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Record Group/Collection: George H.W. Bush Presidential Records
Collection/Office of Origin: Speechwriting, White House Office of
Series: Speech File Backup Files
Subseries: Chron File, 1989-1993

OA/ID Number: 13793
Folder ID Number: 13793-014

Folder Title:
Liberty Mutual--Dover, NH 1/15/92 [OA 7566] [1]

Stack:	Row:	Section:	Shelf:	Position:
G	26	22	2	4

TRANSFER SHEET
BUSH PRESIDENTIAL MATERIALS PROJECT

COLLECTION Bush Presidential Records
 Office of Speechwriting

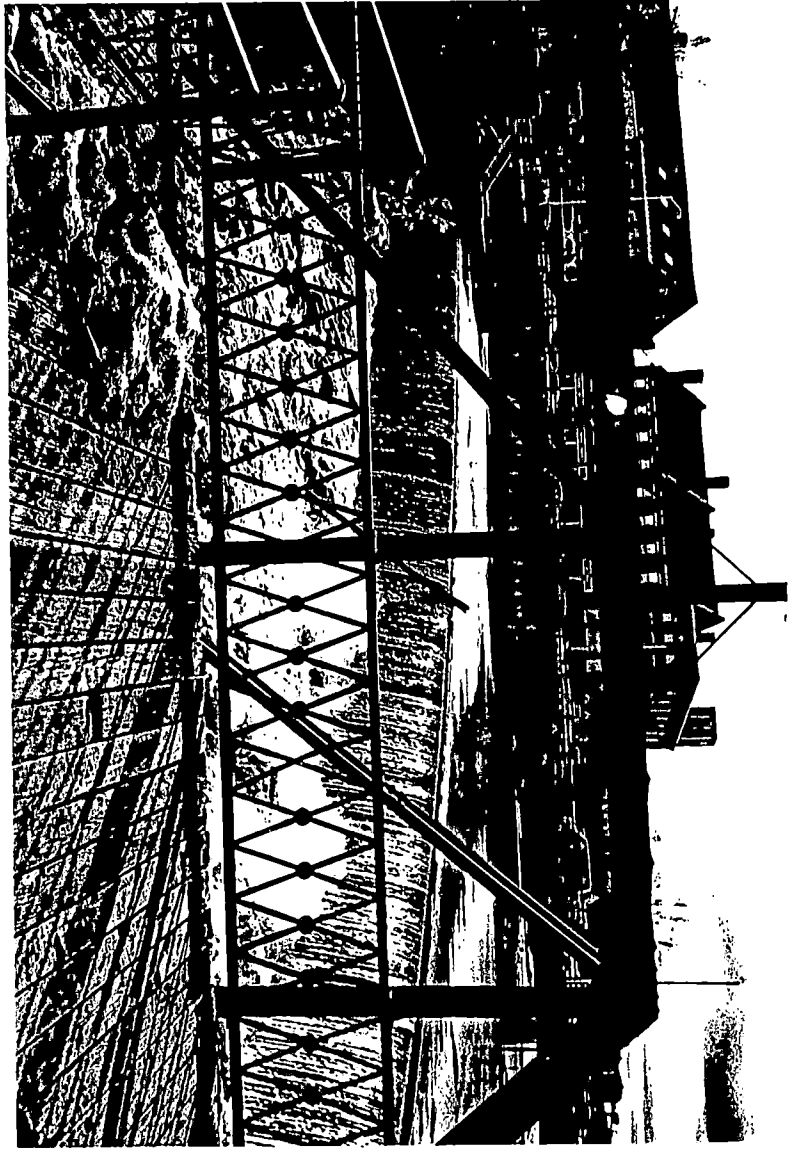
ACC.NO: 93-01

The following material was withdrawn from this segment of the collection and transferred to the XXXX AUDIOVISUAL COLLECTION
 BOOK COLLECTION MUSEUM COLLECTION
 OTHER (SPECIFY: _____)

DESCRIPTION:

Two photographs; one of a cafeteria and one of a bridge

SERIES Speech File - Backup	BOX NO. 6
FILE FOLDER TITLE: Liberty Mutual Dover, NH 1/15/92 [OA 7566] [1]	
TRANSFERRED BY: <i>Sam McClure</i>	DATE OF TRANSFER: 7/5/96
RECEIVED BY: <i>Mary Finel</i>	DATE RECEIVED



THE WHITE HOUSE

Office of the Press Secretary
(Portsmouth, New Hampshire)

For Immediate Release

January 15, 1992

REMARKS BY THE PRESIDENT
TO EMPLOYEES OF LIBERTY MUTUAL INSURANCE

Liberty Mutual Office Building
Dover, New Hampshire

2:11 P.M. EST

THE PRESIDENT: I'd like to know what these people had for lunch over here. (Laughter.) Let me first thank, of course, Governor Gregg, who's heading up our campaign in this state. And let me also single out Senator Bob Smith -- I don't know whether you all have been introduced -- Senator Bob Smith over here; Congressman Bill Zeliff, both extraordinarily good friends, tremendous supporters for the values that you and I share; and then also a former Senator, Gordon Humphrey who is also in my corner and working hard. And I'm so proud to have these leaders and others -- Warren Rudman and others who couldn't be here today at my side.

Somebody said, well, why do you want to go to Liberty? And I was thinking back, coming over, the last time I was here in an earlier campaign effort, somebody in a parking lot ran over Governor Hugh Gregg's foot. (Laughter.) And I wanted to come back and try to do better this time -- (laughter) -- and thank everybody here for this welcome -- Mr. Laszewski, Mr. Countryman -- and just say it is a pleasure to be back in this state.

Let me deny a vicious rumor that's circulating here. I have not come back to New Hampshire to personally renew my subscription to The Union Leader. (Laughter.) I did come back to talk about jobs. But I wanted to start with something. I was just over to a cafeteria at Davidson, and this guy -- I don't know what his politics were. Really is indifferent. And he asked me what for some might be an easy question. And he said, if you had to name one thing, what would your message be today; why are you here? We were sitting with our sleeves rolled up at the table.

I said, well -- my thought process went this way: I think I know this state. I know I know the problems of this state. We live near this state. I went to school across the border to Massachusetts and have a feel for this New England where I grew up. I think I understand it -- I understand the heartbeat, I understand the hardship. And I said to this guy, we've got all of these issues -- health care, which I'll mention; we've got world peace; we have economic stimulation to get the economy -- I said, one message I want the people of this state to know that I care. I care very much about the people that are hurting in this state, the people -- and I am determined to turn this state around. And that is the message. (Applause.)

And I have not simply just discovered New Hampshire. You ask some of these characters running around there with these scatterbrained ideas and these quick fixes to something as tough as this economy, when were you last in New Hampshire, and you'll find they've never been here at all. They wouldn't know how to get here.

I know the heartbeat of this state. I know the values, the family values of this state. Barbara and I try to live those values in our lives as President and First Lady of this country. And I can identify with those who are hurting in this state. And that

one is -- please give me credit for that and do not listen to these guys that want to take political opportunity, come up with a quick fix to something as complicated as this economy, and then be gone and never to return. I've been here, been here a lot. And I will return -- as President, and when I get through being President, as neighbor. So you've got my pledge on that one.

And I know times are tough. This state has gone through hell. It's gone through an extraordinarily difficult time, coming off of a pinnacle, you might say, of low unemployment. Now you're at about the national level. And, yes, people are hurting. And I am determined to turn it around.

I told some of them over there -- there's a big difference, you know. People say to me, the difference between domestic and foreign policy -- how could you lead the world -- and they gave me some credit for that in Desert Storm, that the American people still feel very, very strongly about -- (applause) -- how can you do that and then have such difficulties with this economy? Well, let me tell you something. When I moved those forces I didn't have to ask Senator Kennedy or some liberal Democrat how -- whether we were going to do it, we did it. (Applause.) I didn't have to ask some smart aleck columnist who was saying Bush hasn't explained this to the American people. We did it.

And the young men and women, the best fighting force we've ever had, stood up and lifted the spirits of this country. And now I want to take that same leadership, bring this country together after the State of the Union, and solve the domestic economic problems, and do it in a sound, sensible New Hampshire way. And that is why I'm here. (Applause.)

It's a weird year here. You've got crazy people running all over, thinking that the way to put this country back to work is to stop exports. In other words, they call it this: they call it protection. I'm going to protect an American job. Do not listen to the siren's call of protection if it comes out of the far right or the far left. What that means is shrinking jobs, getting into trade wars and retaliation.

What we're trying to do is to expand exports by making that playing field level and getting access to foreign markets. So when someone says to me, some politician out of some state that never heard of New Hampshire before, comes up here and says, the President ought not to worry about world peace or the global economy, I'm going to say, let me run my business the way I think is best. I am going to continue to work to open markets, to take this question of equal opportunity -- that's all the American worker needs -- equal opportunity in the global marketplace.

And those workers I saw at Davidson and you in this business are the most efficient there is. And you can compete with anybody. And don't try to do it by shrinking world markets and going into some siren call of protection that threw this country into a depression back in the '30s. I'm talking 25 percent unemployment back in those days. Let's not set the clock back. Let's continue to exercise world leadership. We are the United States of America. And I am not about to give up on world leadership. (Applause.)

And to those cynics out there, these political newcomers hitting this state for the first time, let me say this: I won't apologize one minute for the fact that your kids and my grandkids might just have an opportunity because of the way we've conducted the foreign affairs of this country to grow up in a world with a little less worry about nuclear war. There has been dramatic change. (Applause.) And I'll take the hit -- I'll take my share of the blame for the economy, and I'll dish out plenty to Congress on that, I might add -- (laughter.) But just give us a little credit for the fact that we now have a tremendous change in the world.

when I needed him? (Laughter.) I said, let me tell you something. And I say this -- I don't know whether any ministers from the Episcopal church are here -- I hope so. But I said to him this: You're on to something here. You cannot be President of the United States if you don't have faith.

Remember Lincoln, going to his knees in times of trial and the Civil War and all that stuff. You can't be. And we are blessed. So don't feel sorry for -- don't cry for me, Argentina. We've got problems out there and I am blessed by good health, strong health. Geez, you get the flu and they make it into a federal case. (Laughter.) Anyway that goes with the territory. I'm not asking for sympathy, I just wanted you to know that I never felt more up for the charge. I wish I could tuck each one of you for 10 minutes into that car as you ride along and see the reception that Judd Gregg talked about that we're getting as I return to this state that I do understand.

And it's been great. I'll go back to Washington all fired up for tomorrow and tackle the President or the Prime Minister of this or the governor of that coming in. But I'll have this heartbeat, vigorous and strong, because of what I've sensed here today.

So now, listen, here's the final word. Vote for me. And listen, go listen politely. These guys, these executives, they've got to do their thing here and have fair play for all. Don't vote for them. Vote for me, okay? (Applause.)

Thanks a lot. (Applause.)

END

2:30 P.M. EST

(Smith/Grossman)
January 12, 1992
Draft Four
HAMP

PRESIDENTIAL REMARKS: LIBERTY MUTUAL
DOVER, NEW HAMPSHIRE
WEDNESDAY, JANUARY 15, 1992

Gary Countryman. [[Other acknowledgments]]. The men and women of Liberty Mutual. It is always a pleasure to be here, and to again see my good friends in New Hampshire. //

((Let me begin by denying a vicious rumor. I have not traveled to New Hampshire to personally renew my subscription to the "Union Leader.")) I am here to talk about the jobs and economic growth that is my highest priority. //

On Election Night four years ago, I spoke from the heart these four words: "Thank you, New Hampshire." // New Hampshire helped make me President. // I love its people / feel its concerns / share your values and, yes, your hurt. //

I know times are tough up here. I also know that in a world forever smaller, foreign and domestic policy have never been more entwined. // We will not build prosperity by building a fence around America. Instead, we need the initiatives overseas today that mean American jobs tomorrow. //

I went to Asia to help secure those jobs by telling foreign leaders: We don't want just free trade. We want fair trade. // Americans don't ask for a home-field advantage. We do insist on a level playing field where our workers can compete. // Your emblem says it all: "America believes in liberty." // I mean

the liberty from trade barriers that can open markets / increase exports / and achieve a business renaissance. //

We didn't fight all these years to bring down the walls of Communism in Eastern Europe only to now build up the walls of isolationism around America. / Protectionism doesn't work // didn't when it caused the Great Depression // won't work better now. // Like it or not, we live in a global economy: When it comes to trade, we will "live free, or die." //

We don't need the cheap ploy of protectionism. We need a real plan for economic growth -- not a quick-fix, but long-term solutions. // Proposals are now being floated by the candidates. Some rest on fact -- others, fiction. / Here are standards by which to judge these proposals -- including the program I will unveil two weeks from now in the State of the Union. //

First, a real growth package should make sense in the real world -- ensuring the freedom to create, build, invest, and dream // I want a nation of entrepreneurs who are encouraged to take risks -- not forced to take refuge. // Second, a real growth package should make America more competitive -- increasing our exports and creating new jobs. //

Third, this package must not increase the deficit. We need to cut spending -- not opportunity. / Finally, it must preserve basic assets. I speak of the value of the home -- and the need to help all Americans -- especially lower- and middle-class -- raise a family and educate our kids. That, and only that, will restore faith that tomorrow will be better than today. //

That is especially true in health care. We must make it accessible. We must also make it affordable. // ((I just want to clear up a misconception. I didn't collapse at last week's State Dinner in Japan because they gave me a bill.)) // Today, skyrocketing health care bills are hurting the lives of millions of Americans. // A proverb says, "He who has health has hope, and he who has hope has everything." // In State of the Union, I will unveil a health care plan to give hope to Americans who despair of rising costs. //

For several years, Liberty Mutual has shared its expertise to help us form our health care package. Even before, I felt a kinship. // I remember campaigning here in 1987 at your mill then under construction. / I have admired Liberty Mutual as a point of light -- donating a rescue vehicle to the Dover Fire Department / helping high school kids through the Project Invest program / creating jobs as New Hampshire's ninth-largest employer. // There's also our longest link -- the Liberty Mutual Legends of Golf Tournament in Austin. ((I was down there several weeks ago, and it rained every day. I felt right at home. / The way I play golf, I spend most of my time in the water, anyway.))

I want to thank people like Bob Laszewski, Liberty's Executive Vice-President, for enriching those ties. // Bob has worked with Secretary Sullivan of HHS -- and with Senator Rockefeller and the Pepper Commission. He knows how the U.S. now spends more on health care than any nation -- twice the per capita of Germany and Japan. // I am confident Liberty will help

us achieve the best health care -- and I appreciate your advice.
You know how health care can help cure our ailing economy. //

Nearly seven decades ago, Robert Frost said, "[New
Hampshire's] one of the two best states in the Union." // FYI:
He named Vermont the other. // He knew that New Hampshiremen
deserve strong leadership. I intend to provide it. // You
expect your President to make tough decisions. I have -- and
will continue to. //

But I need your help. I need your help to keep America No.
1 at home, and abroad -- to keep trade free and fair -- and
democracy free and strong. // I know what I owe you. Today, I
again ask for your support. // Let me close with this promise:
I will never -- ever -- let you down. // God bless you, and God
bless America.

#

FACSIMILE TRANSMISSION
COVER SHEET

LIBERTY
MUTUAL



DATE

1/9/92

OFFICE OR COMPANY

DEPARTMENT

NAME

TO:

Bob Simon; Speeches

OFFICE

DEPARTMENT

NAME

FROM:

Diane Turner - 617-574-5752

SUBJECT/COMMENTS

POLICY NUMBER

We've located an expert on the
Dover Cocheo Falls Millworks,

but keep missing him. We've
also unearthed a book in
Dover & will forward to you
that historical information

~~on~~ ASAP.

Diane
These are just some more background
info. on L M & Dover activities.

PAGES FOLLOW If all pages not received, call sending attendant immediately.

SENT BY

TIME SENT

JM
D

UNION LEADER

MANCHESTER, NH
68,092

JUL 2 1991

NEW ENGLAND NEWSCLIP AGENCY, INC.

