



NEWS

THE NEWSLETTER OF THE AMERICAN ASSOCIATION OF STATE COMPENSATION INSURANCE FUNDS

WINTER 2000

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The AASCIF News is published quarterly by the American Association of State Compensation Insurance Funds for its members and for others interested in state workers' compensation systems. This issue was edited by Michael Bourque of Maine Employers' Mutual Insurance Company.

Send articles and inquiries to:

Michael Bourque, APR
Maine Employers' Mutual
P.O. Box 11409
Portland, ME 04104
207-791-3314 • fax 207-791-3336
mbourque@memic.com

How Do You Measure Up?

Your Public Relations Efforts Are Measurable and Worth Analyzing

BY KATHLEEN SULLIVAN
PINNACOL ASSURANCE, COLORADO

What have you done for me lately? Is this a common question in your workplace? While every professional is constantly trying to one-up their last big feat by showing the outcome of their project, public relations professionals sometimes have a hard time finding a convincing answer to bottom-line questions from their CEO or other executives.

We can detail day-to-day activities, or we can describe our programs and our campaigns but we become uncomfortable when we're asked to point to something that resulted from those efforts.

Traditionally, public relations professionals have measured their success by the number of column inches a press release generated. The length of the article was compared with the cost of a similar-sized ad in the same publication. Today, public relations professionals are more concerned with the message, the impact on the target market and how that impact

helps the company meet its objectives. How can we prevent ourselves from

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COMMUNICATIONS COMMITTEE

Arizona Promises Sun, Substance

Don't Forget! The "Future is Now!" is in June at Phoenix Pointe Hilton

The Arizona State Compensation Fund hosts the AASCIF Annual Conference from June 18-22 at the Phoenix Pointe Hilton at Tapatio Cliffs. Reminiscent of a Spanish Mediterranean mountainside village, the Tapatio Cliffs

offers an unforgettable southwestern resort experience with shimmering pools, championship golf, riding stables, and spectacular gourmet dining establishments.

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PRESIDENT'S MESSAGE

BY JOHN T. LEONARD
PRESIDENT AND CEO, MAINE EMPLOYERS' MUTUAL INS. CO.



The CEO meeting held on January 13, 2000 appears to have met or exceeded the expectations of all attendees. Much of the credit goes to Bruce Hockman of Towers Perrin Reinsurance who led an informative and interactive discussion on the current condition of our industry. Further, Bruce was an excellent facilitator for the balance of the meeting which, of course, was easy knowing what a shy and retiring group our CEOs can be!

The CEOs agreed with Dennis Smith's observations regarding the dynamics that e-commerce will bring to our business almost immediately. Distribution patterns, support services and productivity are simply a few of the issues which will be impacted by those companies who migrate toward this emerging environment.

A special committee was created to explore the opportunities provided through the use of technology tools now available to our industry. Dennis has agreed to chair this committee and we will have a report from his group at the annual meeting in June. The potential benefits derived from this committee's work could be immense and I am certainly looking forward to its presentation in Phoenix.

On January 14th, the specialty groups convened to map out their strategies and programs for 2000. We are particularly fortunate to have very strong players on all of the committee teams with blue ribbon caliber people serving as chairs. The presentations made by each group during the afternoon of the 14th gave us an opportunity to preview the dynamic plans most groups have for this year's program.

Congratulations to all committee members for their fine work accomplished in such a short period of time available on that day. As your future reports are developed, and your workshops completed, you can take pride in the fact that you have been a leader in the vitality of this organization.

I look forward to seeing many of you at the annual meeting. The success of AASCIF is directly proportional to the involvement of its members and the support we receive from our associate members as well. Their support makes many of our programs possible. Thanks to all of you for your support of our organization and here is my wish for your continued success as we begin a new year.



AASCIF OFFICERS

President

John T. Leonard
President & CEO
Maine Employers'
Mutual Ins. Co.
(207) 791-3300

First Vice President

Paul M. Rose
President & CEO
Maryland Injured
Workers' Insurance Fund
(410) 494-2200

Vice President

Kenneth C. Bollier
President & CEO
California State Comp.
Insurance Fund
(415) 565-1460

Vice President

Patricia R. Johnson
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Minnesota State Fund
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(612) 944-3260

Vice President

Lane A. Summerhays
President & CEO
Workers' Compensation
Fund of Utah
(801) 288-8000

Secretary/Treasurer

Paula M. Saabye
Manager, Corp. Affairs
Maine Employers'
Mutual Ins. Co.
(207) 791-3300

Past President

Gary J. Pon
President & CEO
Colorado Compensation
Insurance Authority
(303) 782-4080

Arizona Promises Sun, Substance

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The daytime agendas promise to reveal unique new perspectives on the future through much-sought speakers such as business futurist Bob Treadway, medical economist J. D. Kleinke, and self improvement guru Bob Moawad.

2000
ANNUAL CONFERENCE

During delegate sessions, young people can stretch their imaginations to an exciting virtual world by exploring The Arizona Science Center's Planetarium, which puts astronomy in a whole new light.

Evening plans offer a wide range of southwest experiences from a night enjoying a Major League Arizona Diamondbacks' game at the newest jewel in baseball's crown, our own Bank One Ballpark, to a western Corona Ranch rodeo and gourmet dinner under the stars at the base of the beautiful South Mountain.

