations, vocational rehabilitation, utilization review, case management, and safety engineering/risk control.

Vericomp Deployed: WCF is deploying its employer fraud module in partnership with HNC Insurance Solutions. This comes after considerable success with the employee fraud Vericomp system which WCF piloted on behalf of HNC.
market values in excess of $3 billion and within the Dow only 30.

**S&P 500**

Many investors believe the S&P 500 Index is the best barometer of the overall market or at least of the large cap market. Inclusion of a stock in this index is determined by a Standard & Poor's Index Committee. It is weighted by market capitalization and, according to a recent article “the 500 companies chosen for the S&P 500 Index are not the largest companies in terms of market value, but rather tend to be leaders in important industries within the US economy” (Standard & Poor's as reported in “Measure for Measure” by C. Michael Carty in the May 1999 issue of Financial Planning). While the S&P 500 enjoys a wide following, there may be better options available. The lack of publicly available and objective criteria for inclusion in the index, plus the fact that other benchmarks adjust the market cap for large private holdings and cross ownership, points one to other indexes aside from the S&P 500 Index.

Further, the S&P 500 Index has become concentrated into a few high cap stocks and, in some cases, technology stocks which tend to be more volatile. While the Russell 1000 Index discussed below is also market weighted and has a high average market cap, it at least has 500 more stocks in the index and by doing so the high market cap bias of the S&P 500 is somewhat diluted.

**Wilshire 5000 Index**

The 5000 Index actually contains over 7000 stocks and basically takes into account all US stocks which are consistently traded with readily accessible price. Clearly this is a broader Index than the S&P and Dow Jones Industrial but not a good proxy for large cap stocks. According to Mr. Carty's Financial Planning article: “(I)t should be noted that inconsistencies over time in its inclusion and calculation methodologies and the general unavailability of its constituent data are detrimental factors that outweigh its impressive breadth.”

**Russell 3000/Russell 1000**

In “Measure for Measure” (see above) Mr. Carty states: “Given the shortcomings of the several major stock market indexes, the Russell 1000 appears to be a better alternative to the S&P 500 as a benchmark for large cap US stocks. Its rules for inclusion are straightforward and consistent. The Russell 1000 Index consists of 1000 US domiciled stocks with the largest market caps (adjusted for cross holdings). The Index is reconstituted once per year, on June 30th, and its constituents exist and are available on a monthly basis back to January 1, 1979.

The Russell 1000 is weighted by adjusted market capitalization. In order to include only the investable portion of each security in the index, the shares outstanding are adjusted for large private holdings and cross-ownership...”

Mr. Carty's article is excellent, providing an analysis too in-depth for inclusion in this writing. After reviewing 10 criteria for the selection of a bench-
mark, Mr. Carty indicates the following:

“Consolidating these analyses, the Russell 1000 is at least equal to the S&P 500 on all 10 of our benchmark criteria, and it is superior on eight of them. Its consistency, objectivity of composition and the continuous nature of its distribution are far more pleasing conceptually than the sample biases inherent in the S&P 500 Index Committee’s selection process. In short, the S&P 500 now has similar shortcomings previously identified with the Dow Jones Industrial Average.”

Russell 3000 Index
The Russell 3000 measures the largest 3000 US companies based on market capitalization (adjusted for cross ownership and privately held shares). The Index represents approximately 98% of the investable US equities market. The largest 1000 stocks become the Russell 1000 Index and the next 2000 become the Russell 2000 Index. The Russell 2500 is composed of the 2500 smallest companies in the 3000 Index. The Russell Midcap Index is composed of the 800 smallest companies included in the Russell 1000.

Accordingly, one can make some judgments about US equity allocation based on the characteristics of the Russell 3000 and its component parts. For example, based on market cap data as of May 31, 1999 (after reconstitution as of June 30, 1999) the Russell 3000 has an average market cap of $4.4 billion but with a median market cap of $701.7 million. The range is from $407.2 billion to $178.2 million.