126

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**Dover's Liberty Mutual Wins
Business Excellence Award**

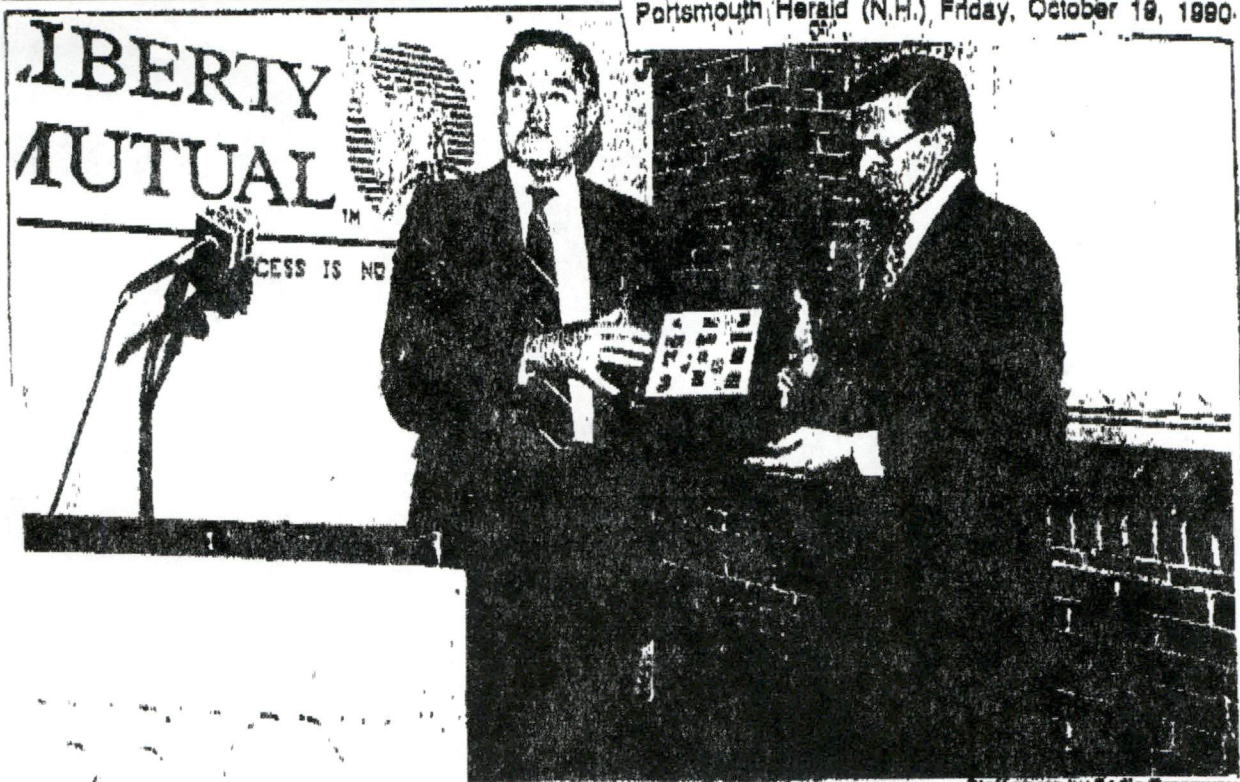
DOVER — Liberty Mutual of Dover was the first recipient of the Excellence in Business Award given by the City of Dover and the Greater Dover Chamber of Commerce.

The award is for businesses who have "enhanced the business climate substantially and shown outstanding business practices." Bob Goodman, general manager of Liberty Mutual, accepted the award from Dover Mayor George Maglaras and Chamber president Rosie Walker-Bois at an open-house in the Cochecho Falls Millworks.

Any business may be nominated for the award; the selection rests with a panel including city, chamber and other local representatives. Once the program is fully established, awards will be given bi-annually in May and November.

For more information call 742-2218.

Portsmouth Herald (N.H.), Friday, October 19, 1990.



Staff photo by Sodie Greenway

US Postmaster General Anthony Frank, left, presented a plaque of appreciation from the US Postal Service to Elliot Williams, vice

president of corporate treasury operations for Liberty Mutual Insurance Co., at the firm's Dover mail facility Thursday.

Local insurer cited by US postal chief for automation of mailing

DOVER — U.S. Postmaster General Anthony M. Frank Thursday recognized Liberty Mutual Insurance Co. for its extensive efforts in mail automation at its financial mailing operations and remittance-processing center in Dover.

Elliot Williams, vice president and manager, corporate treasury operations for Liberty Mutual, accepted a plaque from Mr. Frank that cited Liberty Mutual's "implementation of U.S. Postal Service work-sharing programs" in the areas of pre-sorting, zip-plus-four coding, and bar coding of outgoing mail.

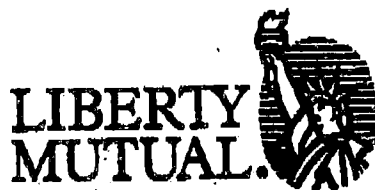
Liberty Mutual is the largest first-class letter mailer in northern New England. The Dover facility handles 30 million pieces of mail annually, serving customers throughout the country.

"Improving mail management was identified as a goal of Liberty Mutual many years ago," Mr. Williams said in accepting the plaque. "We have been working on a num-

ber of mail-related projects to minimize postage expense and improve customer service in the mailing of invoices, notices and checks as well as in the process of receiving incoming mail."

Liberty Mutual's financial mailing operations center handles over 100,000 pieces of mail per day. A computerized zip code reader and sorter saves over \$1 million dollars annually in postage. In addition, scanning processors are capable of handling an average of 650-700 envelopes per hour.

Liberty Mutual provides a wide range of personal and business insurance, as well as financial services. It has been one of the leading writers of workers compensation insurance since 1936 and employs more than 23,000 people in over 340 locations throughout the United States and Canada. Based on total assets of over \$35 billion, Liberty Mutual is one of the leading providers of insurance and financial service products.



FACT SHEET

Dover

Financial Mailing Operations

Housing the largest 1st class letter mailer in Northern New England, Liberty Mutual Insurance Company's Financial Mailing Operations Department, located in Dover, NH, mails over 45,000 checks and notices and over 65,000 invoices each day. This amounts to over 30 million pieces annually, making it the central mailing facility for Liberty Mutual, nationwide.

The state of the art equipment located at Financial Mailing Operations handles the printing and inserting of checks, notices and invoices, and the sorting of all outgoing mail to take advantage of Postal Service discounts. Computerized inserting machines at the location are capable of selectively inserting different return envelopes and other information in policyholder's monthly bills. The highly automated equipment also reads nine digit zip codes, spraying them onto envelope as a bar code and sorts all of the mail by zip code. This one process allows Liberty Mutual to save over \$1,000,000 annually in postage.

Remittance Processing Services

The handling of incoming mail properly is an important function performed at Liberty Mutual's Remittance Processing Services Department in Dover, NH, where an average of 24,000 payments are received daily through pre-printed envelopes, bar coded to be read by a scanner. Non-scannable systems receive 1,800 pieces of business mail each day. Mail is opened and sorted by the scanning processors and can handle an average of 650-700 envelopes per hour, allowing policyholder accounts to be updated nightly.

The Dover center handles incoming mail from all of the New England States, New York and Middle Atlantic states. Incoming mail from the remainder of the U.S. is received at another Remittance Processing Service center in Des Moines, Iowa.

FOSTER'S DAILY DEMOCRAT

DOVER, NH
DAILY 28,391

TUESDAY
JUN 25 1991

10

BURRELLE'S

PA

Liberty Mutual celebrates its completed move

By ROBERT TANNER
Democrat Staff Writer

70916
DOVER — Liberty Mutual celebrated its completed move to Dover by throwing a citywide party Saturday.

Weather cooperated with clear warm skies and a light breeze, while crowds filled the Cochecho Mills Courtyard and took tours of the mill building and the insurance giant's business operations. Everyone feasted on free food, listened to '50s and '60s music, and spent a relaxing day in the midst of the city.

"The Fire Department helped out, the Police Department helped out. It's just a good time," Liberty Mutual spokesman Bob Goodman said, relaxed in shorts and sunglasses.

The city said thanks, too, crowning the company with an Excellence in Business Award from the Greater Dover Chamber of Commerce.

"They've just been the biggest supporter of the Chamber and the City," said the Chamber's Executive Director Jamie Batson, noting that officials accelerated the process to have the award prepared in time for the open house.

While clowns holding balloons joked with children, and while adults and children alike wandered on carefully mapped tours of the renovated old mill, others sat at tables set up in the courtyard and enjoyed the sun.

"What got this whole thing started was we've just completed all the planned moves we originally wanted to accomplish back in '87, when we first got going here," Goodman said.

"The last department came up (from Boston) in April. So we decided to have a big open house and a kind of celebration," he said.

For Dover's DuBois family — 10-year-old Alice, 12-year-old Chris, and mom Bonnie and dad Tom — the open house served as a family outing.

The crew finished their tour and picked up complimentary balloons, pens and visors.

"We're fanciers of the mill," Tom DuBois said. "It's wonderful what they've done with it."

And for the rest of the summer, Goodman noted, residents can come to the courtyard for the weekly musical offerings of the Cochecho Arts Festival, which begins Friday.



Dover's Liberty Mutual threw a public party Saturday to celebrate the completion of moving its staff north from Boston with music, food and tours of the renovated Cochecho Millworks. (Democrat photo — Tanner)



Dover High School senior Dana Smith, one of 14 students who participated in Project Invest this year, accepts a carnation from teacher Becky Lenzi. The official incorporation of the new business course on insurance was celebrated Thursday night.

(Democrat photo — O'Neill)

Project Invest prepares Dover students for working world

By MARTY O'NEILL
Democrat Staff Writer

DOVER — Fourteen Dover High School seniors will enter the work world this spring, better prepared for work in the insurance business because of a new program titled Project Invest.

The students, their teacher, administrators and representatives from area businesses involved in the program gathered Thursday night to officially celebrate the program's addition to the high school roster.

The course was first offered this winter, following two years of preparation by teacher and department Chairwoman Becky Lenzi, who worked with 13 area businesses that helped support and fund the program.

Donna Sheppard, a personal insurance manager with R-W Insurance in Dover and member of Seacoast Insurance Women, explained that she approached Ms. Lenzi two years ago because of the need for well-trained workers in the insurance business, and because she thought the program would take off at Dover High School, her alma mater.

"We felt if we could pick up even one or two students into insurance

companies, we could benefit," Ms. Sheppard said.

And the students could benefit as well, she said, noting, "You can go very, very far in insurance without a college education. It's a great opportunity."

Project Invest is a national program already incorporated at many high schools, including Concord, Manchester and Plymouth.

In the program, students operate their own mock insurance companies and, through instruction, learn and perform every procedure needed in the company, ranging from banking and policy writing to accounting and underwriting.

Ms. Sheppard said the students study the auto insurance world — because they're most interested in that and it accounts for the largest volume of insurance sold — but noted the skills learned there can be attributed to all areas of insurance.

Ms. Lenz said she prepared for the course by training through a correspondence course and visiting schools where the course is already underway. "It put everything they've learned in four years in the business department and brought it all together," Ms. Lenz said. This year the course was offered during one term for two

class periods and next year it will be offered for one period throughout the year.

Senior Dana Smith, who took the course this year, said the course is confusing but challenging. "We have learned a lot just doing auto insurance," she said.

Her classmate Lanette Cardin said Project Invest gives the students opportunities to run a business from top to bottom.

Ms. Sheppard said area businesses donated about \$1,200 for seed money to buy necessary materials and to start up the program, and the Seacoast Insurance Women donated money they had raised through an annual fashion show to host events for the program.

The companies that helped sponsor the program from Rochester are Bernier Insurance, Bergeron Insurance, Jenness & Jenness Agency and Kendall Insurance; from Dover, Morrison Agency, R-W Associates and Richardson Agency; from Portsmouth, Liberty Mutual Insurance; from Somersworth, Dunlap Agency and from Stratham, Executone of New Hampshire.

Others businesses are Savage Computers Inc. of Avon, Connecticut; Seacoast Insurance Women and Young Agents Committee.

BURRELLE'S

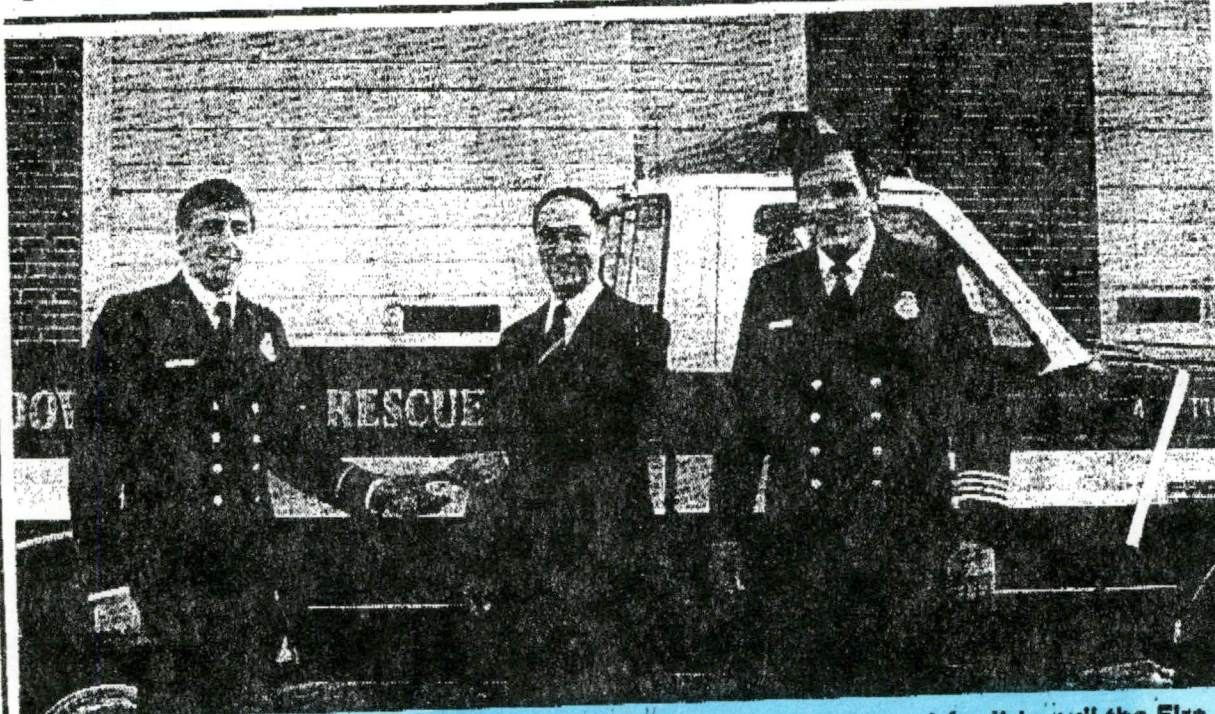
Largest New Hampshire Employers

(Ranked by number of employees)

Rank	Parent Company/Headquarters	NH Employees	'89 Sales Worldwide	NH Top Management	Main NH Subsidiary Location	Products/Services	Year Established
1	Digital Equipment Corp. Maynard, MA	7,100	\$1.7 billion	Frank B. Rowland	Digital Equipment Corp. 100 North Main St. Manchester, NH 03101 (603) 886-1111	Computer & software	1959
2	Lockheed Corp. Calabasas, CA	5900	\$9.8 billion	Dr. John R. Kreick	Lockheed Sanders Inc. NH01-465 Box 868 South Nashua, NH 03061 (603) 886-4321	Defense electronics	1968
3	Dartmouth-Hitchcock Medical Center Hanover, NH	4,100	\$350 million (operating budget)	Dr. Henry Herman	Dartmouth-Hitchcock Medical Center 215 Main St. Hanover, NH 03755 (603) 844-7000	Health care hospital with cancer center & research	1783
4	Shaw's Supermarkets Inc. East Bridgewater, MA	3300	WWD	David Jenkins James Demme	Shaw's Daniel Webster Highway, Rt. 3 Nashua, NH 03062 (603) 888-8786	Supermarket chain	1899
5	Dartmouth College Hanover, NH	2945	\$224 million (operating budget)	James G. Haganan	Dartmouth College Hanover, NH 03755 (603) 248-3000	Higher education	1799
6	DeMoulas/Market Basket Tewksbury, MA	2800	\$1.1 billion	T.A. DeMoulas	DeMoulas/Market Basket 375 Amherst St. Nashua, NH 03080 (603) 888-1120	Operator of 43 supermarkets	1954
7	General Electric Co. Fairfield, CT	2700	\$1 billion	Steven Specker	General Electric Co. 100 Main St. Manchester, NH 03101 (603) 886-1100	Electronic broadcasting TV set, video equipment, major appliances	1892
8	NYNEX Corp. New York, NY	2567	\$13.2 billion	Patrick Duffy	New England Telephone 1226 Elm St. Manchester, NH 03101 (603) 457-8700	Telecommunications, voice and data services	1984
9	Liberty Mutual Insurance Co. Boston, MA	2500	\$1 billion (total assets)	Robert J. DeLoach	Liberty Mutual Insurance Co. 100 State St. Boston, MA 02109 (617) 552-8800	Life, casualty and accident compensation insurance	1846
10	Hennaford Bros. Co. Scarborough, ME	2300	\$1.6 billion	James L. Moody Jr.	West Street Shopping Center Keene, NH 03451 (603) 357-2832	Martin's Food Centers Suri Foods and Wellby Drug Stores	1883
11	Textrol Inc. Providence, RI	2285	\$7.4 billion	Frank J. Chester Richard J. Carter	Textrol Inc. P.O. Box 4074 Manchester, NH 03106-1504 (603) 753-2435	Textiles (domestic & foreign), paper, pulp, rayon, machinery, textiles, chemicals, services	1928
12	Manpower Inc. Milwaukee, WI	2146	\$3 billion	William E. Marvin Ann W. Marvin	Manpower of Manchester 102 Bay St. Manchester, NH 03104 (603) 825-6994	Temporary employment agencies for office, light industrial, marketing and technical jobs	1948
13	James River Corp. Richmond, VA	2100	\$1.9 billion	John Shook	James River Corp. Kendall St. Groveton, NH 03048 (603) 886-1100	News paper, magazines and paper board	1888
14	Sears, Roebuck & Co. Chicago, IL	1950	\$6.4 billion	Edward Brennan	Sears 1505 S. Willow St. Manchester, NH 03103 (603) 889-8280	Subsidiaries include Coldwell Banker, Dean Witter Reynolds Financial and Sears Merchandise Group	1886
15	GTE Corp. Stamford, CT	1945	\$7.2 billion	Don W. Johnson	GTE Corp. 100 North Main St. Manchester, NH 03101 (603) 886-1100	Telecommunications, including Sprint and products	1885
16	Public Service of New Hampshire Manchester, NH	1904	\$919 million	N/A	Pub. Serv. of New Hampshire 1000 Elm St. Manchester, NH 03105 (603) 868-4000	Electric utility	1926
17	The Dunkin' Co. Canton, OH	1895	\$210 million	Richard J. DeLoach	The Dunkin' Co. P.O. Box 547 Keene, NH 03424 (603) 357-1100	Fast-food restaurants and bakery products	1950
18	Ames Department Stores Inc. Rocky Hill, CT	1800	\$4.9 billion	Stephen L. Platner	Ames Maple Avenue Claremont, NH 03743 (603) 542-4290	Discount department store chain	1956
19	Supermarkets General Corp. Carteret, NJ	1785	\$1.5 billion	John J. DeLoach	Supermarkets General Corp. 100 North Main St. Manchester, NH 03101 (603) 886-1100	Supermarket chain	1954
20	First NH Banks Inc. Manchester, NH	1706	\$2.8 billion (total assets)	Frank O. Buhl Robert J. Frank	First NH Banks Inc. 1000 Elm St. Manchester, NH 03101 (603) 868-5000	Multi-bank holding company with 64 branches and 12 affiliates in New Hampshire	1973

Source: The Bank Company, a division of Liberty Mutual Insurance Co., and other sources.
Note: This table is based on 1989 data.
Compiled by Wendy Howe

TRUCK DONATION



Liberty Mutual donated a rescue vehicle to the Dover Fire Department for it to pull the Fire Safety Trailer to educational events. Public Education Officer Steve McCusker, left, takes the keys from Liberty Mutual's Assistant Vice President Robert Barber as Assistant Chief Ronald Clymer stands by. Other businesses who donated time or equipment to the vehicle were Dover Motor Mart, Robbins Auto, Dana's Auto Body, Communications Specialists and Sears.