For an experience of the future now, make your plans to come early and stay late! The Pointe Hilton Tapatio Cliffs' reservations can be made online at www.hilton.com or call Hilton's Resort Desk at 1-800-221-2424 or the Pointe Hilton Resort at Tapatio Cliffs at 1-800-221-2424. Call AASCIF voice mail line at 602-631-2772 with questions or look to the Arizona State Compensation Funds' web site for more contact: www.statefund.com.



AASCIF 2000 Annual Conference
June 18-22, 2000
Phoenix, Arizona

From Paper Pusher to TechnoRep

It's a Brave New World as the Evolution in the Comp Claims Process Continues

By Sharon Howard, Team Leader
Arizona State Fund

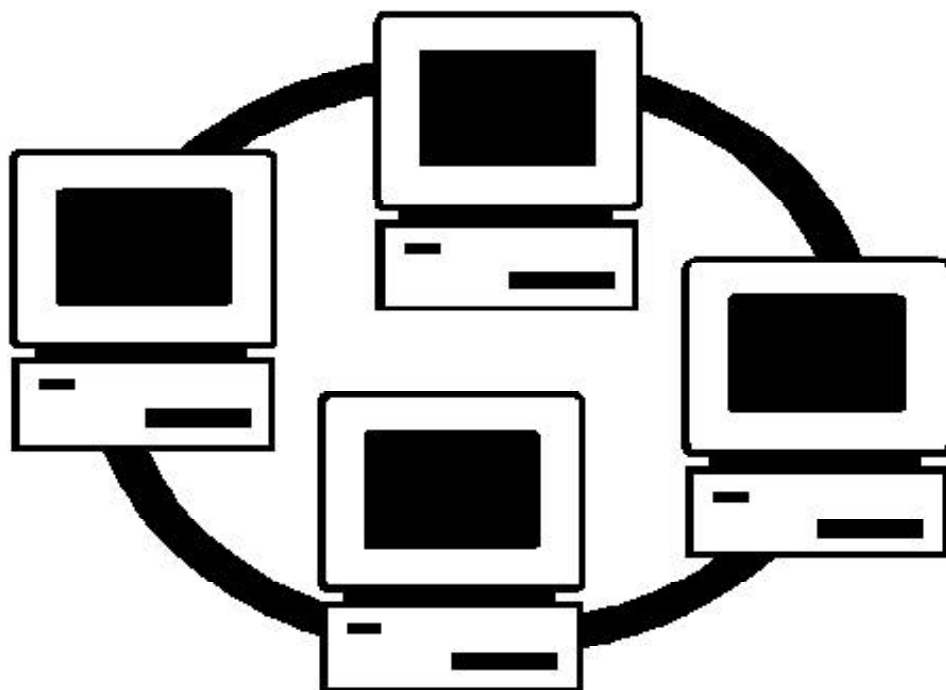
As we near the 21st century and look back at the dramatic changes that have occurred in the last quarter of the century, it is exciting to think what may be in store for us in the area of claims.

The year of 1969 was not just the year of Woodstock, but also the birth of the Arizona State Fund. Then, the Claims Department consisted of only a few representatives. Incoming calls were received by a switchboard operator and transferred to a claims representative's phone that had a couple of flashing buttons. Math calculations were performed using 10-key adding machines. Checks, letters, and notices were typed on manual typewriters. Paper flowed continuously, and the weight of a claim file could easily exceed 5 lbs.

Technology in claims handling made its first appearance in the '70s with the use of the CRT, a.k.a. the "dumb terminal." In the beginning, the CRT was used primarily for storing data and viewing information; programming was minimal. Claims reps still heavily relied on typewriters and 10-key adding machines to perform their job duties. It was not unusual to find a claims rep sitting at a desk covered with stacks of paper and surrounded by 12-inch high claim files.

As we moved into the '80s, the pace of claims' technology quickened. CRT's were now programmable and able to perform more functions. Claims representatives could now enter information into the CRT, which would calculate time loss benefits due and generate

zona State Fund made the transition from the CRT to the PC and forged a new path into the world of information technology. A sophisticated program—document imaging—soon replaced the good ol'paper file. Imaging converted a mountain of paperwork



checks, letters and Notice of Claim status documents.

In the '90s, technology changes were moving at the speed of light. No one could have imagined how these changes could—and would—impact the way claims were handled. In 1994, the Ari-

zona State Fund made the transition from the CRT to the PC and forged a new path into the world of information technology. Thousands of pieces of information could now be stored indefinitely on one 12-inch optical disk – something close to the size of a small pizza!

Upon the advent of imaging, many

new opportunities became available to the Arizona State Fund. Claims handling, which primarily resided in the Home Office, gradually was decentralized and moved to the rural district offices, allowing localized customer service. Gone were the days of concern over the cost and risk of transporting paper claim files. Thanks to imaging, business now could be conducted more efficiently and expediently, and would dramatically improve customer service.

More state-of-the-art technology that would enhance claims handling and improve customer service arrived in the form of Micro Insurance Reserve Analysis or MIRA, an automated reserving system for workers' compensation claims. MIRA not only performs the reserving function in a dramatically more time-efficient manner, but also serves as an early-warning system by identifying high-cost claims that require more intensive claim management. By generating a more accurate reserve earlier in the life of a claim, MIRA provides policyholders with important data on the potential severity of the claim closer to the occurrence of the injury.

In 1997, the Arizona State Fund implemented a central claims Call Center equipped with state-of-the-art telecommunications equipment. The Call Center team is staffed with experienced claims' representatives capable of responding to 90 percent of all incoming claim calls received. This was another benefit from claims imaging, since now more than one person could

have access to viewing a claim file. Claims representatives, not assigned to the Call Center, now had less interruptions, more time for claim handling, and more control in planning their workday.