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Further analysis of the Russell 3000 reveals the following:

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<th>Index</th>
<th>Top 500 stocks</th>
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<th>Next 800 (Russell Midcap Index)</th>
<th>Top 1000 (Russell 1000 Index)</th>
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Managed care groups are concerned about finding the best and most efficient ways to deliver quality health care services to their members. They look to accreditation bodies to provide them with a “good housekeeping seal” of approval. Consumers and purchasers of healthcare look for managed care groups to have formal structures and processes in place in order for them to promote and deliver high quality services and preserve patient rights. They want an objective evaluation of quality to make informed decisions. When a managed care group is accredited, one knows it meets rigorous national standards. Oversight of quality is a main focus.

Accreditation is the process by which an organization recognizes a program of study as meeting predetermined standards. Some organizations that obtain accreditation include: managed care groups, utilization management companies, provider credentialing, health care networks, health plans, workers’ compensation utilization management programs, workers’ compensation networks, 24-hour telephone triage and health information networks, hospitals, long-term care facilities, home care organizations, clinical laboratories, and behavioral health care facilities.

There are several reasons managed care groups seek accreditation. First, accreditation demonstrates to their customers and purchasers that the services are impartially reviewed and identified to meet nationally recognized standards, benchmarks, and best practices. Second, there is an opportunity to improve quality by identifying areas for enhancement through the actual accreditation process and then implementing the recommended changes. Third, the accreditation review helps an organization to assure that it is in compliance with the various state laws and regulations regarding managed care.

Receiving formal accreditation also enhances the community’s confidence of the managed care group, offers an objective evaluation of the organization’s performance, often fulfills state licensure requirements, favorably influences managed care contract decisions, and provides the staff with educational tools.

There are many accreditation bodies, including: The Commission on Accreditation of Rehabilitation Facilities, (CARF), The Joint Commission Accreditation of Healthcare Organizations, (JCAHO), The National Committee for Quality Assurance, (NCQA), and The American Accreditation HealthCare Commission, (URAC). Each have their own established accreditation standards. These standards are set high with a purpose – to help organizations to continuously aspire to enhance their quality in clinical decision-making.

Each accreditation body assesses and reports on the quality of the organization under review, identifies optimal outcomes for care and services, as well as any opportunity for improvement to the individual organization or facility.

The American Accreditation HealthCare Commission, (URAC), is an organization that accredits managed care groups. Its mission is to promote quality care. URAC is a non-profit organization that was founded in 1990. Its membership incorporates representatives from all stakeholders in managed care, including employers, consumers, regulators, health care providers, workers’ compensation and managed care
industries. Consumers and purchasers look to private accreditation firms to help them achieve quality services. URAC accreditation is a mark of distinction for a managed care group or health care company. As of this year, URAC has issued more than 1,100 certificates to more than 300 organizations doing business in all 50 states.

URAC develops accreditation standards by bringing experts together from across the country to discuss the appropriate standards for a particular aspect of managed care. Development of the standards is inclusive, comprehensive, and broad-based. URAC offers several different accreditation programs as the managed care market continues to offer new products and is dynamic. URAC has developed a “modular approach” to managed care accreditation programs. This approach allows individual managed care groups to seek accreditation concurrently under several different sets of standards. While accreditation applicants must meet certain core standards, sets of standards address different aspects of managed care group operations allowing the accreditation aspirant to tailor or match its accreditation to the types of services it offers to consumers and purchasers.

How does the process work?

Should a managed care group decide to seek accreditation from URAC, it must first obtain an application packet which will require it to document compliance with each standard. The applicant group must be prepared to provide evidence of compliance with each applicable standard. The documentation is reviewed by a URAC staff member who will work with the applicant to resolve any issues that have been identified as potential problems. The managed care group receives a visit from a URAC staff member who will ensure that its operations are consistent with the documentation. Lastly, the application is reviewed by the Accreditation Committee and the Executive Committee.

Most recently, URAC has made efforts to improve the quality of care for injured workers. URAC is now seeking input from workers’ compensation managed care organizations in order to develop and test a set of national standard performance measures for workers’ compensation managed care organizations.

The goal of this effort is to improve information about how care is provided to injured workers as well as the outcomes of that care. Some of the areas currently under review for workers’ compensation managed care organizations include:

- Appropriateness of care
- Access to care
- Satisfaction with care by workers and employers
- Cost
- Coordination of care across multiple providers
- Prevention of illness
- Effective communication with injured workers
- Utilization

It is hoped that these performance measures will describe the organization’s actual performance in providing care of injured workers rather than the organization’s administrative performance.