(Staff photo — Deb Cram)

**LIBERTY
MUTUAL.**



**LIBERTY MUTUAL INSURANCE GROUP
PUBLIC RELATIONS DEPARTMENT
175 BERKELEY STREET, BOSTON, MASS. 02117**

NEWS RELEASE

CONTACT: Diane Turner
Rick Kinigson
617-574-5752

FOR RELEASE: April 11, 1991

LIBERTY MUTUAL DONATES HIGH-TECH AUTO-THEFT TRACKING DEVICES TO BAY STATE CITIES

BOSTON -- In an effort to help fiscally strapped law enforcement agencies fight auto-theft crime, which shot up nationally by 19 percent in 1990, Boston-based Liberty Mutual Insurance Company is donating 49 electronic auto-theft tracking computers to the police departments in 16 cities and towns throughout Massachusetts.

As part of a company pilot project to "put the brakes on vehicle theft", Liberty Mutual is giving LoJack trackers to Boston, Brockton, Cambridge, Chelsea, Everett, Fall River, Lawrence, Lowell, Lynn, Malden, New Bedford, Quincy, Somerville, Springfield, Taunton and Worcester.

"Countrywide, a car is stolen every 20 seconds," John B. Connors, executive vice president and manager of Liberty Mutual's personal market department, said. "We also realize that a substantial portion of our law enforcement resources are being used to fight the war on drugs and that funding is hard to come by. We wanted to help."

"For instance, in Springfield, the National Auto Theft Bureau reports that in the first six months of 1990 there were 1,431 vehicles reported stolen compared to 785 in the first six months of 1989," Connors continued. "And, many Massachusetts cities are faced with having to lay off police officers due to budget cuts."

The recovery systems are installed in police cruisers. They pick up a silent homing signal from the anti-theft device which is embedded in the vehicle and is activated by a police computer when the car is reported stolen. The police cruiser equipped with the

tracker is then able to pinpoint on the monitor attached to the dashboard the location of the stolen vehicle.

Auto theft is a big business. Auto thieves are known to steal cars to provide quick money to fund their drug habits, to provide parts for 'chop shops', and to export cars to foreign countries. All this, according to the NATB, costs the American public more than \$7 billion a year in out-of-pocket expenses, higher insurance premiums and increased taxes to support higher levels of law enforcement.

"These electronic recovery systems also provide another distinct advantage, a public safety one," Connors said. "The systems help the police catch the thief while still in the vehicle, increasing the rate of arrest and at the same time lowering the incidence of a dangerous high speed chase, since the thief is probably unaware that the car is being tracked by police, sometimes from miles away."

Boston-based Liberty Mutual's pilot program to help fight vehicle theft began in the fall of 1990 when it donated 10 LoJack trackers to Boston's police department.

According to the U.S. Department of Justice, the increase of 19 percent in the rate of motor vehicle theft in 1990, 1.4 million completed auto thefts and 770,000 attempted thefts, is the highest number since the National Crime Survey began in 1973.

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LIBERTY MUTUAL INSURANCE GROUP
PUBLIC RELATIONS DEPARTMENT
175 BERKELEY STREET, BOSTON, MASS. 02117

NEWS RELEASE

Richard E. Kinigson

CONTACT:

(617) 357-9500, Ext. 43168

At Will

FOR RELEASE:

SURVIVING THE TEEN DRIVING YEARS

Auto accidents are the number one killer of our nation's youth, and alcohol is present in nearly half of all fatal car crashes, resulting in the death of an estimated 3,300 teenagers each year. The Atlanta Liberty Mutual office reminds you that December 9-15 is National Drunk and Drugged Driving Awareness Week and, to help assure a happy holiday season, is offering a free brochure which provides suggestions on ways that parents and teens together can deal with the hazards associated with teen driving.

The holiday season is a dangerous time of the year for most people to be driving, as the likelihood of drunk and drugged drivers being on the roadway is increased. This, coupled with the fact that teen drivers tend to have the least developed driving skills, increases the risk of a life threatening motor vehicle crash. "*How To Survive The Teenage Driving Years: A Guide For Both Teenagers And Parents*," addresses these dangers, including night driving, speeding, and driving under the influence of drugs and alcohol. Now, and throughout the year, Liberty Mutual recognizes the importance of parents communicating with teens about the cautionary methods available to reduce the risk of a fatal car crash. Cautionary methods such as avoiding unnecessary driving, especially late at night, wearing your safety belt, and complying with all posted speed limits are some of the tips included in the brochure.

In addition to the dangers associated with drinking and driving, the faster one drives, the greater the chances are of being killed or seriously injured in an auto

(more)

accident. Thirty-three percent of teen boys and 14 percent of teen girls admit to regularly driving at speeds higher than 70 m.p.h. One important way to help their children learn safe driving habits is for parents to set a good example by following safe driving rules and recommendations. And, drivers should always wear their safety belt, and insist that passengers do the same.

Additionally, the fatal crash risk of teenage drivers is higher between 9:00 p.m. and 5:00 a.m. than at any other times. Nighttime driving is more difficult for all drivers because visibility is reduced, the glare of oncoming headlights can be blinding, and generally drivers are more tired at night. The teen driving guide suggests that parents should lead by example, helping teenagers make smart driving decisions when faced with peer pressure to drink and speed.

"How To Survive The Teenage Driving Years: A Guide For Both Teenagers And Parents" brochure addresses these issues from the perspectives of both parents and teens, is an excellent tool for helping families discuss measures teen drivers should take to prevent and avoid life threatening accidents, and can help you to have a safer, more enjoyable holiday. For your free copy, write to Liberty Mutual, Box 777TDR, Boston, MA,02116.

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Editor's Note: Liberty Mutual provides a wide range of personal and business insurance, as well as financial services. It has been the leading writer of workers compensation insurance since 1936 and employs more than 23,000 people in over 340 locations throughout the United States and Canada. Based on total assets of over \$35 billion, Liberty Mutual is one of the leading providers of insurance and financial service products.

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LIBERTY MUTUAL INSURANCE GROUP
PUBLIC RELATIONS DEPARTMENT
175 BERKELEY STREET, BOSTON, MASS. 02117

NEWS RELEASE

CONTACT: Diane Turner
Jerry C. Guerriero
(617) 574-5752

FOR RELEASE: February 4, 1991

CORRECT USE OF CAR SEATS SAVES LIVES

The number one killer andcripler of children in the U.S. is motor vehicle crashes, according to the National Highway Traffic Safety Administration (NHTSA). And, one of the major reasons for this is due to the improper use of child safety seats. Your Liberty Mutual (local) office reminds you that, according to NHTSA, one out of every three child safety seats are used incorrectly.

"February is National Passenger Safety Month and the week of the 10th through the 16th is Child Passenger Safety Awareness Week," John B. Conners, executive vice president and manager of Liberty Mutual's personal market department, said. "We just want to remind all family members that it is extremely critical to know how to properly use safety restraints for children when travelling."

A child safety seat should be selected based on the size and weight of the child. It is extremely important to know that an infant-only seat, designed for a baby weighing under 20 pounds, must be placed backwards in the vehicle so that the baby rides facing the rear. According to the Washington, D.C.- based Insurance Institute for Highway Safety, children under the age of one have the highest rate for vehicle passenger deaths.

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"In 1989 alone, over 700 children under the age of five died in roadway accidents," Connors said. "Liberty Mutual is committed to helping people live safer, more secure lives and we urge parents, and grandparents, to always follow the instructions for installation and use given by the child safety seat manufacturer."

Safety seat manufacturers must meet federal safety standards. Always look for the federal safety certification label. For confirmation that a model meets those federal standards, one can call NHTSA's auto safety hot line at 1-800-424-9393.

In honor of Child Passenger Safety Awareness Week and National Passenger Safety Month, Liberty Mutual's (local) office also suggests that you become familiar with your state's child passenger safety laws and protect your child by correctly using child safety restraint systems in your vehicle. For a free brochure entitled "Child Safety In Your Automobile," write to Liberty Mutual, P.O. Box 777CHS, Boston, MA 02116. And remember, buckle up!

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LIBERTY MUTUAL INSURANCE GROUP
PUBLIC RELATIONS DEPARTMENT
175 BERKELEY STREET, BOSTON, MASS. 02117

NEWS RELEASE

CONTACT: Diane Turner
Jerry C. Guerriero

FOR RELEASE: (617) 574-5752

December 4, 1991

EMPLOYERS TO ADDRESS OCCUPATIONAL STRESS

BOSTON -- An uncertain economic future, day-to-day work pressures, and the holiday season, all contribute to an ever increasing problem in today's workplace - occupational stress. This problem, and what employers should do about it, will be the subject of a December 5-6 Liberty Mutual Loss Control Institute Seminar to be held at the Red Lion Hotel in San Jose.

The seminar, titled "Occupational Stress - What Should Management Do About It?," will be attended by representatives from over 100 major companies, medical and ergonomic professionals, and will focus on finding effective ways to prevent and help reduce the increasing incidence and cost of occupational stress. In 1987, for example, the average value of a California mental stress claim was \$13,200, and by 1990, the average value had risen to \$17,700, according to a study of California mental stress claims.

"In 1990, California continued to lead the country in mental stress, and between 30,000 and 40,000 mental stress claims are filed each year in the state, with 90 percent of those ending up in litigation," Kenneth A. Berkov, senior vice president of Liberty Mutual's Pacific Division said. "Management must understand that the reduction of worker stress is relevant to organizational well-being and important to the organization's future."

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The seminar will focus on the types and sources of occupational stress and job burnout, and how employers can decrease the occurrences of stress through early detection, elimination of stress contributors, and by taking steps to help employees cope. Seminar topics include health issues and worker stress, employee assistance programs, the legal aspects of stress claims, and the effects of job design on occupational stress.

"There are certain physical, emotional and behavioral stress indicators managers must be aware of, such as headaches, fatigue, irritability, apathy and poor concentration, that can all be clear indicators of worker stress," Berkov continued. "And ergonomic aspects of the workplace can directly contribute to worker stress, along with employee workload, overtime, work shifts and pacing of tasks, which are all areas where management can take an active role in working toward eliminating stress in the workplace.

"Management needs to go beyond 'wellness' and employee assistance programs to facilitate stress resistance," Berkov continues. "Work environments that encourage creative involvement, commitment, and a sense of personal accomplishment can lead to lower incidence of worker stress."

The seminar runs from 8:30 a.m. - 4:30 p.m. Thursday, the 5th, and 8:30 a.m. - 3 p.m. Friday, the 6th. Panel members will include Bruce E. Anderson, assistant vice president and manager, employee relations, *Liberty Mutual Insurance Group, Boston*; John Corral, Esq., resident attorney, workers compensation defense, *Liberty Mutual, Orange, CA*; James A. Courtney, division claims service manager, *Liberty Mutual, Pleasanton, CA*; Robert G. Lasky, Ph.D., director of psychology, *Mercy Hospital, Springfield, MA*; Douglas L. Mace, Ph.D., associate director for education and training, *Veterans Administration Hospital, Syracuse, NY*; Stover H. Snook, Ph.D., project director, ergonomics, *Liberty Mutual Research Center, Hopkinton, MA*; Robert E. Taylor, M.D., medical director, *Austin Travis Mental Health Center, Austin, TX.*, and Patti Lou Watkins, Ph.D., assistant professor of psychology, *Washington State University, Pullman, WA.*

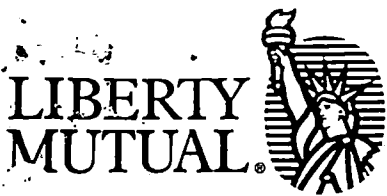
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Liberty Mutual provides a wide range of personal and business insurance, as well as financial services and has been the leading writer of workers compensation insurance since 1936. The company employs more than 1,700 people in California, as well as 21,000 people in over 400 locations throughout the U.S. and Canada.

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LIBERTY MUTUAL INSURANCE GROUP
PUBLIC RELATIONS DEPARTMENT
175 BERKELEY STREET, BOSTON, MASS. 02117

NEWS RELEASE

CONTACT: John M. Cusolito
(617) 574-5512
FOR RELEASE: October 7, 1991

LIBERTY MUTUAL ANNOUNCES MAJOR EXPANSION OF ITS WORKERS COMPENSATION MANAGED CARE PROGRAM

BOSTON -- Liberty Mutual Insurance Group, the country's largest provider of workers compensation insurance and services, announced today that it has significantly expanded its workers compensation managed care program in 29 states and Washington, D.C., through a hospital PPO and utilization review services agreement with HealthCare COMPARE Corp. and its wholly owned subsidiary, AFFORDABLE Health Care Concepts (see attachment).

Additionally, Liberty Mutual has contracted with Focus to provide hospital and physician PPO and utilization review services in Georgia, Louisiana and Tennessee. This expands a previous agreement between Liberty Mutual and Focus for similar services in Alabama.

"Last year, the combined use of Liberty Mutual's medical cost management programs saved over \$140 million for our customers," said William E. Commack, executive vice president and manager of business markets for Liberty Mutual Insurance Group. "This expansion of the 'Liberty Preferred Care' PPO network is further evidence of how our comprehensive managed care approach is meeting today's increasing marketplace challenges."

(more)

These new agreements, plus existing contracts with OUCH in California and COMPRO in Illinois, enable Liberty Mutual to provide its customers with enhanced medical cost management services through workers compensation PPO networks in 35 states and the District of Columbia. These networks are supportive of Liberty Mutual's total workers compensation managed care approach which has among its features a Panel Physicians program. A key component of the company's managed care approach for 40 years, this program complements its PPO network by using locally approved physicians across the country to provide expert, initial medical attention to an injured worker.

"While many companies have recently discovered managed care through employee benefit programs, Liberty Mutual has been delivering the advantages of this unique approach to our customers for almost 80 years," said Commack. "Liberty Mutual's definition for workers compensation managed care is broader than the industry's because it starts with Loss Prevention and continues to include extensive case management and rehabilitation services."

Along with its Panel Physicians program, Liberty Mutual's managed care approach features:

- Medical Coordinator Program, a review process that guarantees all medical costs are reasonable, necessary and directly related to the accident.
- Medical Advisor Program, a peer review process where Liberty Mutual's specialists give medical input and guidance for treating physicians and assist in evaluating the care and cost of a patient's case.

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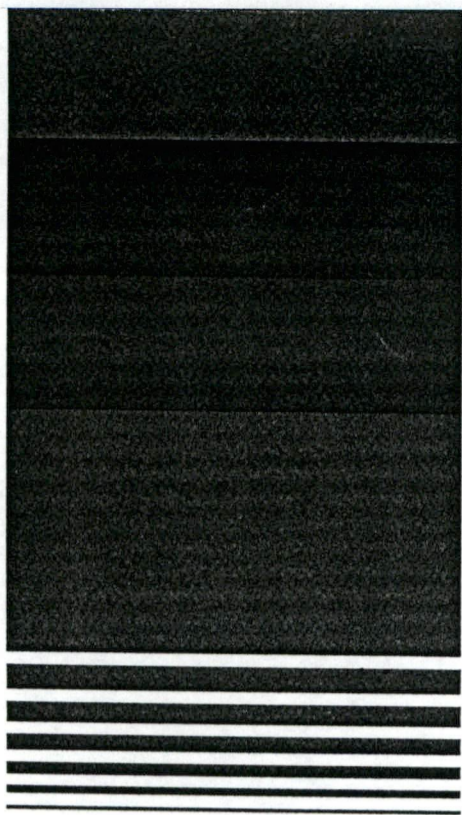
- A network of 150 Rehabilitation Nurses that provides case management by working with the patient and doctor to ensure the best quality care and the highest degree of recovery in the shortest period of time.
- The Liberty Mutual Rehabilitation Center and Medical Clinic, located in Boston, which was established in 1943 to treat occupational injuries.
- Disability Management programs such as LIMBER for back injuries, and vocational rehabilitation which works to restore employees to their pre-injury job if possible, or modified duty.