The technology used by the Call Center continues to enhance customer service and increase productivity. Callers are greeted with a voice menu available in both English and Spanish, and are offered a menu of options to direct their call. Callers are given the estimated wait time, and offered the opportunity to leave a voice mail message if unable to hold. A digital reading on each Call Center rep's computer terminal provides detailed information, including the number of calls holding and how long the oldest call has been waiting. Overall team activity can be monitored via a computer link to the telecommunication equipment allowing viewing of live data regarding the number of calls waiting, number of call agents available, average speed of answer, and the expected wait time.

(Through) imaging . . . gone were the days of concern over the cost and risk of transporting paper claim files.

In the final year of the century, 1999, the excitement and pace of technology has not ceased. The Arizona State Fund has continued its implementation of new processes, maximizing its efficiency and customer service by utilizing technology in claims management. In June

of this year, auto adjudication of medical-only claims was implemented. The learning curve is ongoing, and though we are continuing to tweak this new process, in the 4 months of

production, we are successfully processing over 50 percent of all medical-only claims through auto adjudication.

Serving customers more efficiently into the next millennium will take the commitment of our employees and the seemingly limitless possibilities of technology. Ultimately, our customers are the winners, receiving faster, better and more complete service day in and day out. The Arizona State Fund will continue to explore opportunities to couple claim management and technology, such as predictive software and indemnity credit/debit cards . . . Who knows, maybe R2D2 will be the claim representative of the future.

AROUND AASCIF



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

Arizona

Smith Appointed for Retiring LeCompte: Donald A. Smith, Jr., a 24-year veteran of the insurance industry and the head of Pennsylvania's workers' compensation programs, will join the Arizona State Fund in June, 2000 as its new CEO and President. Smith, Deputy Secretary for Compensation and Insurance in the Pennsylvania

Department of Labor and Industry since 1995, oversees three bureaus, including workers' compensation and the State Workers' Insurance Fund (SWIF). Smith comes to the Fund with 20 years of experience in private industry at New York-based insurer Continental Corp., where he began his career in 1975. From 1990 until joining the Commonwealth of Pennsylvania, he was vice-president and director for the company's Mid-Atlantic region.

"The recruitment, interviewing and selection processes for a replacement have been long and challenging, but well worth the wait," said Bruce Thoeny, State Fund Board Chairman. Mr. Smith brings to our organization the benefit of many years' experience and leadership in the insurance field. Smith, a resident of York, Pa., is cur-

rently attending Widener University School of Law and will graduate in May 2000. Smith will assume the presidency on June 1, 2000, and it is anticipated current president, Jerry N. LeCompte, will remain with the Fund until his retirement at the end of June 2000.

Smith is a 1974 graduate of the University of Notre Dame and also carries the designation of Chartered Property and Casualty Underwriter (CPCU). He is married with four children.

LeCompte began his career with the Industrial Commission of Arizona (ICA) in 1968 (the State Compensation Fund was born out of the ICA in 1969), working as a senior programmer in data systems. Since that time, LeCompte has worked at nearly every

level of the organization, has served on national workers' compensation committees, and has earned both his MBA degree and CPCU designation.

California

In December, an investigation aided by California State Compensation Insurance Fund has led to a 30-day county jail term and three years probation for a former City resident who was convicted of felony workers' compensation fraud.

Sherry L. Snyder, 46, pleaded guilty to one count of insurance fraud in Sutter County Superior Court and was ordered to pay State Fund for investigative costs as part of her sentence. The sentence culminates a lengthy investigation by the Sutter County District Attorney's office, State Fund and the California Department of Insurance.

In April 1996, Snyder, a nurses' assistant, filed a workers' compensation claim in which she stated she strained her back while caring for a patient at Yuba City's Terrace Care Center, which State Fund insures. State Fund's Redding District Office processed her claim and provided workers compensation benefits. But before the conclusion of her case, State Fund discovered that Snyder had suffered back injuries prior to her claim. That information contradicted sworn testimony Snyder had given in deposition and in a hearing at the Workers Compensation Appeals Board.

Colorado

Pinnacol, Express Sign PBM Agreement: Pinnacol Assurance, Colorado's largest writer of workers' compensation insurance, and Express Scripts, Inc., the nation's largest independent pharmacy benefit manager, have announced an agreement for Express Scripts to provide pharmacy benefit management services with a customized focus on workers' compensation. The program is designed to provide specialized pharmacy benefits to Pinnacol Assurance's policyholders throughout Colorado. As part of the agreement, Express Scripts will provide Pinnacol Assurance a custom workers' compensation formulary, a dedicated client service team specializing in workers' compensation claims, and streamlined procedures for injured workers such as enhanced drug evaluation services and pharmacy benefit reports.

Small Business Credits: An estimated \$4 million in credits will be returned to 33,000 Pinnacol Assurance small business policyholders in Colorado in 2000. A growing economy and friendly business environment has produced an entrepreneurial spirit in Colorado. In recognition of small businesses and their role in Colorado's economy, Pinnacol Assurance is providing a discount to its small business policyholders. Policyholders with a premium of less than \$10,000, who have been customers of Pinnacol Assurance more than two years, will receive a five percent credit of premium. After six years of continuous coverage with Pinnacol Assurance, policyholders will receive a seven percent credit.