URAC does not have formal authority to compel any managed care group to seek or obtain accreditation. But most managed care groups will seek accreditation on a voluntary basis because they have made a commitment to quality and want to demonstrate this commitment to consumers and purchasers.

In using an accredited managed care group, consumers know that it meets rigorous national standards that have been designed to maintain the integrity of managed care processes. Measurement of trended performance data over time, will become a continuous process and assist both the managed care groups and different accreditation bodies to evaluate and improve quality outcomes.

Sally Edge of the West Virginia Workers’ Compensation Division is Chair of the AASCIF Claim/Rehabilitation Committee.
By utilizing the Russell 3000 Index and its components (Russell 1000, Russell 2000 etc.) one can make the following observations about a US stock portfolio:

• As of May 31, 1999 the Russell 2000 composed only 8% of the Russell 3000 compared to 11% at May 31, 1998. Accordingly a portfolio manager who has in excess of 8% in small cap stocks is making a decision to over allocate to small caps (measured by the Russell 2000). Presumably, one would do so with a view of the future performance of this size stock in mind. This is a difficult decision because as of June 30, 1998, the percentage of the Russell 2000 of the Russell 3000 was 11% of the total, meaning that the allocation to small caps may need to be a range rather than one number. Further, the change in the percentage from 11% to 8% in one year further indicates how the large cap stocks have dominated the Indexes and performance.

• As of May 31, 1999, 17% of the market data and 22% as of June 30, 1998 of the Russell 3000 was composed of the smallest 2500 stocks in the Index. Accordingly, an equally weighted portfolio would have about 17% (to 22% based on June 1998) of its portfolio in Russell 2500 stocks. Therefore, to mirror the market, an allocation to small and some mid size companies of 17% (to 22%) would be justifiable.

• Fully 83% of the Russell is therefore composed of the top 500 companies. In June of 1998 the number was 78%. While pages could be written about the dominance of large stocks and their performance, such a concentration should be cause for any manager to think carefully about what Index to utilize. The use of a broader Index may send a message to equity managers that when the “Nifty Fifty” rally is over, stocks outside the “50” would have been appropriate for investment.

• By comparing average market caps of a portfolio with the Index one can make interpretations of performance. For example, a small cap manager with a market cap substantially below or above the Russell 2000 average market cap could have significantly different results from the Index. Further, an investor may see a substantial difference in his or her actual allocation based on the market cap of the portfolio(s) utilized compared to the Russell 3000 allocation. For example, a portfolio with only small and large cap stocks may have a substantial gap that is missing the use of mid cap stocks. Such an analysis will at least force a discussion about what is an appropriate allocation to each cap range and seek justification as to why allocations may vary from the overall Russell 3000 Index.

Performance
The chart on this page is useful in analyzing the Russell Indexes (June 30, 1999). It is clear that the performance differences between the Russell 1000 and the S&P 500 has not been substantial, particularly over the 10-year period. This may be a factor in favor for use of the Russell 1000 after taking into account the other issues raised above. Additionally, to many the issue is what “cap” will produce the best return in the future and with the least risk. It seems prudent for an investor to at least explore the use of a broader Index such as the Russell 1000 for large cap stocks and the Russell 3000 for the overall US stock portfolio. Certainly, the percentages, average market caps, and other information readily available from Russell make the Russell 3000 and component Indexes a useful tool in selecting a performance benchmark and in making US equity allocation decisions.

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**Annual Rolling Returns**

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Source: Investment Advisory Services of Raymond James Financial Service, Inc.
WCB of Alberta Wins Best of Show for ‘Heads Up!’ campaign

The Annual AASCIF Communications Awards were made at the Annual Conference in Albuquerque. Below is a listing of the winners from the entries. Winners were selected in 12 categories. A Best of Show Winner was selected from the winners. The Workers’ Compensation Board of Alberta won that prize for its advertising campaign: “Heads Up! Work smart. Work safe.” Should you wish to get more information about the winning entry, or to get a sample, call the winning organization’s communications department. Congratulations to the winners.