The Liberty Mutual Insurance Group provides a wide range of business insurance including workers compensation, general liability, commercial auto and property insurance; personal insurance; individual and group life; and financial services. The company employs 21,000 people in over 400 locations across the U.S. and Canada.

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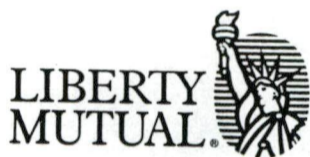
STATES WITH LIBERTY MUTUAL - HEALTH CARE COMPARE
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MEETING AMERICA'S HEALTH CARE CHALLENGE

Solutions for a fair, cost-efficient system



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Robert D. Goodman
Administrative Manager



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Robert D. Goodman
Administrative Manager



Liberty Mutual
Insurance Group/Boston

ROBERT L. LASZEWSKI

BIOGRAPHY

Robert Laszewski is Executive Vice President and Chief Operating Officer, Group Markets, for the Liberty Mutual Insurance Group. For the last three years, he has participated in our country's public policy debate on health care reform.

Based upon total assets of more than \$18 billion, Liberty Mutual Insurance Group is one of the leading providers of insurance products and services, including health and disability management.

Mr. Laszewski has written and spoken widely on the subject of health care reform generally and insurance reform specifically. He has appeared in health care features on CNN, NBC, PBS, and N.P.R.

Reactions to Mr. Laszewski's efforts have included the following:

"...one of his industry's harshest critics and its boldest advocate for reform." (USA Today)

"The boldest proposals to come from the insurance industry." (Fortune Magazine)

"...one who advises key congressmen and has been instrumental in several major proposals pending before Congress...has had a heavy influence on the Pepper Commission report." (Health Market Survey)

Laszewski is "moving beyond the slogans and placards and saying what really has to be done." (Hanns Kuttner, White House Aide, quoted in the Boston Globe)

Mr. Laszewski is a member of the Board of Directors of the non-partisan Alliance for Health Reform, chaired by Senator Jay Rockefeller, and the Board of Directors of his company (Liberty Life Assurance Company of Boston). He has participated on a number of Health Insurance Association of America committees and task forces, including serving as chairman of the Provider Relations committee and serving on the Board Task Force on Cost Containment and the working group on the ethics of genetic testing and insurance.

His opinions are regularly sought by groups such as the Brookings Institution, the American Lung Association, the American Academy of Orthopedic Surgeons, the American Medical Association, the American College of Physicians, the Kellogg Foundation, the Society of Internal Medicine, and the Association of State Health Officials, as well as state policy makers and regulators, hospital administrators, and religious groups. He has offered his perspective on health care reform in testimony before several committees of both the Senate and the House of Representatives.

Mr. Laszewski's opinions are often found in trade and national publications. He is the author of a series of papers and articles accumulated under the title "Meeting America's Health Care Challenge."

For further information contact John Cusolito, Liberty Mutual Insurance Group, 175 Berkeley Street, Boston, MA 02117 (617)574-5512.

MEETING AMERICA'S HEALTH CARE CHALLENGE
Solutions for a fair, cost-efficient system

Robert L. Laszewski is Executive Vice President and Chief Operating Officer, Group Markets of the Liberty Mutual Insurance Group.

The Liberty Mutual Insurance Group has combined assets of over \$35 billion. Its operations include the management of health and disability management. In 1989, Liberty paid \$2.6 billion in health care costs on behalf of its customers.

Mr. Laszewski has been a leader in our nation's health care debate. He has been the author of numerous papers that have been widely distributed in health policy circles. His activities have gained wide attention and have been referred to in numerous articles in the media.

Reactions to Mr. Laszewski's efforts have included the following:

"...the insurance industry is trying to fend off heavy-handed political solutions with proposals of its own. The boldest comes from Robert Laszewski, Executive Vice President of Liberty Mutual Insurance, Boston..."

Fortune

"Three basic insurer factions are currently forming, although the battle lines are still being drawn. The first is supporters of most of the original Pepper Commission proposal, which was heavily-influenced by the congressional consultations of Liberty Mutual top exec Robert Laszewski."

Health Market Survey

Hanns Kuttner, an aide to President Bush at the White House, applauds Laszewski "...for moving beyond the slogans and placards and saying what really has to be done."

Boston Globe

In this folder you will find four of Mr. Laszewski's papers on health care reform:

- **The American Health Care System: A Challenge to Conscience**
- **America's Health Care Crisis: Now Is the Time for Action**
- **Social Responsibility and Free Market Efficiency (Prepared for the Pepper Commission Staff)**
- **An Outline for Health Care Financing Reform: Moving Toward a Rational System**

We hope this material provides you with a new perspective on our country's health care crisis. Please complete and mail the enclosed reply card to receive additional copies of the "Meeting America's Health Care Challenge" folder for you or your associates.



Liberty Mutual
Insurance Group/Boston

BIOGRAPHICAL SKETCH

Name: Gary L. Countryman

Birthplace: South Bend, Washington - 7/30/39

Marital Status: Married - four children

Education: University of Oregon - M.S. in Business and Economics,
Cum Laude, 1963.
University of Oregon - B.S. - 1961.

Career-at Liberty
Mutual Insurance
Company:

1963 - '64 --San Francisco, variety of Operating
Departments.

1964--Home Office Actuarial Department, Research
Associate.

1975--Assistant Vice President.

1977--Vice President and Director of Corporate Research.

1980--Senior Vice President.

1981--President.

1985--President and Chief Operating Officer.

1986--President and Chief Executive Officer.

1987--Chairman of the Board and Chief Executive Officer,
Liberty Life Assurance Company of Boston.

1991--Chairman of the Board, President and Chief
Executive Officer, Liberty Mutual Insurance
Company and Liberty Mutual Fire Insurance
Company.

Directorships: Liberty Mutual Group - (see attachment)
Bank of Boston Corporation, Boston
First National Bank of Boston
Boston Edison Company
The Neiman-Marcus Group, Inc.
Northeastern University - Trustee
Alliance of American Insurers
Dana-Farber Cancer Institute - Trustee
Institute for Circadian Physiology - Trustee
Museum of Science - Overseer
United Ways of Eastern New England - Executive Committee
Massachusetts General Hospital - Overseer
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American Institute for Property and Liability Underwriters/
Insurance Institute of America - Director

Clubs: Algonquin - Boston, MA
Mid-Ocean Club - Bermuda

LIBERTY MUTUAL INSURANCE GROUP

Chairman of the
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Liberty Mutual Fire Insurance Company, Boston
Liberty Financial Services, Inc., Boston
Liberty Life Assurance Company of Boston
Liberty Mutual (Bermuda) Ltd., Bermuda
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Liberty Insurance Corporation
Liberty Mutual Insurance Co. (Massachusetts) Ltd.
Liberty International Insurance Agency
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Liberty Mutual Capital Corporation (Boston)
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City/State: Dover NH Liberty Mutual

Event: _____

Date: _____

OFFICE OF PRESIDENTIAL ADVANCE CONTACT SHEET

Name	Office	Phone Number
Presidential Advance Office		202/456-7565
Presidential Advance Fax Number		202/456-2820
Patricia Conrad	WH Adv	202/456-7565
MEL WIKENS	WH ADV	202/456-7565
Barbara Russell	Dover Town Chair	603/749-6889
Hugh Grege	Bush (Orange) NH	603/647-3000
Bob Simon	WH Speechwriting	202-456-7750
Kerrie Daly-Ryan	Liberty Mutual	(603)749-2600 x31021 (659-7411 home)
Carol Mathis	Liberty Mutual	(603)749-2600 x31950 (664-5207 home)
LYNN LAWSON	WH Political Affairs	202-456-6510
JOHN B. RHODES	GUARDSMARK Security	749-2600-31977 (603)692-7288
James Earle	Guardsmark - Supervisor	(617)423-0111 (617)545-5693 (home)
Bob Steele	WH CA	202/395-4040
Richard Williams	WH CA	202/757-5196
Dave Mc Carthy	NH STATE Police	271-3636
Jim Fitton	USSS/Concord	603 228-3428
LARRY SPERC	USSS/PPD	202-395-4112
PAUL KING	WH S	617-382-7537
Bob Goodwood	Liberty Mutual / Dover	603-749-2600 x31000
Brian Montgomery	White House Advance for Press	202/456-7565
Cory Tilley	Bush - Orange NH	603-647-3000
Kelley Gannon	WH Advance	202-456-7565
Diene TURNER	LM / Media Relations (Boston)	W 617-5743752 H 617-648-2321
DALE JENKINS	WH ADVANCE	NH 202-456-7565 603-431-2300

Workers Compensation: A Call For Reform

The Customer's Advocate -
Because We Understand The Costs Involved



Today, many state workers compensation systems are in trouble. As the leading writer of this insurance, Liberty has a stake in a healthy system. When Liberty was created in 1912 to underwrite workers compensation, it was our only business and it is still our largest, accounting for 48% of our premium. When the system works well, we all benefit; if it works poorly, we all lose — especially the injured worker. Using a national coalition and print advocacy campaign, we are trying to raise national awareness about the seriousness of the workers compensation problem and inspire reform at the state level.

THE PROBLEM: Many states are suffering a severe workers compensation crisis. The primary threat to these systems is rapid cost escalation of the underlying factors that comprise workers compensation. Rising medical and legal costs are partly to blame, and so is a frequently inefficient state administrative system.

THE SOLUTION: We believe that to reform the system, a national organization is needed to help create and sustain coalitions at the state level. Liberty Mutual has undertaken two initiatives to help raise national awareness of our troubled workers compensation systems, and to inspire meaningful reform at the state level.

1. To encourage a national dialogue, our Chairman, President, and CEO, Gary L. Countryman, has helped form a national organization called, “The Labor-Management Group on Workers Compensation.” The core group has representatives from business, labor, the medical profession, and insurance. In addition, lawyers, academics, legislators and regulators are all periodically invited to participate. We are also encouraging the creation of similar coalitions in many states.

2. Liberty Mutual developed a workers compensation advocacy campaign which has appeared in major national business publications. Once again our message is simple: When the system works well, everyone benefits. When it fails, everyone loses — especially the injured worker.

The following are what Liberty sees as the four pillars of a healthy workers compensation system:

I. LOSS CONTROL — A system that places heavy emphasis on accident prevention and rehabilitation.

II. QUALITY MEDICAL CARE AND ADEQUATE INCOME BENEFITS — A system that promptly provides the basic needs of injured workers.

III. EFFICIENT, DISPUTE-FREE BENEFIT DELIVERY — A system that delivers medical and income benefits to injured workers in the most efficient and dispute-free ways possible.

IV. COST STABILITY — A system that provides cost stability within the framework of common sense notions about inevitable rates of inflation.

As the consensus is built for workers compensation reform, Liberty Mutual is also advocating some important steps for restoring our workers compensation systems. Some of these steps are designed to manage the cost of providing quality medical care and are derived from years of claims experience as the largest workers compensation insurer. Other recommendations are based on well-run state administrative systems. All of the following, however, support the common goal of fast, fair benefits delivered in as dispute-free manner as possible.

- 1) Provide quality managed care from the moment of injury. In addition to assuring that workers get the right kind of medical care for an injury, this encourages teamwork between the employer and employee, to quickly get the employee back to work.
- 2) Coordinate treatment, rehabilitation and return-to-work efforts. It is important that the employer and insurer work together to make sure there is timely and open communication with the employee. It is essential that proper treatment, occupational and vocational rehabilitation, and plans for returning to work be developed in a reasonable and cost-effective manner.
- 3) Eliminate “doctor shopping.” Most troubled systems allow for unrestricted treatment. This can open the door for abuse by continually allowing new doctors into the process, which can unnecessarily prolong disability and sometimes lead to a “battle of experts” over the extent of a disability. This can be curtailed by use of independent medical examiners or through creating or strengthening appropriate provisions in the law.
- 4) Establish sensible fee schedules and periodic reviews for medical services. Medical service fees must be realistic and reasonable. Fee schedules can reduce litigation and the associated costs.
- 5) Emphasize dispute-free resolution. This was the original intent of the system. Disagreement in any claim should be dealt with promptly, thus reducing the need for attorney involvement. Educating employees of their rights and employers of their responsibilities is a key to avoiding disputes.
- 6) Build efficient administrative systems. A well-funded, well-staffed and “hands on” administration for workers compensation would enable the system to work more quickly and efficiently.

Fighting The High Cost Of Auto Insurance

The Customer's Advocate -
Because We Understand The Costs Involved



Over the past decade, rising auto insurance costs have hit everyone where it hurts most — in the wallet. Liberty Mutual understands the impact high premiums can have on our customers and we work hard to help control costs *and* promote safety — an important way of controlling costs.

Why Auto Insurance Costs Go Up. There are five simple factors that determine the cost of auto insurance. They are:

1. *People have automobile accidents*
2. *Cars are expensive to repair*
3. *Medical treatment for accident victims is expensive*
4. *People steal cars*
5. *Some people submit fraudulent or inflated claims.*

Each problem requires different solutions. Some solutions can come from individuals, such as wearing safety belts or driving within the speed limit. Others require substantial spending by government agencies that are already on a tight budget. And some solutions require changes by large segments of society so that laws and regulations can be changed. Yet only by working together at all levels can we control auto insurance costs.

WHAT LIBERTY IS DOING TO CONTROL AUTO INSURANCE COSTS AND HOW YOU CAN HELP

1. *Reducing Accidents Through Research and Legislation.* Liberty played a major role in researching the effectiveness of safety belts, air bags and anti-lock brakes at our Research Center in Hopkinton, Massachusetts. Now we've joined with other insurance companies and consumer groups to form Advocates for Highway and Auto Safety. We're working together on legislation and proactive programs to address:

- drunk driving
- safety belt use
- child safety seat use
- speed enforcement

Liberty also offers "safe driver" discounts and discounts for putting safety equipment in your car. You can help by driving defensively and within speed limits; supporting police in their traffic control efforts; supporting legislation to crack down on drunk and reckless driving; and buying cars with air bags, safety belts and anti-lock brakes.

2. Reducing Repair Costs. Studies show the cost of repairing a totally demolished car retailing at \$17,500 is \$60,755 in replacement parts made by the auto manufacturer, plus labor charges. Liberty is working in two areas to reduce repair costs:

A) Reinstatement of federal 5 m.p.h. bumper requirements and introduction of legislation requiring car manufacturers to include information on bumper strength on new car stickers, and

B) Recommending the use of less costly, high-quality Quality Replacement Parts made by independent manufacturers. Liberty Mutual fully guarantees the use of these parts. You can help cut repair costs by supporting legislation to improve the safety of cars, using guaranteed Quality Replacement Parts where appropriate and buying cars with 5 m.p.h. bumpers.

3. Programs to Prevent Injuries. Liberty Mutual supports ongoing efforts to control medical costs. The best short-term solution, however, is to prevent injuries or reduce the severity of those that do occur. Individuals can help by obeying speed limits, driving to suit road conditions, never driving while under the influence of drugs or alcohol, using safety belts and purchasing cars with air bags.

4. Initiating New Laws And Devices To Combat Auto Theft. Auto theft has been on the rise steadily since 1983. Liberty participates in Auto Theft Prevention Bureaus that make grants to local police departments in areas with substantial theft. We have also taken the lead in promoting an electronic retrieval system to help recover stolen cars and we provide discounts for installing anti-theft devices. To avoid having your own car stolen, you should park in well-lit areas, lock your car and take the keys and install an anti-theft device.

5. Supporting Anti-Fraud Activities and No-Fault Laws. Fraudulent claims lead to higher insurance rates for everyone. Liberty has established a special unit to root out fraud. We also support legislation that establishes government-run anti-fraud units.

In addition, many claims for minor bodily injuries clog our courts and drive up auto insurance costs in some states. In these states, the solution is a good no-fault system where victims receive benefits quickly, and lawsuits are only permitted for serious injuries. With such a no-fault law, your insurance company pays you if you are injured, no matter who is at fault. Encourage your state legislator and insurance commissioner to establish a good no-fault law.

Each state has different problems. Some have a high number of accidents, but low auto theft rates. Others have low accident rates but a very high incidence of lawsuits related to bodily injury. While the combinations may be different, the end results are the same. Whenever one factor is substantially higher than the national average, auto insurance costs will reflect the difference.

Revamping The Health Care System

The Customer's Advocate -
Because We Understand The Costs Involved



Liberty Mutual is working on a national level to make our health care system fairer and more affordable for our customers and create a “seamless” system that insures everyone. We believe that all the people involved — insurers, doctors, hospitals, politicians and even consumers, need to work together for meaningful reform to occur.

THE PROBLEM

America spends 12% of its Gross National Product on health care. Not only do we spend nearly 50% more than other industrialized nations, we clearly get less. More than 37 million Americans have no health insurance or are not eligible for public “safety net” programs. Most employers have seen the cost of their group insurance plans rise by 20% in each of the last three years. Each year, more and more employers must drop or severely restrict coverage, leaving their employees unprotected.

One of the biggest roadblocks to developing a better health care system has been fear of who will pay the bill.

THE SOLUTION

To overcome this barrier, Liberty Mutual is advocating a two-phase plan.

Phase 1 would implement the many solutions that can have a fundamental impact on the system without costing great sums of money.

Phase 2 can then tackle the more costly changes that will create a “seamless” system and provide for adequate reimbursement.