Certificates of Insurance Online:

Pinnacol Assurance now offers its customers the ability to order certificates of insurance online. Pinnacol Assurance policyholders and brokers can order certificates of insurance through the ServiceLink button on the Pinnacol website at www.pinnacol.com. To order the certificate, the request must include policy number, policy effective date, federal identification number and an e-mail address.

*Susan Griffiths/
Susan.Griffiths@pinnacol.com*

Kentucky

Agent Education: KEMI spent a significant amount of time in the last month of the 20th century traveling throughout Kentucky talking to agents about their role in the world of comp, and bringing them up to date on the latest policyholder service, legislative and regulatory issues. In return, the attendees received credit for continuing education from the state department of insurance. CE is now mandatory for all licensed agents, including those who had previously been "grandfathered."

Website Revision: www.kemi.com has undergone a major revision with a new look and lots of new features. Among them is a turn-key safety training program that can be downloaded in its entirety, or in 17 individual chapters relating to special safety topics. All a training coordinator has to do is click on kemi.com, download a chapter, and then make as many copies as he has class members. A quiz is included with each chapter.

~John Myers/jmyers@kemi.com

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Around AASCIF

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Louisiana

Amendments Pass: Behind the support of the company and more than 60 percent of voters, two amendments to the Louisiana's state constitution which directly affected Louisiana Workers Compensation Company passed on the November ballot.

The passage of Amendment Four strengthens LWCC's structural stability, ensuring its long-term future serving employers and employees of Louisiana. It also protects LWCC from being singled out by adverse laws which could affect its future viability. This amendment enables LWCC to continue serving the residual market while also competing on a level playing field with other private carriers for favorable risks.

Amendment Five provides additional security for our policyholders and their employees once the "full faith and credit" guarantee expires. If any insurance company becomes insolvent, the Louisiana Insurance Guaranty Association (LIGA) ensures that all the other insurance companies doing business in the state pick up the tab, not the Louisiana taxpayers. By allowing LWCC to join LIGA when the "full faith and credit" guarantee of the state expires, the amendment ensures the company pays its fair share while also protecting policyholders.

The amendments will become law once

LWCC meets the statutory requirements established to extinguish the "full faith and credit" of the state. Those requirements include obtaining a rating of A- or better from A.M. Best and receiving permission from the U.S. Department of Labor to write Longshore coverage without the "full faith and credit" guarantee.

Maine

MEMIC Indemnity Approved: The New Hampshire Commissioner of Insurance has signed articles of incorporation to formally establish MEMIC Indemnity Company, a wholly owned subsidiary of Maine Employers' Mutual Insurance Company. MEMIC Indemnity Company will serve as a New Hampshire domestic company writing workers' compensation.

The Maine Bureau of Insurance has approved the capitalization of MEMIC Indemnity Co. with surplus from Maine Employers' Mutual. These approvals enable the company to formalize a competitive insurance company, a *de novo* (new company), which should begin operation sometime during the second quarter of 2000.

"We are energized by these approvals as we have had our application pending for more than a year," said MEMIC President and CEO John Leonard. "We encountered stiff resistance from traditional trade associations as well as Liberty Mutual. Despite these determined efforts to the

contrary, the Bureaus of Insurance in New Hampshire and in Maine have approved our plan so that MEMIC Indemnity Co. can write workers' compensation on a competitive basis, and without the restrictions placed on companies such as Maine Employers' Mutual which serves Maine employers only."

Maryland

Customer Service: According to a recent independent survey, policyholders gave IWIF an 88 percent satisfaction rating for customer service. This is a dramatic increase of nine points over the past two years. A 90 percentile rating is considered "world-class" among customer service experts.

Legislative Proposals: Current legislative and regulatory proposals being debated could afford IWIF greater competitiveness in the workers' compensation arena and more autonomy. Maryland's Insurance Commissioner, Steven B. Larsen, said that if the recommendations from the governor's appointed task force are implemented, then IWIF would be a statutorily-created private insurance company.

Missouri

E-Business with MEM: Missouri Employers Mutual Insurance went live with its new e-business Web site, iNet, in October. The password-protected site allows producers to request certificates of insurance and loss runs, get

quick quotes and view producer news. Policyholders can report claims, request certificates of insurance and loss runs and view policyholder news.

Future iNet releases will include the ability for producers to view their claims detail and their agency's book of business, as well as submit an application. Policyholders will also soon be able to view their claims detail, find a provider and contact their Managed Care Organization from the site.

MEM has also been busy developing its new managed care program, Dimensions, MEM's Comprehensive Health SolutionsSM. Dimensions offers employers a three-dimensional approach to managing workers compensation injuries that includes developing both a loss prevention and injury treatment plan, directing appropriate medical care for employees and delivering that employee back to work safely and successfully. MEM has contracted with seven organizations that are committed to fulfilling Dimensions' managed care component.

Nevada

EICON Privatized: In December, Gov. Kenny Guinn signed a proclamation that officially made Employers Insurance Company of Nevada (EICON) a private mutual insurance company. Formerly, the State Industrial Insurance Corporation of Nevada, EICON, completed a transformation that included the introduction of a competitive market to the state.

"This proclamation is the culmination of one of my top priorities of the legislative session, which was privatizing the

state's workers' compensation system in an effort to provide the highest quality care in the most cost effective manner," Guinn said. "With this action, we've relieved the state of Nevada of a \$1.6 billion liability and created a financially sound corporation."

New York

Fraud Sweep: Five people, including an insurance broker, were arrested in an upstate New York workers' compensation fraud sweep during November as a result of investigations initiated by the New York State Insurance Fund. The broker faces one felony charge of second degree forgery. According to investigators, the broker allegedly issued fraudulent certificates of insurance indicating NYSIF insured two construction companies after both policies were canceled for non-payment of premium.