**External Brochures**

1st Place
Minnesota State Fund Mutual Companies
This Is State Fund Mutual Companies

2nd Place
Missouri Employers Mutual Insurance
Come Back!

3rd Place
Bureau of Employment Programs - W.V. Workers’ Compensation Division
Underwriting 101: The Deductible Program

**External Brochures - Education/Training**

1st Place
KEMI
Set of Six Brochures

2nd Place
Workers’ Compensation Board - Alberta
Office Ergonomics Booklet

3rd Place
Workers Compensation Board of Manitoba
Managing Disability Cases – A Guide For Manitoba Workplaces

This print advertisement is one of several advertisements featured in WCB of Alberta’s ‘Heads Up’ campaign. The entire campaign was cited as Best of Show by the judges.

**Early Warning...**

Since the AASCIF Communications Awards are made at the AASCIF Annual Conference and, since the 2000 Annual Conference is scheduled for June, entries for the next contest will be due by March 31, 2000. Please pass this information along to those who prepare submissions.
Above, Kentucky Employers’ Mutual’s newsletter KEMI Connection was awarded a first prize as was the WCB of Saskatchewan for its Annual Report, below.

Annual Reports

1st Place
Saskatchewan Workers' Compensation Board
1998 Annual Report

2nd Place
Workers Compensation Board of Manitoba
Fairness For All – 1998 Appeal Commission Annual Report

3rd Place
SAIF Corporation, Oregon
1998 Annual Report

Audiovisual Productions

1st Place
Arizona State Compensation Fund
Subrogation or Whose Fault Is It?

2nd Place
Workers’ Compensation Board of British Columbia
Practicing Safety: How to Conduct Effective Emergency Drills of Fishing Vessels

3rd Place
Workplace Health, Safety and Compensation Commission of New Brunswick
Basic Scaffold Safety

Advertising Campaigns: Print Advertising

1st Place
The Workers’ Compensation Board – Alberta
Heads Up! Work Smart. Work Safe

2nd Place
Missouri Employers Mutual Insurance
Show-Me Advertising Campaign – Print

3rd Place
California State Compensation Insurance Fund
Farm Bureau Campaign
# AASCIF News

## Advertising Campaigns: Radio/TV Advertising

<table>
<thead>
<tr>
<th>Place</th>
<th>Organization</th>
<th>Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Place</td>
<td>California State Compensation Insurance Fund</td>
<td>Guardian Angels</td>
</tr>
<tr>
<td>2nd Place</td>
<td>Workers’ Compensation Board of Manitoba</td>
<td>Work Safe</td>
</tr>
<tr>
<td>3rd Place</td>
<td>LWCC</td>
<td>Lowball Television Advertising</td>
</tr>
</tbody>
</table>

## Excellence in Writing

<table>
<thead>
<tr>
<th>Place</th>
<th>Organization</th>
<th>Article</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Place</td>
<td>LWCC</td>
<td>Beware of the Lowball Gamble</td>
</tr>
<tr>
<td>2nd Place</td>
<td>Arizona State Compensation Fund</td>
<td>Making a Big Difference</td>
</tr>
<tr>
<td>3rd Place</td>
<td>Injured Workers’ Insurance Fund of Maryland</td>
<td>Workplace Drug and Alcohol Legislation Passes... Now What?</td>
</tr>
</tbody>
</table>

## Internal or External Communication Campaigns

<table>
<thead>
<tr>
<th>Place</th>
<th>Organization</th>
<th>Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Place</td>
<td>Texas Workers’ Compensation Insurance Fund</td>
<td>We’re Here for You Texas</td>
</tr>
<tr>
<td>2nd Place</td>
<td>Workplace Safety and Insurance Board of Ontario</td>
<td>WSIB Vision and Mission Rollout</td>
</tr>
<tr>
<td>3rd Place</td>
<td>Workers’ Compensation Board of Manitoba</td>
<td>Building Public Acceptance and Understanding Through Image Awareness</td>
</tr>
</tbody>
</table>