Here are a number of changes, most of them “revenue neutral,” that can be accomplished in Phase 1 and have a profound impact on the system:

- 1) *Modify insurance industry practices.* Eliminate the medical underwriting and pre-existing condition provisions that exclude many people. Insurance companies should compete on the basis of how effectively they manage their customers’ health care dollars rather than on which Americans to exclude from coverage.

2) *Improve public programs.* The government must broaden the “safety net” for those who cannot afford health insurance. Primary care should first be offered to the poor, especially children and pregnant women.

3) *Reform the method by which medical malpractice claims are paid.* The threat of being sued for malpractice has an even greater impact on the cost of health care than the actual cost of the malpractice insurance. Many times this threat forces doctors to practice defensive medicine to avoid a potential lawsuit. Much of this paranoia can be relieved if before filing a lawsuit, the claimant could submit their claim to arbitration. If the claimant felt that the outcome of arbitration were unsatisfactory, they could then bring a court suit. This would resolve problems more quickly and still protect the consumer's right to sue. Also, clearer and more rational criteria should be developed for what constitutes negligence.

4) *Lower administrative costs.* Currently various insurers, government agencies and Medicare use different claims forms and procedures. The technology has existed for some time that would enable all payers to use one system of electronic claim filing and payment, which would dramatically reduce administrative costs.

5) *Reimburse the most efficient and effective providers.* A common system could also be the basis for information on relative costs among providers. With a central information pool, appropriate treatment guidelines can be established which would tell doctors, consumers and payers a great deal about the most effective treatments.

6) *Establish “Centers of Excellence.”* Hospitals should establish area “Centers of Excellence” to eliminate duplication of expensive equipment which negatively affects both cost and quality.

Having accomplished Phase 1, we can turn our energies to Phase 2 to create a “seamless” system that provides care to all Americans.

The health care crisis in America presents us with economic and political challenges as well as challenges of conscience. It's not a problem that Liberty Mutual or the insurance industry can solve alone — it will take the cooperation of everyone involved.



City/State: Dover NH Liberty Mutual

Event: _____

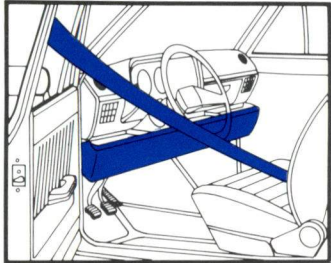
Date: _____

OFFICE OF PRESIDENTIAL ADVANCE CONTACT SHEET

Name	Office	Phone Number
Presidential Advance Office		202/456-7565
Presidential Advance Fax Number		202/456-2820
Patricia Conrad	WH AW	202-456-7565
MEL WIKENS	WH ADV	202/456-7565
Barbara Russell	Dover Town Chair	603/749-6889
Ash Gregg	Bush (Orange) NH	603/647-3000
Bob Simon	WH Speechwriting	202-456-7750
Kerrie Daly-Ryan	Liberty Mutual	(603)749-2600 X31021 (659-7411 home)
Carol Makris	Liberty Mutual	(603)749-2600 X31950 (664-5207 home)
LYNN LAWSON	WH Political Affairs	202-456-6510
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James Earle	Guardsmark - Supervisor	(617)423-0111 (617)545-5693 (home)
Bob Steele	WH CA	202/395-4040
Richard Williams	WH CA	202/757-5196
Dave Mc Carthy	NH STATE Police	271-3636
Jim Fitton	USSS/Concord	603 228-3428
LARRY SPERC	USSS/PPD	202-395-4112
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Brian Montgomery	White House Advance for Press	202/456-7565
Cory Tilley	Bush - Orange NH	603-647-3000
Kelley Gannon	WH Advance	202-456-7565
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DALE JENKINS	WH ADVANCE	NH 202-456-7565 603-431-8300

AUTOMATIC CRASH PROTECTION AND CHILDREN

There are two kinds of automatic occupant protection systems available today: air bags and automatic safety belts. Each is designed to protect front seat passengers and is available in all new passenger cars.



AUTOMATIC SAFETY BELTS

Automatic safety belts move into place around front seat passengers when the car doors are closed. They are not designed, and should not be used, to install child safety seats in a car.

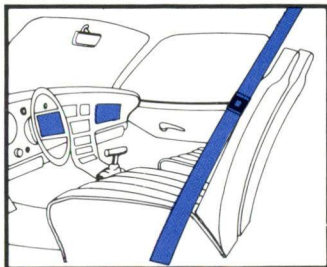
Some cars with automatic belts also have manual lap belts. In these cars, the manual lap belt should be used to install a child safety seat. For cars without manual lap belts, the child safety seat must be installed in the rear seat. Most cars without manual lap belts allow for belt installation (check instructions in the owner's manual).

Shoulder-only Automatic Belts are designed to protect adults. Children in a car equipped with shoulder-only automatic belts should sit in the rear seat and use a lap or lap-shoulder belt.

Lap/Shoulder Automatic Belts can be used for an older child if the shoulder portion fits smoothly across the chest and shoulder. If it does not, place the child in a rear seat lap or lap-shoulder belt.

AIR BAGS

Air bags offer excellent frontal crash protection, especially when used in combination with lap and shoulder safety belts. The air bag remains concealed until a frontal crash of about 12 mph causes it to inflate.



Air bags are only part of a total occupant protection system. Children in the front seat of an air bag-equipped car should be secured in a child safety or booster seat or by the car's lap belt. This will hold them in place for air bag protection in a frontal crash, while protecting them against side, rear and rollover collisions.

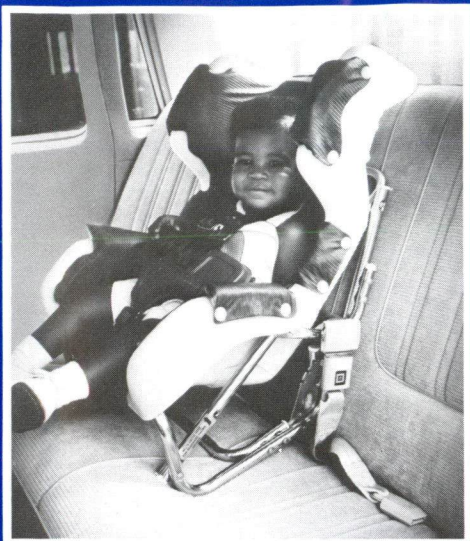
Child Safety

IN YOUR
AUTOMOBILE



LIBERTY
MUTUAL





All 50 states now have child passenger safety laws.

Many safety systems are available to protect young passengers on our roads. This brochure will help you make a choice by answering the questions most often asked about their use.

If you need additional information about child safety seats. . . or another automotive safety topic. . . call the National Highway Traffic Safety Administration's Toll-Free Auto Safety Hotline:

(800-424-9393)

(426-0123 in the Washington, D.C. Area)



U.S. Department of Transportation

National Highway Traffic Safety Administration

OCCUPANT PROTECTION FOR CHILDREN

WHY IT'S NEEDED

Each year, hundreds of young lives could be saved and thousands of injuries prevented or reduced in severity if children were properly protected in cars.

During a crash, unprotected occupants are thrown around inside the car *after* the vehicle hits an object and halts. Even a sudden stop can hurl unprotected children through a car like missiles. A child held on a grownup's lap "for protection" may be crushed against the dashboard by the adult's weight. No one has the strength to keep a child from smashing into the car's interior, or from being ejected from the car during a crash.

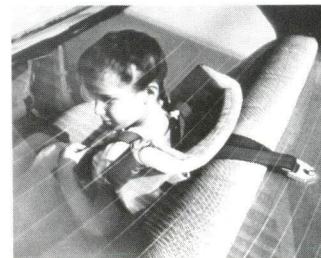
HOW IT WORKS

Occupant protection systems, correctly used, help keep people from being tossed around in a car. They hold passengers in place and absorb some of the violent energy, while spreading the forces of a crash over strong parts of the body. In short, occupant protection systems limit the injury to the passengers inside the car.

HOW TO USE IT

Child safety and booster seats are certified by the manufacturers to meet federal safety standards when they are used *as designed*. Improper installation or use may reduce the protection to your child.

- *Always* anchor the seat to your car with the car's lap belt *exactly* as specified by the manufacturer.
- *Always* protect your child with either the harness or padded front shield, depending on what model child safety seat you have. Some seats have both and, in that case, both must be used.
- *Always* adjust the harness around seasonal clothing, leaving an inch of room so the child can move. The strap ends must be doubled back through the buckles, so the harness will not pull apart.
- *Always* use the tether if your safety or booster seat requires one. Some older models have a tether that must be attached to keep the child from being thrown forward in an emergency.



NEVER use plastic feeder seats, car beds, pillows, or cushions which are not certified to protect children in cars. Certified child safety seats have a label showing that they meet federal safety standards.

INFANTS: BIRTH TO ABOUT 9-12 MONTHS

Protection for newborns should begin the first time they ride in a car, using an infant safety seat or a convertible seat in the infant position. When a convertible seat is in the infant position, it looks and functions exactly like an infant-only seat.

Either of these seats cradles your baby in a semi-reclining position, protects the infant with a harness, and is anchored to the car with the vehicle's safety belt. The seat *must face the rear of the car* so that the baby's strong back can absorb the forces of a crash. By the time a child is too big to face rearward comfortably, the chest and hips will be strong enough for the forward-facing position.

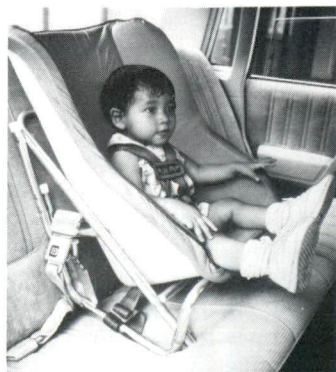
When an infant-only seat is outgrown, a toddler seat must replace it. A convertible seat, however, may be changed to fit a toddler by following the manufacturer's instructions.

CONVERTIBLE SEATS: BIRTH TO ABOUT 4 YEARS

Convertible seats recline and face rearward for infants and can be changed to the front-facing, non-reclining position for toddlers.

When a convertible seat is in the toddler position, it looks and functions exactly like a toddler-only seat. The manufacturer's directions explain how to convert a seat from one position to another, how to rethread the harness, and how to reroute the car's lap belt through the seat in the toddler position. In addition, the instructions will explain when the child is big enough to require the toddler position.

Convertible seats save money because only one seat is needed as the child grows. But convertible models may be heavier and more difficult to move than infant-only and toddler-only seats.



Crash Protection For C

- Child safety seats are a youngster's best protection a
- The safest place for your child is the rear seat of a ca
- All child safety seats manufactured after January 1, 1 safety standards.
- Not all models fit in all cars. Shop for a seat that is co seat in your car.
- Your child's safety depends on your willingness to u your child rides in a car. Incorrect use of child safety chart below describes the most common mistakes m

Common Mistakes

Infant & Toddler Seats

Harness not fastened o shoulders.

Harness fastened too l

Toddler Seat

Car belt is routed thro section of frame.

Infant & Convertible Seats

Seat installed so infant of car.

Booster Seat
(without shield)

Neither tether harness shoulder harness used

ALWAYS CONSULT THE MANUFACTURER'S INSTRU

Children

against injury.

r.

1981 have a label certifying that they meet federal

venient for you, try your child in it and then try the

se the equipment correctly, and use it every time
y seats drastically reduces their effectiveness. The
ade when using safety seats.

Possible Crash Consequences

over child's

Child could come out of harness and be thrown against interior surfaces of car or ejected.

loosely.

Child can tip forward and strike interior surfaces of car.

ugh lowest

Seat can tip forward . . . or completely over and child can strike interior surfaces of car.

faces front

Injuries because of extreme pressure on the most fragile parts of the body.

nor

Child could be thrown against interior surfaces of car.

INSTRUCTIONS WHEN INSTALLING A CHILD SAFETY SEAT

Some convertible seats have a tether that must be anchored if the seat is in the toddler position. If a tether is required, follow the manufacturer's installation directions carefully.

TODDLER SEATS

Toddler seats are designed for children who can sit up without support. They can only be used forward-facing. Most contain a harness to protect a child's upper body, but a few seats use a shield system instead and some have both. It is important to attach the lap belt *exactly* as recommended by the manufacturer. Some older models have a tether strap that must be anchored to the car's structure.



BOOSTER SEATS

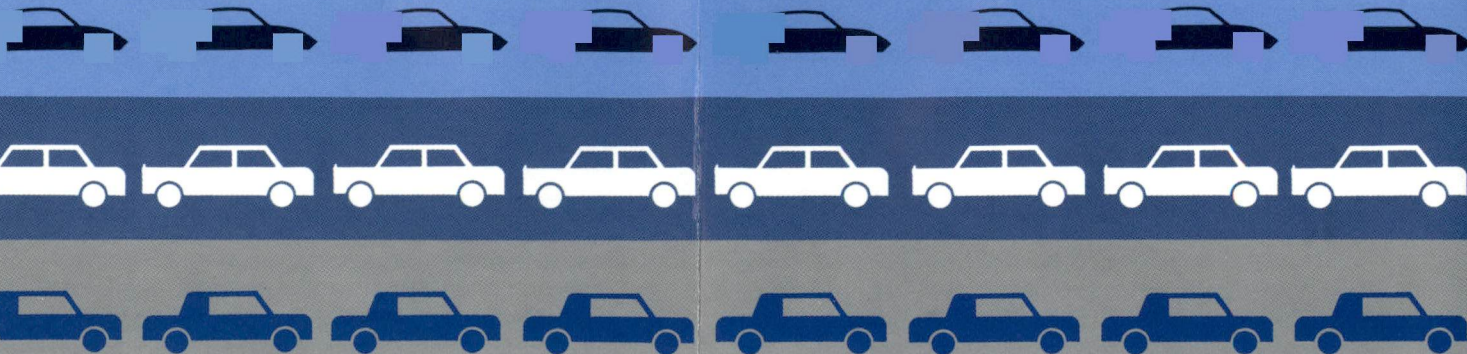
Booster seats are intended for older children. NHTSA recommends that parents keep their children in toddler or convertible seats as long as possible, at least until the child weighs approximately 40 lbs. Boosters elevate children so the car's lap belts fit across their hips and pelvic bones, or the booster shield, rather than their stomachs. Boosters with a harness must be used with the harness or with the car's lap/shoulder belt. Models that come equipped with a shield for upper torso support should *only* be used with the shield and the car's safety belt.

YOUR CAR'S SAFETY BELTS

Child safety seats are more effective than safety belts for small children. But when no safety seat is available, any child who can sit up unaided should be protected by a safety belt. Safety belts may be used for children who have outgrown safety seats.

Do not use the shoulder belt if it falls across the front of the neck. Instead, use the lap belt only and fasten it snugly and as low as possible across a child's hips. The safest place to use safety belts for youngsters is in the rear seat of your car.





How to survive

THE TEENAGE DRIVING YEARS

a guide for both
teenagers and parents



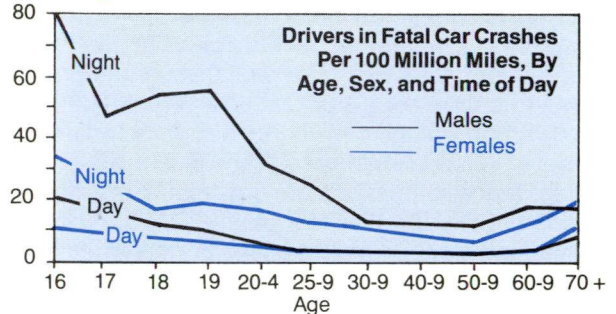
Liberty Mutual Insurance Group/Boston





NIGHT DRIVING

The fatal crash risk of teenage drivers is higher between 9:00 p.m. and 5:00 a.m. than any other times. For example, the nighttime fatal crash rate per mile for 16-year old boys is *four* times that of their day rate and *eight* times the day rate for girls.



Source: Insurance Institute For Highway Safety, 1989

There is no better way for a young driver to gain experience and driving knowledge than actual, hands-on experience. Unfortunately, for many teenage drivers their experiences are sometimes tragic. Auto accidents are the number one killer of our nation's youth, killing more than 8,000 teenagers each year.

Liberty Mutual Insurance Company believes that if parents and teenagers work together, the injuries and fatalities of teenagers on our nation's highways can be reduced.

Throughout this brochure, Liberty Mutual provides facts and possible ways that parents and teenagers can work together to avoid auto accidents.

We urge parents and teenagers to discuss these points and establish a group of common rules to live by. Now is the time to address this important matter. It's too late after tragedy strikes.

TO THE PARENTS: By establishing reasonable curfews for your children and making sure that they adhere to them, there will be fewer teenage drivers on the road during those hours when the fatal crash rate is considerably higher. Friday and Saturday nights are the nights when curfews are the most important. "Cruising around" late on weekends causes most teenage deaths in auto accidents, and curfews for teenagers will help alleviate this problem and will also help keep the nation's youth off the road during the time period when drunk driving is more prevalent.

TO THE TEENAGER: Your parents may set curfews for you to follow. That doesn't mean that they don't trust you, or that a curfew is some type of punishment; all it means is that they care about you and are concerned about your safety.

Nighttime driving is more difficult for all drivers because visibility is reduced, the glare of oncoming headlights can be blinding, and drivers are generally more tired at night. Drunk drivers are also a concern late at night, and while you may be a safe and courteous driver, you always have to watch out for the other drivers on the road.