"When brokers and businesses commit insurance fraud, they are putting the health and welfare of workers at risk," NYSIF Executive Director Henry Neal Conolly said. "Enforcement efforts like these make certain that workers are protected and that all companies are paying a fair price for their insurance policies."

The anticipated future savings to NYSIF policyholders as result of these arrests is approximately \$176,105. To date, NYSIF investigations in 1999 have resulted in 58 arrests and more than \$5.5 million in restitution, potential future savings and additional premium. Two claimants and two business owners were also arrested as a result of the investigation.

Oklahoma

Class Study Lowers Rates: The State Insurance Fund of Oklahoma recently completed an overall class code study of its rate structure. The study resulted in an overall average decline in rates of approximately four percent with certain class codes decreasing as much as 30 percent.

New Field Audit Tools: The State Insurance Fund's information systems (IS) department introduced a new computerized reporting system to SIF field auditors. Auditors now enter data into laptop computers as they receive the information from policyholders. That data is then electronically transmitted to the Oklahoma City office. The new system replaces pencil and paper and ensures more streamlined field-to-office communications. SIF received a commendation from the governor of Oklahoma for its innovative work in improving the accuracy and efficiency of the premium audit process.

Texas

"Case Staffing" Piloted: In an attempt to improve communication, the Texas Workers' Compensation Insurance Fund is piloting a "case-staffing" model on some claims. The model calls for all Fund parties involved in a particular claim to meet face-to-face to discuss facts, exchange information, define objectives and to develop a single plan of action. The Fund hopes that this model will help to get all those involved the most recent and important information about a particular claim, there-

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Measuring Public Relations Efforts

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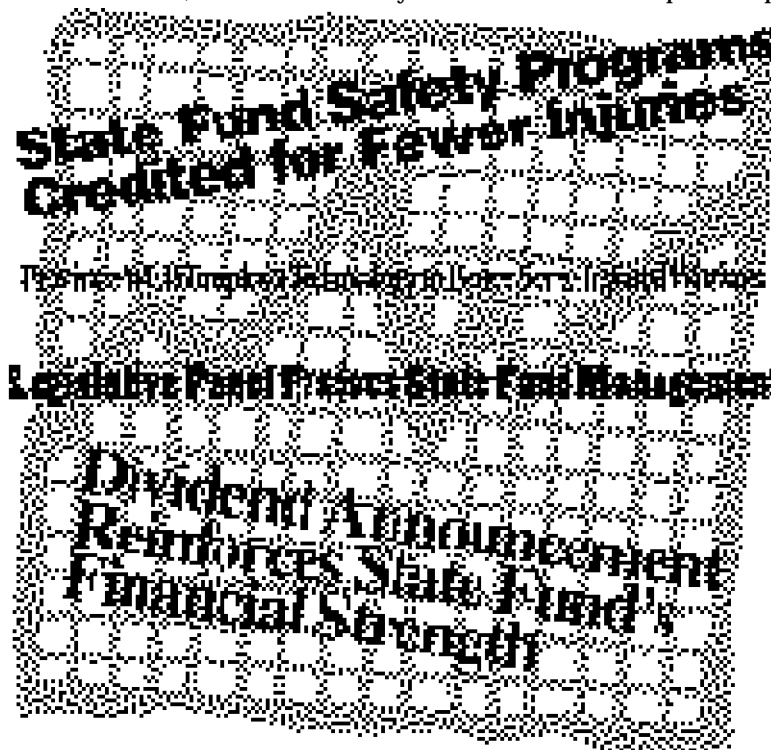
shifting from foot to foot and instead make our CEOs gleam with pride? We can begin by demonstrating to them that we are contributing to the organization in concrete, measurable ways.

First of all begin by making sure that your goals and objectives are integrated into the corporate business plan and that they are measurable. If it's measurable you can manage it better.

When setting your goals consider the following action steps:

- 1) **Establish Objectives.** For example: Increasing an established product's awareness by 15 percent.
- 2) **Decide on a benchmark.** Remember that evaluation is a comparative process. Effective comparisons can be made with yourself (compare similar campaigns you've done in the past) or a competitor's product awareness.
- 3) **Select a measurement tool.** When selecting one don't just focus on the volume of work done (the number of press clippings in a month) but on the quality (did your message get across to the intended audience).

- 4) **Compare your results** to your objective and the benchmark used for comparison.
- 5) **Communicate your results.**



There are no cookie cutter approaches to evaluating public relations efforts, however one thing is certain - it is much easier to set your objectives at the outset of a program than to wait until you've started implementing tactics to decide what direction you should go.

Each company is different in how it measures communications efforts and in what needs to be measured. How-

ever, one way a company can measure results is by outputs and outcomes.

Outputs are defined as the visible part of your efforts - or how well they were picked up by the media. For example: when pitching a press release decide upon at least three messages that you would like to get picked up. Attach a point value to each message depending on its importance. If the press release is published you can judge its effectiveness by the messages that were picked up. Was the most important message picked up most often or was it your least important message? What can you do in the future to change your pitching strategy to get that turned around? Remember that a message must be repeated a minimum of 3-7 times before you get your point

across.

You can also measure your output in its simplest form which can be evidenced by counting the number of releases produced, photos distributed, media pitches made, questions received etc. While this is not very meaningful it may just get you in the habit of tracking and measuring effort.