## Intranet or Internet Website

<table>
<thead>
<tr>
<th>Place</th>
<th>Organization</th>
<th>Website</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Place</td>
<td>Workers’ Compensation Board of Manitoba</td>
<td><a href="http://www.wcb.mb.ca">www.wcb.mb.ca</a></td>
</tr>
<tr>
<td>2nd Place</td>
<td>SAIF Corporation, Oregon</td>
<td>@saif (<a href="http://www.saif.com">www.saif.com</a>)</td>
</tr>
<tr>
<td>3rd Place</td>
<td>KEMI</td>
<td>KeyMeln.net (<a href="http://www.kemi.com">www.kemi.com</a>)</td>
</tr>
</tbody>
</table>

## Open Category

<table>
<thead>
<tr>
<th>Place</th>
<th>Organization</th>
<th>Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Place</td>
<td>CCIA</td>
<td>Fraud poster</td>
</tr>
<tr>
<td>2nd Place</td>
<td>Workers’ Compensation Fund of Utah</td>
<td>Safety Bumper Stickers</td>
</tr>
<tr>
<td>3rd Place</td>
<td>Workplace Safety and Insurance Board of Ontario</td>
<td>Health and Safety Way Exhibit</td>
</tr>
</tbody>
</table>

## Best of Show

<table>
<thead>
<tr>
<th>Organization</th>
<th>Campaign</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Workers’ Compensation Board - Alberta</td>
<td>HeadsUp! Work Smart. Work Safe</td>
</tr>
</tbody>
</table>
advisory groups and some through direct collaboration with customers.

• A $10 million price reduction in August of this year with another $5M to $7M planned for next year. A $10M decrease was announced in August and effective January 1, 2000, with the goal of another price decrease the following year of 2001. Of the $10M, about $7M is pure reduction and the rest is the change back to billing 12 months of e-mods in 12 months. We haven’t set a goal yet for the 2001 price reduction but hope to set one soon.

• Continue to reduce the fee structure while enhancing the tools. This includes improved delivery of e-mods and an electronic library, both of which will create efficiencies within our customers’ operations.

• In the first half of 2000, our customers will have the ability to access their own data and fix data issues on-line rather than through the existing paper shuffle. We will also have on-line edits available to minimize data submission problems.

In talking with AASCIF members, it seems to be clear that there is still a considerable way to go in achieving satisfaction in customer service and in the systems used to solve customer service issues.

Schrempf: Over the last few years, a service center was established as a means of reducing expenses and consolidating the knowledge base of expertise into a single service group. The continuation of regional experts and account executives was simply too expensive and not efficient.

We are creating a process of communication which will ensure a continuity of problem solving and communication which will track issues, and confirm resolutions via e-mail. “Plain English” Help buttons will soon be available via the Internet. Our manuals will be designed with Plain English language. Our people are clearly focused on improving customer satisfaction. We owe it to our customers.

We are focused on creating owner value by enhancing and developing products, which add value to their operations. Some good examples will include:

• Claim and premium fraud databases designed specifically to drill down on policyholders who have changed names often, and identify large swings in payroll.

• Create links with other databases for access to our owners in such a way that they have very powerful tools at their fingertips; tools not currently available to our customers unless some very expensive purchases are made through a series of vendors. We want to be the one stop shopping for you in this arena.

Y2K is a concern for all involved with the use and manipulation of data. There does not seem to be confidence that NCCI will have its data shop in order in time.

Schrempf: Although we cleared a major hurdle on June 29 of this year by certifying our readiness for the millennium, we continue to conduct end-to-end testing and create test scenarios. We have developed a plan for shutdown and startup on December 29th of this year. We have a number of back-up plans in place for contingencies such as power loss.

Our greatest concern at this point is incoming data from a submitter who may not be Y2K ready. Although this should not seriously affect ratemaking. It could delay experience modification calculations. We will be ready to work closely with any companies having Y2K problems with their data and will provide contingency mods until any problems with submitted data can be resolved.

Schrempf: We have no intention to try to displace state funds which are serving as a market of last resort anywhere in the country. We manage residual market mechanisms in many states that have chosen to use pools as their solution and are happy to do so. We would provide a proposal for services if a state asked us to do so. Rather than trying to change the status quo in terms of the way the system is managed, we believe that our focus and the industry’s focus should instead be on:

• Driving down the total cost of the system
• Minimizing the potential industry losses that can be created by risks flowing into a market of last resort
• Find ways to depopulate markets of last resort and to assure that the system is structured so that almost all risks can be served by the competitive market.