ALCOHOL, DRUGS AND YOUTH



Inexperience at both drinking and driving is often a fatal combination for teens. Alcohol, which impairs the decision making and control process, is present in nearly half of all fatal car crashes. If alcohol is consumed faster than the body can dispose of it, a gradual build-up takes place. This build-up is called Blood Alcohol Concentration or BAC. In most states, a BAC of 0.10 percent (unit of weight/percentage of volume) is considered legal proof of intoxication. For teenagers, it has been found that one-third of male drivers and one-sixth of female drivers killed in motor vehicle crashes have even higher concentrations of alcohol in their blood.

TO THE PARENTS: Your children learn by example, usually your examples. If they see you using and abusing alcohol and other drugs, then they may assume that it's okay for them to do the same. Of course it isn't, but it can be difficult for parents to justify why they can do something their children can't. As far as drinking and driving is concerned, *no one should drive drunk*. If you are drinking, please don't drive. Once again, if your teenagers see you do it, they'll probably do the same. This is one area where examples of your social and driving habits will have a great effect on your children.

TO THE TEENAGER: Alcohol and drugs are present everywhere in our society and are abused and misused by young and old alike. A common belief among teenagers is that drinking is "the grown-up thing to do," but the truth is that being a responsible drinker and being accountable for your own actions, drunk or sober, is the mature thing to do. Liberty Mutual would like to urge teenagers to make responsible decisions for themselves. Chances are very good that someone you know has been killed or seriously injured in an alcohol-related accident. Don't let peer pressure lead you to do something that may take your life or the life of a friend.

SAFETY BELTS



Belt use laws have increased the use of safety belts in many states, but the latest estimates show that less than half of all drivers and even fewer passengers use safety belts. Teenagers wear their safety belts even less than older adults. Over 625,000 serious facial injuries, 180,000 cases of brain injury, and 5,000 spinal cord injuries result annually from automobile accidents. Safety belts, when worn, *reduce* the number of deaths or serious injury by 45 percent. States that have enacted mandatory safety belt laws have noticed a reduction in the death and injury rate in auto crashes.

TO THE PARENTS: Safety belts are an effective means of preventing a disabling injury, or a fatality. Over 50 percent of *ALL* drivers in the United States do not wear their safety belts, adults included. Parents, this is the one area where your examples are closely followed. If your state has a safety belt law, obey it. If your state doesn't have a law, set an example for others and buckle up. Whenever anyone gets in the car, insist that all passengers buckle up and make wearing a safety belt a requirement for your teenage drivers whenever they use the car.

TO THE TEENAGER: Disabilities resulting from crashes can change your future in just a matter of seconds. Those simple tasks, like running, talking and walking, that are so easily taken for granted, could be gone forever. Just dialing a telephone could become a difficult task. A facial injury could leave a scar for life.

The best way for you to protect yourself in a car is by wearing a safety belt. A popular belief is that safety belts are only for bad drivers. Safety belts are meant for everyone, and good drivers wear their safety belts because they know that no matter how skillful a driver they are, there is always that chance that someone else might hit them.



SPEEDING



Thirty-three percent of teenage boys and 14 percent of teenage girls admit to regularly driving at speeds higher than 70 m.p.h. The faster you drive, the greater the chances are that you may be killed or seriously injured in an auto accident.

TO THE PARENTS: Many teenagers have a tendency to drive above the posted speed limits. That places them at a greater risk because they are not experienced enough to know their own limitations or those of the cars they drive. Setting a good example by obeying posted speed limits at all times will provide a good foundation for your teenagers.

TO THE TEENAGER: Speed kills. When driving at higher speeds, your chances of being involved in a serious auto accident increase significantly. Driving fast gives you less time to react in an emergency situation, and it takes longer to bring your vehicle to a complete stop. Everyone drives differently, and every car has its limitations depending upon age, condition, and overall design.

Through experience we learn our limitations, but it takes time. Liberty Mutual suggests that you play it safe when learning your own limitations. Obey all posted speed limits. Don't push your experience to the limit.

TO THE PARENTS: Liberty Mutual hopes that the information we've provided will prompt you to sit down and discuss these hazards with your teenage drivers, or if you have children who are nearing driving age, start discussing driving hazards with them now. It is most important that you practice what you preach. For example: If you tell your children they must wear their safety belts, wear yours also. Don't drink and drive after you tell your children not to.

The teenage years are filled with new experiences and new decisions to make. Combined with peer pressure, these decisions are sometimes not the right ones. Communication between parents and their teenage children is an important means of establishing good driving habits, along with good social habits.

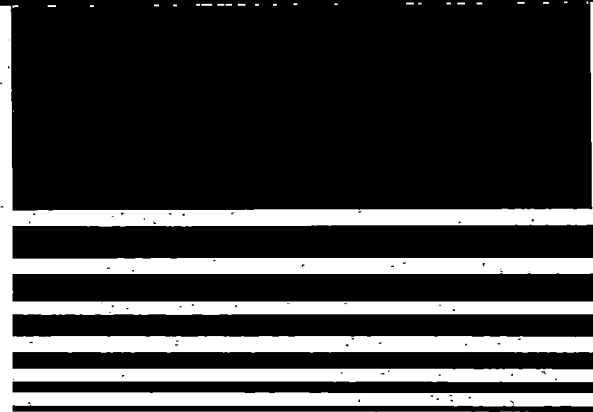
TO THE TEENAGER: Your parents care about you and your future, that's why they ask what you may consider to be nagging questions like, "Where are you going?" or, "Who are you going out with tonight?" They may also say, "Be careful!" "Be home at 10:00 p.m.," or "Drive safely!" which you may interpret as your parents not having any faith or trust in you. But just remember, if your parents didn't care about your safety, they probably wouldn't say these things.

If you need to talk to your parents, or need help making a decision, don't be afraid to ask them. They'll probably be pleased that you cared enough to ask for their help.

Liberty Mutual would like to remind you of these key points:

- Avoid unnecessary driving, especially late at night.
- Don't drink and drive.
- Wear your safety belt at all times.
- Obey all posted speed limits.

Ultimately, it's up to you to decide to drive in a responsible and safe manner, and to make mature, rational decisions using your own good common sense.



Health Care Reform

**SOCIAL RESPONSIBILITY AND
FREE MARKET EFFICIENCY**

Prepared for the Pepper Commission Staff

Robert L. Laszewski
Executive Vice President, Group Markets
Liberty Mutual Insurance Group
Boston, Massachusetts

PREPARED FOR PEPPER COMMISSION STAFF
DECEMBER 23, 1989
REVISED SEPTEMBER 1990

SUMMARY

1. Access is a problem which must be solved.
2. But, access should be solved in such a way as to promote more market efficiency since lack of efficiency is an even more fundamental problem.
3. The construction of public risk pools does not promote efficiency. In fact, the private passenger auto and workers compensation risk pools that are currently in crisis prove that.
4. Health insurance carriers churn business and exclude individuals from coverage. This is not good social policy and it does not contribute to the efficiency of the health care system. The best way to manage these costs is to have the private sector take responsibility for them, and therefore, have the incentive to manage them.
5. Barriers to access now in place in insurance contracts should be eliminated. Insurance company rating for small groups should be on a community basis. The business of insurance companies should be the basic pooling of risks and the effective management of health care dollars.
6. While a transition government-run, or at least structured, risk pool may be necessary, the private sector can and should continue to provide reinsurance. If there is government reinsurance, the carriers will pass their bad claims on to the pool and will have no incentive to compete on the basis of who is the best manager of expensive claims. Expensive claims are the ones that need the most management.
7. Insurance carriers must act in a socially responsible manner. And, carriers must act in a way that enhances the efficiency of the health care economy. Both of these things go hand-in-hand.
8. Solving the problem of access through insurance underwriting reform is only one of many elements that must be addressed. To address only underwriting reform, and not address the need for tort reform, simplified benefits, better information about appropriate care, appropriate provider and facility capacity, and consistency in data reporting, will fall short of the comprehensive reforms that are necessary.

In *An outline for Health Care Financing Reform: Moving Toward a Rational System*, I discuss a general outline for rationalizing the American health care financing system.

In this paper I will concentrate on one aspect of that: The underwriting behavior of health insurance providers and the manner in which it should be improved.

When insurance began, the customer need was for insurers to simply provide for the pooling of unforeseen and significant risk. As time went on, the more entrepreneurial group health insurance underwriters came to realize that certain customers, particularly in the small employer market, tended to have better claim experience than others. This led to the collection and interpretation of data that could provide a competitive advantage.

Carriers began to compete over knowing who the "best risks" were and then providing rate discounts to attract and hold them. The objective was to have the "cleanest" and therefore most profitable pool of risks. Later, not only did carriers seek out the best risks at the time of the initial underwriting, but they also learned how to discard the poorer risks from their existing block of business. If they were wrong about a risk at the point of initial selection, or if the case deteriorated over time, the response might be to eliminate that group through cancellation, or more often, to charge a higher rate to compensate.

Many carriers became astute at risk selection and the churning of their business. At the extreme, the most controversial behavior occurred when groups with very large claims were cancelled and found themselves in a position of not being able to find group coverage. Or if they did, having difficulty covering the most severe claims or being forced to pay a very high price for it.

No insurance carrier has been immune from at least some of this behavior. Any carrier that acted otherwise would find itself inundated by "poorer" risks that could not find coverage elsewhere. The only practical course was to practice some form of medical underwriting or customer selection to protect the insurance company's financial integrity. Or for the carrier to move out of the small employer market where such practices are common.

The group insurance marketplace for companies with greater than 100 employees tends not to be burdened by these difficulties, because risks of this size are most often "experience rated," and stand primarily on their own claims experience. As a result, the emphasis on risk selection, churning of business, cancellation, or claim exclusion is not so great a problem as it is for the very small employer.

THE BARRIERS TO FAIR, COST-EFFICIENT HEALTH CARE

Inevitably, health care reform debates focus on the issue of access to health care and ultimately come to an examination of these underwriting practices. And, this is appropriate. However, while access and the impediment to access that these problems raise is indeed a fundamental issue, I will argue that an even more fundamental problem is the cost of health care. The fact that we spend 12% of this nation's Gross National Product (GNP) on health care versus the 8% - 9% spent by other western industrialized nations is not because of access. The high-cost of care is actually one of the fundamental problems that drives the access problem.

Any solution to the access problem must be constructed in such a way as to also address the issue of cost. The overriding problem in America's health care system is that the health care economy is dysfunctional. The health care market suffers from great inefficiency because the basic system of supply and demand is not working.

As we deal with the access problem, we must recognize that access for those now excluded must occur, but it must occur in a way that is consistent with seeing the market more efficient.

For example, many would argue that those who are "uninsurable" but able to pay for insurance should enter a more rationalized system through risk pools. These risk pools could be constructed at the state, or perhaps federal level, to provide health insurance for those unable to get it because of existing underwriting practices. The objective is to cover these people at a reasonable price without the private sector having to be burdened by these "poor" risks.

RISK POOLS: PROBLEM OR SOLUTION

The use of these risk pools is well meaning, but I believe it does not address the most basic requirement of effective health care reform — the system must be made more cost-efficient.

For example, creating risk pools in each state would be the wrong thing to do because:

1. The value of individuals from the private sector is that as entrepreneurs, they will be most effective at managing their customers' money. Those individuals now considered poorer risks are at great risk of having very sizable claims. They are the most in need of cost management techniques. If these people are pushed off to state-run pools, there will not be the financial accountability in these pools that there will be in a private-payers plan, and these large and expensive claims will not be as well managed.
2. Politically controlled risk pools are nothing new. The workers compensation and private passenger auto markets have had them for years. The risk pools have not made those products more efficient. Rather, both the auto and workers compensation markets are in more crisis than they have ever been.

It would be an incredible irony if the group health industry went the way of state-run risk pools when the following have taken place:

- a. Proposition 103 occurred in the California auto insurance market where risk pools have existed for years.
- b. New Jersey voters elected a governor on a platform of auto insurance reform where the management of that state's system, including risk pools, had brought a crisis to the state's drivers. New Jersey now suffers with more than a \$3 billion deficit in its auto insurance pool!
- c. The Texas legislature held a special two-week session to reform the workers compensation system where risk pools have been in force for many years.

Time and time again, we have learned that when risk pools are created and put under a political jurisdiction, they are managed to respond to political pressure as opposed to being managed in a manner that encourages financial efficiency.

3. Risk pools can take two basic forms, those that operate to reinsure carriers who "insure" the claims but pass losses on to the pool, or risk pools that actually sell insurance to those who cannot get it.

In the case of public risk pools that reinsure carriers, the problem is that the carrier does not have economic incentive to manage the risk. This is simply a pass-through mechanism. In this situation, a carrier can continue to medically underwrite and churn its business. This sort of arrangement is nothing more than a means of subsidizing those carriers who want to continue to make money churning the market rather than managing health care risks. The risk pool absorbs the poorer claims and charges each carrier proportionately. It's a level playing field and a simple pass-through for everyone. That's fine for the insurance companies, but it does little to help bring the health care economy to an efficient point. The carrier can continue its underwriting practice and let the public system worry about those that are left out.

For the public risk pool actually in the business of accepting risk from those who cannot find coverage in the private sector, the problem of insurance companies being able to push off the "poor" risk and continuing to compete on the basis of "creaming the market" continues. In addition, a new problem occurs. These pools set their own rates. In a period of significant price increases, politicians often find it difficult to increase prices as much as necessary. The result is that pool deficits occur and they are passed on to those carriers operating in the market in proportion to their market share. That works well in the beginning. However, ultimately the "high-risk pool" price often becomes cheaper than what a "regular" risk might find in the private market. Suddenly, the state pool begins to grow and what should have been a pool for 2% or 3% of the market becomes a pool for 20% or even 50% of the market. The marketplace simply becomes dysfunctional.

An unrealistic prediction? One need only look at the New Jersey and Massachusetts auto pools to see that this has already happened. In fact, there are few auto or workers compensation risk pools that are not already at this point or alarmingly close to it.

Both the workers compensation and auto insurance markets now face a major crisis. Why? Because the response to insurance company underwriting practices and escalating claim levels was to create risk pools where no one really had financial accountability, politicians controlled the prices, insurance companies focused on risk selection, and fundamental reform was avoided. The result was an even greater crisis.

If we are to rebalance this out of control health care economy, we must do it by reinforcing financial accountability and not dilute that accountability with risk pools. We must drive insurance companies to compete on the basis of who can manage their customers' health care dollars most effectively, not who can churn business and find the "cream" most effectively. And, we must address other fundamental issues that prevent the health care system from operating efficiently.

In the short run, risk pools take insurance companies off the hook. In the long run, they become political monsters that no one has the courage to control. And in the final analysis, they do not make the health care financing system more efficient.

Risk pools do solve at least part of the access problem, because they grant access to individuals who don't have it now. That problem must be solved. However, the larger question remains, how do we grant access to those Americans who can pay for insurance but are unable to get it because of existing underwriting requirements?

On the surface, the simple answer is to eliminate such requirements. But, the answer goes further than that. Not only is access an individual problem for those people who have significant health problems, it is also a problem for employer groups who have a disproportionate number of high-risk or chronically ill participants.

MANAGING FOR EFFICIENCY

It is not enough to eliminate the offending medical underwriting practices. It is also necessary to dismantle the method by which carriers cull and churn their blocks of business, thereby competing on the basis of being the one with the most "select" portion of any given market. As long as those who are supposed to be managing their customers' health care dollars most efficiently turn their attention to which group is likely to be the healthiest, we will not have an efficient supply and demand health care economy.

Insurance companies, HMOs, etc., are the method by which both the consumer and employer attempt to be an efficient demander. Any reform that occurs must recognize that, and either force or encourage people to take on that role. Any reform that dilutes the incentive to be aggressive in the role of an intelligent demander or manager of health care dollars is counterproductive.

I submit that reform designed at solving the access and cost issue would look as follows:

1. First, divide the market into two parts: those employers with 100 or more employees and those with less than 100 employees. The reason for the division is that groups of 100 employees tend to be primarily experience-rated, and therefore, not subject to the culling and churning that goes on with totally "pooled" business.

I have chosen 100 employees as the break point because the level of credibility for cases smaller than this is relatively low. When cases of less than 100 employees are allowed to stand on their own, it is because they are deemed to be a superior case. The result is the culling and churning that does not serve the cause of market efficiency.

2. With respect to the market of less than 100 employee groups, all restrictions to participating in the program on the basis of medical condition would be eliminated. As long as the employee qualified as a full-time employee (perhaps 20 hours per week), paid their portion of the premium, and served a reasonable waiting period before being made effective (perhaps 60 - 90 days) there would be no barriers to participate in the employer plan.
3. In addition, all insurance carriers serving the market would be required to "community rate." That is, regulations would define communities (most probably geographic areas of at least 250,000 in population) that the carrier would either choose or not choose to compete in. The carrier would be free to set whatever rates it wished under the presumption that it would provide the lowest cost by keeping its expenses under control, and by being most effective at managing its claim costs through provider negotiations and management. The "community rate" would include the following provisions:
 - a. One block rate for each community.
 - b. Each carrier "takes all comers."
 - c. In calculating a given customer's group rates, an industry-standard age table should be used as well as a limited number of industry classifications. Such provisions used in this manner would serve to both prohibit the "cherry picking" and "churning" of business while still enabling small carriers to enter a market without having to fear taking on an overly expensive block of business.

The carrier could vary its rates by type of coverage. Those employers wishing to exceed a minimum level of required benefits could do so and would pay accordingly. Those buying expensive or inefficient plan designs would pay for that luxury.

In an earlier paper, I discuss the need for a plan of minimum benefits and certain tort reform pre-emptions that would serve to make such a health plan less costly.