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Around AASCIF

Outcomes are a little more costly to measure. They involve measuring the impact your campaign had on potential and current policyholders. How do you measure outcomes? It can be done through surveys, focus groups, interviews and before and after polls. Through these measurements you can determine public relations impact on sales or on perceptions. Outcomes can be measured through internal readership surveys or through quality external surveys of policyholders and brokers. However, even when doing this, sometimes the cause and effect relationship between a public relations campaign and the behavior of a target group may still be difficult to prove.

These are all things to think about when deciding how you are going to measure your public relations efforts. But in the end it's up to you to decide if it's worth it for your department to expend the effort needed to help achieve corporate objectives. With a little planning, defined measurement and good evaluation public relations professionals should feel less frustration and more confidence in their decisions and efforts. Remember, if you don't define success how will you know when it's been reached?

Kathleen Sullivan is Director of Communications for Pinnacle Assurance of Colorado. She is also 2000 Chair of the of AASCIF Communications Committee.

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fore will create better outcomes for the employee and the employer.

Random Drug-Testing Policy: This fall the Texas Fund added a random drug testing component to its established drug-free workplace policy. This component is in place for all employees who regularly travel on Fund business. Fund President Russ Oliver called the new policy "a necessary step to ensure the safety of our field personnel and the public, and is part of our commitment to be the model provider."

Utah

Best Practices Recognized: Workers Compensation Fund (WCF) was recognized for Exceeding Customer Expectations at the 1999 Arthur Andersen Utah Best Practices Awards. A variety of WCF programs led to the award, including increased efficiency in claims adjustment, efforts to combat fraud, workplace safety programs, online services and scholarship programs. Only one other company was recognized in this category. WCF also launched a new television, radio and print ad campaign to highlight the award.

Public Entity Pool: On Jan 1, 2000, WCF entered into a partnership with Utah Local Governments Trust, a public entity insurance pool. Under the arrangement, WCF will provide workers' compensation insurance for the pool's 261 public entity clients, in-

cluding cities, counties and special districts. Annual premium is over \$2.5 million, and taken as a group, becomes WCF's third largest policyholder. WCF is preparing a bid to take over handling of the Trust's pending claim inventory.

TPA Acquired: WCF acquired a Portland, Ore.-based third party administrator, Self Insured Management Service (SIMS). The company will continue to operate under the SIMS name and becomes part of WCF's TPA group, which includes Pinnacle Risk Management Services. SIMS operates in the Northwestern states and California.

Claims Filed Online: Over one-third of all claims filed with WCF were filed online in 1999, up 60 percent from 1998. Claims filed online take an average of four hours to be processed. WCF has also enhanced its online claims. Policyholders now receive instant return e-mail confirmations and sections of the claim form are automatically populated with specific policyholder data once a policy number has been entered.

Listen to the Customer: To turn up the volume of customers' voices, WCF has established a Customer Advisory Council. The Council's main purpose is to identify and prioritize customer needs and set service excellence goals for WCF to work toward. Thirty Council members represent all premium sizes, industries and geographical locations in Utah.

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Benchmarking Matters

A Report from the First-Ever Specialty Conference of the AASCIF Audit and Statistics Committee

By **TINE B. SMITH**
ARIZONA STATE COMPENSATION FUND

The AASCIF Audit and Statistics committee's first specialty seminar was held Nov. 2 and Nov. 3, 1999, in Costa Mesa, California. Members from 11 state funds across the U.S. joined together to identify ways to improve their company's financial results. The theme of the seminar was "Benchmarking –

AUDIT & STATISTICS COMMITTEE

Not Just a Trend," and covered topics ranging from data repositories to AASCIF Fact Book statistics.

The seminar began with a presentation from Richard Birkenfeld, Sr., of the accounting firm of Deloitte and Touche. He spoke to the group about the benefits of benchmarking and said that, although we as AASCIF members think we want to share data for comparisons, we don't really want to share all the data with everyone. This

mindset causes a problem with benchmarking, he said, because "if you are short of the data, you are short of the benchmark."

Birkenfeld suggested creating a data repository for all AASCIF member companies in order to compare product development, pricing reviews, loss/expense analysis and financial reporting. He said to use AASCIF "Best Practices" benchmarking within the workers' compensation industry, it is necessary to validate benchmarks against the individual fund's own data before comparing it with a peer's data. Each fund's benchmarking data has to be normalized before making comparisons.

Deborah Lawrence of NCCI added to Birkenfeld's presentation by discussing two new NCCI benchmarking products available to assist member companies with industry comparisons. *ProviderCompare* is a physician profiling system that measures claim cost by tracking financial outcomes of a particular medical provider.



Through *ProviderCompare*, insurance companies can identify which provider groups are generating the best outcomes according to a specific diagnosis. Also available is *CompCompare*, a benchmarking database that generates benchmarking information comparing workers' compensation claim costs against an extensive industry database. The statistical data for this database is collected from 35 insurance companies and Third Party Administrators (TPAs) throughout the United States. With *CompCompare* software, you can view claim losses sorted by a variety of data

elements, then weigh them against an industry pool of comparable data. Insurance companies can manipulate data even further by downloading *CompCompare* into their own files.

“What’s Hiding in Your Data” was the topic of discussion by Anu Pathria of HNC Software. He spoke of using statistical data to help identify employer and claimant fraud. HNC sells a product that uses data mining to detect these frauds. Data mining is a set of analytical techniques for identifying and exploiting patterns in large databases. HNC also uses productive modeling for attrition forecasting within funds considering downsizing during reorganization.

Tom Phelan, vice president of finance for the Injured Workers’ Insurance Fund of Maryland, and Richard Burt, senior manager at Deloitte and Touche, gave a presentation titled “Improving Operating Results.” The process of Dynamic Financial Analysis (DFA) was discussed. DFA converts the historical planning thought process from a point estimate to a range of possible outcomes and confidence levels. It is also a computer model simulation used to evaluate a company’s financial position. Repre-

sentatives from both the Maryland and Montana funds said they are currently using this model to assist with forecasting and to help them make better decisions in regard to their company’s finances.

The group held open discussions of “Benchmarking-Best Practices,” which led to numerous questions about the

Dynamic Financial Analysis, or DFA, converts the historical planning thought process from a point estimate to a range of possible outcomes and confidence levels.

“Fundamental Change” process offered by McDonald Consulting. Colorado has completed the process, while the Arizona fund is in the process of implementing the process and Montana fund has just begun to consider it.

Greg Casadei, vice president of Planning and Project Management for the Arizona fund summarized the process, including employee classification levels and the gainsharing process. The open discussion continued with the

subject of the annual AASCIF Fact Book and suggestions for improvements. Sharing information among funds appears to be the key to making benchmarking work for our industry.

The AASCIF Audit and Statistics committee wants to expand on the statistics collected for the Fact Book. One suggestion for improved Fact Book information is to move from Calendar Year to Accident Year data to get a more exact loss ratio. Acknowledging that rate decreases vary among states is a factor to consider in premium benchmarking. Every state represented at the seminar is experiencing rate decreases. Another suggestion was to have a glossary to describe how workload statistics within the Fact Book are arrived at.

As you can see, a multitude of ideas was provided as the minds from 11 state funds joined together for this two-day seminar. AASCIF benchmarking among member funds has to begin somewhere. Any standard is better than no standard. Benchmarking by all funds within AASCIF can be a powerful business tool. For those not able to attend 1999’s seminar, please keep us in mind for our 2000 seminar. The AASCIF Audit and Statistics Committee seminar is now on the map – make it your destination for year 2000!

Tine B. Smith works for the Arizona State Compensation Fund and was a 1999 member of the AASCIF Audit and Statistics Committee.

West Virginia

Imaging System Implemented: In January, the Workers Compensation Division flipped the switch on its new electronic document management system (EDMS). The successful implementation of the system is a major milestone in the Division's efforts of becoming paperless agency.

Under the new system, documents are scanned, indexed, and stored electronically. Instead of working with paper documents and microfiche, staff will work from electronic images. The new system replaces a microfiche records storage system that has been in place since 1978. Documents currently on microfiche will eventually be converted to electronic storage during the next eight months.

In conjunction with the implementation of the EDMS, the Division has a dedicated number for documents sent to the Division via facsimile. Using this designated number will allow faxed documents to be received directly into the system, eliminating the need for them to be scanned. This will reduce the amount of paper documents received by the Division and will make information available sooner to staff involved in processing claim and employment files.

~Cindy Grinstead 304-558-4998

Alberta

Campaign Launched: In January, the WCB announced it will launch a three

month television and newspaper advertising campaign. The \$650,000 ad campaign started January 17, 2000. The campaign will be the first of its kind in the WCB's 82-year history. Featuring two 30-second television spots, a 10-second closed captioned spot and two black and white newspaper ads, the campaign will run province-wide through March. The television and print ads are complementary, focusing on two major themes – prevention and rehabilitation. By helping Albertans understand who the WCB is and what we do, we hope to make them more aware of the role they can play in injury prevention and worksite safety.

Research Grants: In December, the WCB announced that 11 research projects focused on improving workplace health and safety will receive \$549,428 in WCB research grants. The WCB's Research Grant Program – Solutions for Safer Alberta Workplaces – identifies specific high-risk industries where research dollars are focused for the coming year. Factors such as the severity and frequency of injuries, the type of accident and body part affected and the overall cost of the claim all play a role in determining which research projects are most closely linked to the WCB's mission and vision, thus making them eligible for WCB funding.

Rate Increase: In November, the WCB announced the average premium rate will increase for the first time in five years. Due to an increase in claims costs, the majority of Alberta employers will see an increase in their WCB

premium rate for the year 2000 as the average premium rate increases from \$1.05 to \$1.10. Alberta employers still continue to enjoy one of the lowest WCB premiums in North America. To ensure a fully funded system, the average premium rate for the year 2000 was projected to be \$1.67. As in previous years, a successful investment strategy will provide just over \$120 million in revenues that will reduce the average rate by 47 cents. Using the flexibility provided by the WCB's funding policy, the increase in the average premium rate will be kept to a minimum. For the first time, the WCB will use \$35 million from the Rate and Benefit Stabilization reserve to cap the increase in the average premium rate at 4.8%. The Rate and Benefit Stabilization Reserve is a contingency for extraordinary events which would otherwise unfairly burden employers, jeopardize worker benefits or potentially cause the Accident fund to become unfunded. By using the Reserve, the average premium rate will be decreased an additional 10 cents to \$1.10.

Motor Vehicle Accidents Targeted: In October, the WCB announced a partnership to reduce work-related motor vehicle accidents. The thousands of on-the-job motor vehicle injuries that occur each year in Alberta, have devastating human, emotional and financial impact. With the aim of reducing this devastation, the Workers Compensation Board (WCB), Transport Canada, Alberta Infrastructure and the Alberta Trucking Industry Safety Association (ATISA) have undertaken a partnership to examine driver fatigue in the transportation industry.