4. Those groups of more than 100 employees would be subject to pricing on the basis of their experience. This is almost universally the case now, and it does not cause the inappropriate churning problems that exist in the small case market.

Groups of over 100 employees would also not be subject to any medical underwriting requirements unless the employee is a full-time employee and serves a relatively short qualifying period.

The purpose of requiring insurance companies to cover all employees and their dependents, even those with serious or chronic conditions, is to force as many Americans as possible into a rational system that concentrates on delivering effective medical care at the lowest possible cost. The only consideration that third-party payers should have on their mind is how to keep their overhead under control, and how to purchase required medical care for their customers at a reasonable cost.

It is possible that an industry risk pool for very large shock claims will be necessary. It is also possible that such a pool, administered in the industry and created through enabling legislation, will only be necessary for a transition period. On a given day, the barriers to access will come down and a flood of disabled and chronically ill people will descend on the nation's private-pay system. Therefore, a transition pool may be necessary, but only for a limited period of time. The carrier must know that it will be ultimately accountable for these claims and it must begin to manage them. And, it must know that its ultimate survival as a competitor will depend on how effectively it does that, not on how effectively it avoids those who need coverage the most.

It is probable that many carriers will want to "reinsure" large claim exposures. This is commonly done even today. This reinsurance, or pooling for insurance companies, is a viable business, and can be accomplished as it always has been in the private sector. And, for the sake of market efficiency, this reinsurance need should continue to be met in the private sector where there can be financial accountability.

For example, if a carrier finds itself with a \$500,000 claim but has all amounts over \$50,000 reinsured to a government pool, who has accountability to see if the remaining \$450,000 of exposure couldn't have been managed to \$350,000? If a private reinsurer is on the hook, it will either be managing that claim to reduce its liability, or it will have an agreement in place to have the primary carrier managing it. If the primary carrier proves not to be a good manager, the reinsurance costs will rise. In any event, with reinsurance in the private sector, there will be an incentive for these large claims to be managed. This serves to improve the health care system's efficiency.

In conclusion, I suggest the following:

1. Access is a problem which must be solved.
2. But, access should be solved in such a way as to promote more market efficiency since lack of efficiency is an even more fundamental problem.
3. The construction of public risk pools does not promote efficiency. In fact, the private passenger auto and workers compensation risk pools that are currently in crisis prove that.
4. Health insurance carriers churn business and exclude individuals from coverage. This is not good social policy and it does not contribute to the efficiency of the health care system. The best way to manage these costs is to have the private sector take responsibility for them, and therefore, have the incentive to manage them.
5. Barriers to access now in place in insurance contracts should be eliminated. Insurance company rating for small groups should be on a community basis. The business of insurance companies should be the basic pooling of risks and the effective management of health care dollars.
6. While a transition government-run, or at least structured, risk pool may be necessary, the private sector can and should continue to provide reinsurance. If there is government reinsurance, the carriers will pass their bad claims on to the pool and will have no incentive to compete on the basis of who is the best manager of expensive claims. Expensive claims are the ones that need the most management.
7. Insurance carriers must act in a socially responsible manner. And, carriers must act in a way that enhances the efficiency of the health care economy. Both of these things go hand-in-hand.
8. Solving the problem of access through insurance underwriting reform is only one of many elements that must be addressed. To address only underwriting reform, and not address the need for tort reform, simplified benefits, better information about appropriate care, appropriate provider and facility capacity, and consistency in data reporting, will fall short of the comprehensive reforms that are necessary.



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AN OUTLINE FOR HEALTH CARE FINANCING REFORM

Moving Toward a Rational System

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AN OUTLINE FOR HEALTH CARE FINANCING REFORM
JULY 1989
REVISED AUGUST 1990

1. Fundamental improvement can occur without major government spending or mandated employer programs.
2. The American health care system is not working. Too many people are excluded or receiving inadequate care.
3. Fundamentally, the health care supply and demand equation is out of balance. We do not spend our health care dollars efficiently. As a result the costs are high and the value less than it should be.
4. We are at a point in the debate where many argue that government should take over the system. Government is not effective at making things efficient. It is appropriate for government to set policy.
5. The incentives of the free market system are effective at improving efficiency. Since the fundamental issue is efficiency, the solution lies with a more efficient market, not a nationalized market managed by a bureaucracy.
6. We cannot solve the problem in a piecemeal fashion. A fundamental rebalancing must occur and this can only happen in a comprehensive way.
7. There are two basic issues:
 - Providing access to health care for all Americans, including the 37 million who are uninsured.
 - Improving the cost and quality of health care. We pay 12% of our Gross National Product (GNP), far more than other industrialized nations, and we provide far less access.
8. Access is a policy issue. Currently, people are excluded from coverage for various reasons, including pre-existing medical conditions. Government can change that through legislation. Access is also a cost issue, because many of the 37 million cannot afford to pay for health insurance coverage. Government must pay for those who cannot pay for themselves.
9. Health care is too expensive because the health care economy is very inefficient. These inefficiencies can be addressed through a comprehensive program of structural change that will have a nominal financial impact on the federal budget, and consumers and sponsors of health insurance programs, such as employers.

About our health care system, an observer recently commented, "Americans ration care, but not in an overt way. When we throw someone over the side, it's OK as long as we don't hear the splash."

There are parents going to bed each night worried that one of their children will awake in the middle of the night with a high fever and they won't have the money or the health insurance to go to the doctor. Others go about their business every day knowing they are somehow ill, but are not able to afford proper diagnosis and treatment. Relatively financially secure Americans see the cost of their health insurance escalating in dramatic ways and hear stories of unnecessary surgery and unnecessary pain. All the while, special interest groups — doctors, lawyers, insurance companies, corporations, labor unions — jockey for position in a "zero sum game" looking to at least hold on to their piece of the pie.

Everybody plays the health care financing game in America and fewer and fewer are winning.

THE HUMAN COST

America spends 12% of its GNP on health care. At the same time, many of our major trading partners spend 8%-9% of their Gross National Product on it. Not only do we spend more, we clearly get less. More than 37 million Americans have no health insurance or are not eligible for public "safety net" programs. In order to qualify for Medicaid assistance, the poor are required to meet unrealistic income requirements. In Alabama, for example, a family of three cannot earn more than \$2,000 per year in order to qualify. Across the country, the average maximum household income for a family of three is \$4,800. Beyond these income maximums, it is expected that a family of three should be able to pay for all of their needs, including the cost of health insurance, which will be \$3,000 - \$5,000 for a family. There is little public insurance for long-term care, and what there is requires impoverishment as a prerequisite for benefits.

Although the cost of health care is high, the quality is not always commensurate. We hear that up to one out of every three surgeries is unnecessary when performed, our infant mortality rate is extraordinarily high for a modern economy, and the large number and cost of malpractice suits makes a statement about our confidence in the care we receive. It has been said that 25% of what we spend on health care is unnecessary and wasteful.

POLITICAL REALITIES

America's health care crisis is quickly reaching a critical point. The American political system now exists in an environment where "no new taxes" is a necessary theme. Today, this means well-organized and well-financed special interest groups must vie to protect and grow their piece of the political and budget pie.

In fact, the American political system has reached a point where little constructive change can occur. These special interests are more adept at checking one another than they are at building coalitions toward effective reform. Too many politicians survive day to day by doing their best to give each powerful group something while offending as few people as possible in the process. Survival for elected officials has really become a "zero sum game" as special interests are compromised and budgets are severely limited.

In this atmosphere, political expediency becomes a dangerous reality as politicians look for "the simple solution" that will offend the fewest powerful interest groups and appeal to the greatest number of voters. Comprehensive solutions that address complex problems become too difficult to sell in a "30-second sound bite" environment.

The problems of our health care financing system, as with other major social problems, are especially vulnerable in this environment.

NO SIMPLE SOLUTIONS

Today, we see some people looking for that simple solution which can be expediently sold. Often, it surfaces in national health insurance solutions generally, and in the duplicating of the Canadian system specifically. These arguments miss the point that what is really needed is not simply changing from private industry to public programs, but rather comprehensive reform in the mechanics of how our health care economy operates. Those who argue for a Canadian system must recognize that when the Canadian system was created in the 1960s, it was layered over a health care economy generally in balance. More than anything else, what the Canadian system has done is to maintain a balance in a system that was relatively stable when the program was initiated.

Today, the American system is dramatically out of balance, with the fundamental problem being the high-cost of health care. Government is not known for creating efficiency. In fact, even the Canadian system has been unsuccessful in controlling costs. In each of the last three decades, inflation in the Canadian health care economy has exceeded health care inflation in the United States. Government is not known for creating efficiency, and to impose a federal reimbursement system over a system out of equilibrium will only perpetuate those imbalances. More than just the reimbursement system must be changed. Fundamental reform is necessary.

THE MYTH OF MEDICARE EFFICIENCY

Many have argued that the federal Medicare system is extraordinarily efficient, because the cost of its administration is only 2% of benefits paid, and the private-pay system can never be so efficient. This argument brings to mind the old saying, "You get what you pay for."

The federal system is the cheapest in terms of operation, but it is also ineffective in managing an exploding federal health care bill. And the Medicare system has not proven to be effective in reducing the burdens of administration. A recent study by the American Medical Association found that the average physician's office spends 47 hours per month on Medicare paperwork. Federal programs have initiated such controls as Diagnostic Related Groups (DRGs), which now look at the relative value scales and geographic caps for physician reimbursement. But little or nothing is being done to manage the day-to-day purchasing of health care on behalf of beneficiaries to improve both cost and quality.

While the more macro management schemes, such as DRGs, have made hospitals more efficient, they have also forced providers to be adept at cost-shifting to the private sector. In effect, the current federal health care program represents a budget out of control and a major indirect taxing scheme as the value of government underpayment is "cost-shifted" to the private sector. The value of just the Medicare cost-shift has been estimated to add 20% to the bills of private-pay patients. Private-pay health care consumers, employers sponsoring corporate group insurance plans and third-party payers all must pay artificially higher prices to subsidize the federal and state "management" of public programs.

The point should not be lost that without a private-pay system to shift costs to, the per capita price of public programs would be far higher and their rate of inflation far steeper. One also needs to wonder how government would control its budget without the ability to shift costs. Without the ability to subsidize the cost of public programs through cost-shifting, it is possible the government would turn to rationing as a means to limit spending. After all, government has not been effective at managing the waste out of the system with current programs, and in every government-run program around the world rationing is the basic cost control device. An entirely public health insurance system would not provide the opportunity for cost-shifting “taxes” and so there would be no way to avoid paying the real costs.

Efficiency should not be measured by the 2% factor that represents the government’s ability to cut checks fast, usually faster than the government’s ability to cover those checks, but by our ability to control cost and provide quality. Federal Medicare and Medicaid spending is out of control and the quality of care provided is questionable. The notion of quality under a federal program can be demonstrated simply by asking the question, “Who would choose to be covered and treated under the Medicaid program?” The answer gives a good indication of just what 2% buys us.

PUBLIC vs PRIVATE MANAGEMENT

Beyond the mechanics of health care reimbursement, one cannot avoid the philosophical issues of public versus private management.

Abraham Lincoln said it best, “The legitimate object of government is to do for a community of people whatever they need to have done but cannot do at all or cannot do so well for themselves in their separate and individual capacities.”

The notion that only a government agency can provide for the efficient management of health care dollars is wrong. First, government is not known for efficient management. Secondly, providing risk management services is what the insurance business is about. We have an industry capable of doing this. If we accept the notion that the government should provide services that the private sector is capable of providing, then why stop at insurance? There are any number of products and services that one might argue could be produced more “cheaply” by one giant government agency as opposed to many competitors.

What we have now is a giant system of health care reimbursement that is out of control. The supply and demand mechanism usually capable of efficiently providing a quality product for a reasonable price is not being allowed to work. There are fundamental elements of the system that are not working efficiently and that is what must change.

The fault for these imbalances can be spread over the major players in the system. Real reform will occur only when these major players and special interests are able to compromise their own selfish interests with the broader public interest of creating a system that works.

Rather than “bigger” government involvement, the primary issue in today’s health care economy is our ability to manage the dollars we spend. Today we spend 12% of our GNP on health care. The crime isn’t just that so many Americans have no health insurance coverage or receive poor quality care. The crime is that we spend 12%, almost 50% more than other industrialized nations do, but many of our citizens are uninsured or receiving care of questionable quality. As Americans, we probably wouldn’t accept the overt rationing that goes on in the U.K. and Canada, and we therefore could never hope to receive care as cheaply as they do. But, for what we get, 12% of the GNP is too high a price tag. Yet, some would argue that 13% or 14% or 15% is acceptable, if that is what it takes to open the existing system to those now outside of it. Instead of spending more, our goal should be to open the system up to all Americans and make the system efficient. To make it work for everyone for less than the 12% we now pay threatens our ability to compete in worldwide markets.

Many would argue that the private system should be socialized so that those now not covered may be included. We don’t need to socialize the system to cover everyone. The success of the U.S. economic system has long been due to the efficiency and ingenuity of the American entrepreneur. The world, including the Soviet Union and China, is moving toward a free market model and recognizing the value of individual actions over a government’s ability to manage a system. It would be ironic if the U.S. used a government model as the best way to restore economic efficiency and customer satisfaction to our health care system just as the Berlin Wall is coming down.

Solutions for health care reform will come when there is economic accountability and freedom to act. Private third-party payers have economic accountability to their customers. That is not the case with giant monopolistic government bureaucracies. A giant bureaucracy, saddled with an even more gigantic paper flow and a bureaucratic monopolistic perspective toward the consumer, is not going to rebalance a system already out of control.

It is this accountability, not simply who produces a reimbursement check, that must be created before the system can once again provide quality care at a reasonable cost.

BUILDING A CONSENSUS FOR REFORM

We need to provide access for all of our citizens and use the efficiencies in our free market system to realize our cost and quality objectives.

The key players are:

Government

Consumers

Physicians

Hospitals

Third-party payers (insurance companies, employers, HMOs, etc.)

Lawyers

Each of these players must be willing to accept reform that may have a short-run negative impact on them, but will ultimately drive us all toward a more efficient system. And, to be effective, reform must come in a comprehensive package with each of the changes occurring simultaneously. Only when one group can see a quid pro quo from another part of the health care equation will it be willing to accept the necessary self-sacrifices. This point cannot be underestimated. Without this comprehensive quid pro quo, the various special interest groups will simply check each other and cause a continued stalemate.

A reformed system must contain a distinction between those able to pay and those unable to pay. As President Lincoln said, it is the responsibility of those able to pay to do so and it is the responsibility of government to pay for those unable to do for themselves.

Ultimately, there must be a “seamless” system of health care financing for all Americans, one that doesn’t allow people to “fall through the cracks.” How people should pay for their share of that system should be distinguished only by their ability to pay.

The opportunity to exclude citizens because of pre-existing conditions or medical underwriting, for example, must be eliminated. Those in the insurance industry who would advance a free market model cannot be responsible only for the healthy, the “cream” of the market, while government absorbs the rest. A reformed system must be “seamless;” it cannot allow people to “fall through the cracks.” Insurance executives who continue to defend medical underwriting are really saying that they are in the business of making money on the basis of their ability to exclude certain Americans from coverage. That defense can no longer be acceptable.

Currently, carriers exclude certain individuals because of prior medical history. The cost to provide medical benefits for those excluded, therefore, falls to the individual even though they may be able to pay usual health insurance costs. Often, these people fall into the public programs when hit with a major health problem, or become “unreimbursed care” when they cannot pay.

Realistically, however, no one insurance carrier can afford to simply waive these traditional underwriting requirements. If they did, a huge wave of people with pre-existing medical problems could swamp the carrier. On the other hand, if the entire private system accepted those able to pay customary insurance premiums, the incremental loss cost to any one carrier would be of a level that would raise insurance rates for the general population, but still be affordable. In reality, much of this cost already falls to the private sector, through unreimbursed care and government programs cost-shifted to private-payers.

There is the issue of carriers being able to absorb such a risk over a short period and to price for it without incurring major short-term loss. The answer to this dilemma lies in the use of reinsurance. Reinsurance is something the insurance industry knows how to use to level the impact of lowering the medical underwriting and pre-existing conditions barriers.

State-run “risk pools” have also been proposed for citizens unable to secure immediate coverage. The failure of workers compensation risk pools and private passenger auto insurance risk pools shows these pools do not manage risk effectively. Placing the high-risk individual in pools that tend to be poorly risk-managed is contrary to the notion of managing the health care system with greater efficiency. Individuals with health problems are the ones most in need of risk management, and the private sector currently does the best job of managing these claims.

In addition, state government tends to control risk pools. The tendency is to respond to political pressure by not raising auto and workers compensation rates as aggressively as actual results dictate. Any deficit ends up being subsidized by insurers operating within the state. In some states, the result has been that insurance becomes cheaper in the “high-risk” pool than it is in the private market. The result is more business in the risk pool, often not entirely the high-risk business originally intended for it, and dramatically higher costs in the private system as it subsidizes the pool. As claim experience deteriorates, the state-run pool does little, if anything, to manage the spiral, and loss ratios only worsen. Auto and workers compensation risk pools prove that state agencies are not good at being managers of insurance pools.

The private sector is most adept at managing risk and the place for the most potentially expensive claim is with the most effective manager.

In the long run, those that offer a private sector argument for health care financing undermine their position if they are not willing to accept responsibility for all of the population that is willing and able to pay for its insurance. Offering a private financing argument based on the notion that the private sector manages risk more effectively is undermined by not wanting to use those skills to manage individuals with pre-existing conditions — the people in most need of the risk management services.