2000 AASCIF Standing Committees

AASCIF's standing committees are nominated by member CEOs and appointed by the AASCIF President. Committees are charged with providing leadership in their various areas of expertise. Committees contribute to the newsletter, develop and host specialty conferences and help to spur ongoing exchanges of information and education between members.

Audit & Statistics

Paige Beck- MD
Diane Darling- CA (Adv.)
Tammy Dolan- ND
Scott McConnell- KY
Bob McMann- ME
Ron Sease- OK (Chair)
Allan Simpson- NY
Monitor- Ken Bollier, CA

Claims/Rehab

Dr. Brian Boon- Alb. (Chair)
Sally Edge- WV (Advisor)
Sharon Howard- AZ
John Marr- ME
Bob Short- UT
Liz Sims- WY
Robyn Zwolinski- RI
Monitor- Paul Rose, MD

Communications

Mike Bourque- ME
George Layfield- MD
John Mesagno- NY
Steven Paul- KY
Rich Schultz- CA (Adv.)
Kathleen Sullivan- CO (Chair)
Christine Tanner, NWT
Monitor- Ken Bollier, CA

Finance & Investments

Ralph Chase- PA
Leslie Dawe- CA
John Doyle- NWT
Randy Johnson- TX (Chair)
Robert Merritt- MD
Ray Pickup- UT (Adv.)
Jeff Tetric- CO
Monitor- Lane Summerhays, UT

Human Resources

Andreas Acker- CA
Tami Barron- TX
Nina Brollier- UT
Lynn Burgard- ND (Chair)
Bob Curtis- WY
Albert DiMeglio- NY
Monitor- Pat Johnson, MN

Information Technology

P.C. Consul- Saskat.
David Foshee- SC
Steve Nelson- NY
Chuck Petty- MO (Chair)
Paul Redman- RI (Adv.)
John Snider- N.S.
John Strang- UT
Ted Van Scyoc- CA
Monitor- Pat Johnson, MN

Law

Jim Crane- AZ
Linda Dunn- WA
Robert Lund- MN
Tom Martello- MT
Chris Mixon- NM
James O'Connor- NY (Chair)
Kathy Stumm- CO (Adv.)
Monitor- Gary Pon, CO

National Issues

M.G. Elwell- OK
Terry Frakes- TX
Bob Gibson- MO (Chair)
Dennis Lloyd- UT (Adv.)
Geri Madden- CA
Kristin Wall- LA
Donna Wilson- MD
Monitor- Lane Summerhays, UT

Policyholder Services

Larry Clevinger- KY
Gere Flick- WV
Deepak Kothary- B.C.
Stuart MacLean- N.S. (Chair)
Tony Payne- ME (Adv.)
Paul Kramer- ND
Carla Robison- OK
Monitor- John Leonard, ME

Safety & Health

Tom Calkin- N.B.
David Casto- WV
Dan Cote- ME (Adv.)
Armin Holdorf- NY
Stacey Kurash- MN (Chair)
Cathy Mueller- MO
Wayne Walm- WY
Monitor- Paul Rose, MD

AASCIF on The Internet

U.S. STATE FUNDS AND COMPANIES

Arizona	www.statefund.com
California	www.scif.com
Colorado	www.pinnacol.com
Idaho	www2state.id.us/isif
Kentucky	www.kemi.com
Louisiana	www.lwcc.com
Nevada	www.wmployersinsco.com
Maryland	www.iwif.com
Maine	www.memic.com
Minnesota	www.sfmic.com
Missouri	www.mem-ins.com
Montana	stfund.state.mt.us
New Mexico	www.nmmcc.com
New York	www.nysif.com
Ohio	www.ohiobwc.com
Oklahoma	www.onenet.net/~osif
Oregon	www.saif.com
Pennsylvania	www.dli.state.pa.us/swif
Rhode Island	www.beaconmutual.com
Texas	www.txfund.com
Utah	www.wcf-utah.com
Washington	www.wa.gov.ini
West Virginia	www.state.wv.us.bep
Wyoming	www.wydoe.state.wy.us

CANADIAN BOARDS

WCB- Alberta	www.wcb.ab.ca
WCB -Quebec	www.csst.qc.ca
SWCB-Saskatchewan	www.wcbsask.com
WCB-British Columbia	www.wcb.bc.ca
WCB-Manitoba	www.wcb.mb.ca
WCB-NovaScotia	www.wcb.ns.ca
WCB- P.E. Island	www.wcb.pe.ca
WCHSB-Yukon	www.wcb.yk.ca
WHSCC-New Brunswick	www.whscc.nb.ca
WHSCC-Newfoundland	www.whscc.nf.ca

Communications Contest Deadline Set for April 14

The Annual AASCIF Communications Contest will adopt a somewhat accelerated schedule this year due to the June date for the Annual Conference in Phoenix.

In order to make time for judging and production of award plaques, the deadline for entries will be: April 14, 2000. Please make note of it.

A call for entries will be mailed in February. Once again the categories will be:

- External brochures
- Annual Reports
- Audiovisual
- Advertising campaigns
- Excellence in Writing
- Communications Campaign
- Newsletters
- Intranet/Internet Sites
- Open Category

In an attempt to make judging less cumbersome, one entry per category per organization will be allowed. Entries must have been produced between June 1, 1999 and March 31, 2000 to be eligible.

Should you have questions about the Communications Contest, contact Steven Paul of Kentucky Employers' Mutual Insurance at (606) 425-7800 or via e-mail at spaul@kemi.com