This should not be interpreted to mean that insurers should not be able to price risk on the basis of behavior. There is nothing wrong with a smoker paying more for health coverage than a non-smoker, for example, just as there is nothing wrong with a driver who has had a number of speeding tickets paying more for auto insurance than a driver without any tickets. Where the consumer can control behavior, where the risk isn't simply a matter of “luck,” the consumer must have economic accountability for that behavior.

There is no evidence to indicate that the healthy American consumer is not willing to pay somewhat higher costs to create a “seamless” system that covers all Americans. And, logic would dictate that the incremental cost for those now excluded by medical underwriting and pre-existing conditions will be somewhat offset. This will happen when the administrative costs for such underwriting, the inefficient “cost-shift” caused by unreimbursed care from the now uninsured sector of the population, and the more costly care needed when the uninsured put off treatment and ultimately need more acute services are taken into account.

FINANCING HEALTH CARE FOR ALL

Once the division of the population can be made into two parts — the vast majority who can pay and a minority unable to purchase protection — the public system must be financed.

When provided with a totally accessible private system, some who can afford to pay will choose not to spend the money to do so. Those that would make this choice should have the incentive to do so through the income tax system. Since someone who is otherwise able to pay would probably fall on the public program in a time of great medical expense, those who choose to be unprotected by private insurance should be subject to a tax penalty equal to the per capita cost of the public program at that time, plus a substantial penalty. In effect, those who choose to be unprotected would pay the government for that protection, plus an incentive to get into the private sector. And, they should be in the public sector. Public health insurance programs, as a matter of policy, under-pay for their benefits. This results in a program cost that is below what would be possible in a private program. These “legislated discounts” should be available only to those in need of public assistance.

The income tax system should also facilitate the financing of those individuals who are above a certain poverty level, but are still unable to afford the full cost of private insurance. Families above a certain income level, taking into account the number of their dependents, would be expected to participate in a private program. Those below that level, who cannot afford the cost of private insurance should receive a tax credit, or reimbursement based upon a sliding scale of income and dependent responsibility to allow them to participate in the private system. Those below certain combination levels, the very poor, would be eligible for the public program.

Such a plan recognizes the grey area between absolute poverty and the ability to really afford coverage. It also recognizes that people must have incentive to earn more without being penalized. The opportunity to move out of the public program and to buy into a private program is an opportunity in itself as the individual improves their lot. This model also minimizes the need for mandatory employer insurance, since such a “seamless” system would not exclude anyone and would provide the means to finance the cost of insurance for the working poor.

Mandatory employer-sponsored health insurance only solves the problem of the working uninsured. And, it solves it by forcing employers, usually small companies hard pressed for capital, to pay the bill. Mandatory employer insurance is nothing more than a taxing scheme that unfairly targets small start-up or otherwise capital constrained companies. We need to face the problem of all of those who are uninsured, and we need to pay for those who cannot afford it as a society, rather than just shift this burden to the small, struggling employer.

The “dumping” of this problem on small businesses unable to afford the high-cost of insurance can be avoided. Since employer-based group insurance is a more efficient means of providing health financing than individual insurance, employers and employees would be more apt to provide and to participate in group plans if lower-income workers received a subsidy to do so from the public sector. Small employers who do not provide group insurance do so because they cannot afford to subsidize their lower-income employees' cost for this insurance. If such a subsidy were available that obstacle would be removed. In addition, faced with a tax penalty for not purchasing insurance, higher-income employees would have incentive to participate in lower-cost, employer-sponsored group programs. Under this proposal, employer-sponsored group insurance would be a benefit to the employee without being an onerous burden to the employer. At the same time, we need to recognize that a free market solution to the problem of access cannot occur without widespread use of employer-based health insurance programs. To avoid the burden of forcing struggling small employers to pay for this expensive benefit, only those employers who can truly afford to contribute to the cost of this benefit should do so.

Employers should be given the incentive to contribute to a health insurance program based on their level of profitability per employee. Those small employers who are very profitable and can afford to contribute to the cost of a health program should do so, or find these excess profits subject to a tax that provides the incentive to contribute. Those employers who are far less profitable would have no requirement to contribute until their business could sustain these costs. A sliding scale of contribution level could then be developed that produced a level of contribution appropriate to the employer's ability to pay. This solution would create a system where profitable employers would sponsor programs, while those employers unable to do so would not be forced to make contributions, or would make contributions based on their ability to pay. An employee working for an employer who could not contribute, or could only contribute a small amount, would be able to purchase coverage from a combination of government subsidy (based on income and number of dependents), personal funds, and perhaps some employer contribution.

This solution would have the added advantage of solving the dilemma of employers dropping covered employees should they become eligible for government subsidy because of their low-income levels. Many worry, that if a government subsidy program is created without some form of employer mandate, employers would have incentive to drop those low income people from their programs. To the extent an employer is profitable, they would not be able to drop already covered employees. The proposed solution avoids this problem. It emphasizes the employer-based solution to the access problem, and it does not burden the marginal or new employer struggling to survive and provide jobs to the economy.

The method of financing access for the marginally poor and those poor individuals not now covered under existing Medicaid and Medicare programs could come from the taxation of employee benefits. In the past, the taxation of employee benefits has been strongly opposed by many. However, at that time, the taxation of employee benefits was purely a revenue enhancing opportunity. If this revenue were to be earmarked for funding care for that portion of those 37 million uninsured individuals who cannot afford to pay for it, the option should be carefully studied.

The taxation of employee benefits past the point necessary to fund for the uninsured poor should be opposed. The American people will be more willing to see taxes rise when they can match that tax increase to a specific benefit. At the same time, it must be recognized that additional taxes in this "no new taxes" environment are a remote possibility. Therefore, the chances of system overhaul, in the short run, that funds access for the poor are slim. However, that will change. The notion that we will, as a society, tolerate the permanent exclusion of so many Americans from access to a decent health care solution is dubious. In fact, it is hard to believe that we can fundamentally balance the system if these millions of Americans are not admitted to the system on a rational basis. Today, the uninsured are receiving some care, and private payers are footing the bill through unreimbursed or under-reimbursed charges that are ultimately "cost-shifted." In addition, because people do not have reasonable access to the system, many relatively simple disorders are left to deteriorate to develop into more complex and even catastrophic disorders that ultimately cost a great deal more.

In the short run, the admitting of the uninsured poor will cost more in the form of additional taxes. However, the inefficiency that occurs as these people seek treatment but can't pay for it, and the higher cost that occurs when disabilities are not treated early enough, leads to what has to be higher overall costs. Eliminating such inefficiencies can only reduce total health care spending. And, the opportunity to bring these people into a national system, one that emphasizes the management of the cost and quality of treatment, can only enhance the outcome for these people and produce lower ultimate costs.

Given the probability of “no new taxes,” and therefore a delay in dealing with the problem of access, it is most probable that we will first focus on short-term structural changes that will not require additional tax revenue, but will produce meaningful improvements. Many of these structural changes can be driven only by federal legislation. In the context of this legislation, sweeping reform can occur.

THE ROLE OF GOVERNMENT

One might question why anyone in the private sector would turn to government intervention. Simply put, the health care economy will never be entirely free. In fact, certain state and federal laws and regulations as well as the behavior of government, which controls 41% of all health care spending, have had the impact of complicating and unbalancing the health care equation. These impacts must be corrected or at least offset. This is critical. Each of the special interests has acted to offset the other. The reform of the system can only be facilitated by comprehensive and enlightened legislation.

National leadership is necessary to resolve this problem of terrific national scope. No one private-sector player, or even one private-sector special interest group, can realistically be expected to rebalance this equation on their own. And, to motivate the special interests to join together in support of major reform each must know that their “give-ups” have been offset. Everyone must know they will be better off as a result of working together.

The only “power broker” capable of engineering the kind of impact necessary is the central government. Private enterprise may be a more efficient manager, but government is the more effective manager of public policy.

BUILDING A NATIONAL HEALTH PLAN

Given the “no new taxes” reality, reform will have to come in two phases:

1. Structural reform — No New Taxes.
2. Universal access — New Taxes.

In order to accomplish the first phase, a national health plan that reshapes the playing field for all participants should be created. This “National Health Plan” should:

1. Be privately financed by individuals and corporations on behalf of their employees. Insurance companies, HMOs, Blue Cross Organizations, etc. should continue to compete for business as they do now. Management of cost and quality is necessary, and private enterprise is better at managing cost and quality than government.
2. Apply to both “group” and “individual” insurance.
3. Be a single national program taking advantage of “E.R.I.S.A. Pre-emption” by occurring at the federal level. It must be one substantial reform, done at one time, and not a series of conflicting and separate state actions.
4. Lay out a program of minimum benefits that provides adequate benefits and scope of coverage. Today, the 50 states provide 50 different extraordinarily complex answers to the question of minimum benefits.

These extensive regulations are very expensive for insurers, employers, and individuals to comply with. To the extent that one set of rules can be created and followed, a major administrative burden can be eliminated.

This plan of benefits should recognize that the consumer must participate in the cost of health care, not simply to reduce employer costs, but because the consumer must have an affordable stake in making health care purchasing decisions. Therefore, a deductible should be a part of the plan that is not a fixed dollar amount, but rather a percentage of income. For example, the deductible might be 1% of gross family income from the prior year's tax return. A family earning \$20,000 would have a \$200 deductible. A family earning \$75,000 per year would have a \$750 deductible.

5. Eliminate medical underwriting and pre-existing conditions limitations for entry into a plan qualified under the national program. Also, eliminate provisions when an employee changes employers and leaves a qualified plan at one employer to enter a qualified plan at another.

These provisions should be eliminated from individual insurance as well. To make it possible for insurance companies and self-insured employers to absorb these charges, the following could occur:

- a. A form of "community" rating should be adopted. Each carrier should be required to adopt a "one block" approach to its system of small group rating. Carriers should only be able to vary their rates by geographic area (the community), by age, and a small number of industry bands. Both the industry bands and the age table should be universal tables that all carriers would use, and should be based on actuarial sound principles. The purpose of allowing these limited tables is to ensure that no carrier, particularly a smaller carrier, finds itself with a disproportionately high number of high-cost groups and, therefore, is driven from the market. The only difference in cost between two carriers competing in any given "community" will be the carriers' ability to control its overhead costs through good business management, and control of its claim costs by selecting and/or working with the physician community.

Carriers should be required to "take all comers." If they elect to do business in a given "community," they cannot be allowed to "cherry pick" the most profitable risk. Rather, all carriers should receive both the "good" and the "bad" in random fashion.

The result of these reforms would be to eliminate those practices which cause people to be dropped from a group, such as practices which produce artificially low rates only to rise dramatically when a large claim occurs, and discriminatory rating practices designed to force groups out of the pool because of their poor claim experience.

The "take all comers" provision will eliminate the problem of people being denied access who can afford to purchase coverage. In order for the private sector to be able to justify our existence, we must be willing to cover all of those who need access to the system. Of course, this will increase insurance costs. However, the necessary cost increase will be affordable — less than 10% of existing costs. While the exclusion of so many who can otherwise afford to pay is a significant problem, the underwriting

practices exclude only about one person in 200 from getting insurance coverage because of insurance company practices. Rationalizing these people into the system, albeit with higher than average claim costs, will not drive up the cost of insurance by dramatic amounts.

b. To build consistency into the ultimate objective of the government taking care of those who cannot care for themselves, and the private sector servicing those who can, the national program would be open only to those unable to pay and their dependents. Those employees who are members of group plans and lose their jobs would be eligible to continue participating in their employer's group insurance program, similar to what is now the case under "C.O.B.R.A." provisions. People who lose their jobs should be able to continue their insurance until they secure other employment.

People should not lose access to health insurance because of a strike or lay-off. The cost to continue insurance should be paid for by the individual. To the extent that the individual cannot continue to pay for private insurance, they should be eligible for the public program in the same manner anyone else would be.

6. Provide for tort reform under "E.R.I.S.A. Pre-emption" for those physicians and hospitals treating patients covered by the national program, and for the patients being treated under the program. Tort thresholds should be established to reduce the impact malpractice suits now have on health care costs.

The cost of malpractice insurance and its affect on physician fees has been widely publicized. More importantly, there is a dramatic impact on practice patterns when providers deliver otherwise unnecessary services to protect themselves from the prospect of potential lawsuits. The cost of this malpractice paranoia only fuels the high health care inflation we already have. We do not have better medicine because of the threat of lawsuits, as much as we have more expensive medicine than can be afforded by fewer people.

State legislatures have been seemingly paralyzed to act against this national tort dilemma, which has become a crisis in its own right. A national health program, given "E.R.I.S.A. Pre-emption," could finally establish thresholds that still protect the consumer and at the same time dramatically decrease the malpractice paranoia that has gripped our providers.

Beneath the appropriate threshold, a system of arbitration should be operable as well as a clearer and more rational criteria for what constitutes negligence. A physician using the most up-to-date procedures and facilities, who has the appropriate certification and experience, should not have to fear being held to a standard of near perfection or placed in a position of performing unnecessary and wasteful tests and procedures simply to be prepared for a potential lawsuit.

We should not take away the consumers' right to sue and recover for damages. Rather, we should create a system of arbitration that would take place before a dispute could enter the trial system. Such a system would be easier for the consumer to use. A recent Harvard study found that only about 10% of those injured by malpractice actually sue, and only about one-half of those are actually awarded anything. The current system of litigation is not serving anyone well, including the consumer. Even with an increase of awards from an arbitration system, the real cost of the malpractice dilemma is the cost of all of the defensive medicine being practiced given the paranoia among doctors and hospitals about the potential of being the one to lose a multimillion dollar suit.

7. Create a quasi-government agency for the purpose of measuring and evaluating the practice of medicine, so that quality can be better evaluated, and from that, acceptable protocols and guidelines can be established for both practitioners and those who pay.

There is great inefficiency in the system because consumers of health care are not in a position to judge the relative quality and efficiency of institutions and practitioners. Little attention is paid to the cost of one hospital or physician as compared to another, and the measurement of quality is almost totally elusive.

Such an agency could have responsibility for:

- a. The collection of claim data from all sponsors of plans under the national health program. All third-party payers and self-administered employers would be required to report certain consistent data elements that could then be pooled and made available to the same third-party payers, self-administered employers and to providers for better managing health care expenditures.
- b. The agency would use the data to evaluate protocols, procedures, technology, therapies, etc. as to their effectiveness. This would furnish providers, consumers and payers with data to make more educated decisions. Such an agency, much less a third-party payer, would never dictate the practice of medicine on a case-by-case basis. It would, however, allow for more informed providers and consumers with the objective of a more efficient and productive system.
- c. The education of the consumer as a health care buyer should not be underestimated. As more and more Americans, many of them previously uninsured, enter the health care economy they will not always be the most astute buyers of health care. The American work force is becoming more heavily immigrant, with workers often coming from a disadvantaged socioeconomic background. Providing these people with easy access to the health system without training them how to use it may induce inefficient utilization.

Even the comparatively well-off consumer of health care is in need of education on how to use the system. We should expect consumers to take a larger stake in the cost of their health care. However, we also must prepare the consumer to be more effective.

This element should not be confused with "Wellness" activities. Wellness generally concentrates on providing information that helps the consumer avoid health care problems. This element concentrates on the consumer's ability to actually help manage the system once they are in it — to be more cost-efficient and more effective.

The agency would provide written materials aimed at this objective. Any third-party payer in the national health program would be required to distribute materials at the expense of the plan sponsor, in the case of a corporate program, or by the insurer, in the case of an individual program. In addition, each plan sponsor would be required to spend minimum amounts of time each year for an agency-created educational program conducted by the insurer or self-insured employer.

The agency would be funded by a relatively nominal “premium tax” paid by the third-party payer or self-administered employer. This agency would be run by a board appointed by the Secretary of Health and Human Services, and be representative of providers, third-party payers, employers, and consumers. Its purpose would be to facilitate the rebalancing of the health care economy by the dissemination of information which enhances the quality and cost of health care.

8. Certain actions should be taken through public policy to improve the efficiency of providers:
 - a. No Medicare provider should refer a patient to a facility where that provider has a substantial financial interest. While this may not be appropriate in a very small minority of rural areas, such a conflict of interest is not appropriate during a time when cost-shifting is such a major issue.
 - b. Public policy should support limiting the supply of physicians in specialty areas that are now overcrowded.
 - c. Physicians should serve for a minimum period in specialties or geographic areas in need of additional practitioners. If they do not, they should have to reimburse their medical school for educational costs that were not covered by their tuition. The medical school subsidy, through private and public means, is still large. It makes no sense for these public and publicly motivated private contributions to go to benefit specialties and regional areas that have too many physicians and therefore inefficient health care.
 - d. Public policy should support the creation of “Centers of Excellence” for expensive and difficult procedures. The notion that some hospitals perform 200 heart bypass procedures each year while another hospital in the same city might do 30 is not good for costs or quality of care.

In order for a procedure to be payable under a national health program, utilization of a “Center of Excellence” for that procedure, when such a center exists in a given community, should be mandatory. Such “Centers of Excellence” could serve to reduce the number of hospitals creating a redundant supply of services, thereby increasing costs and undermining quality. The certification of such centers could come under the quasi-government agency established to measure and evaluate the practice of medicine. Today, consumers and to some extent payers, don’t necessarily know the best setting for a specific procedure. Such a program would make the consumer more knowledgeable and drive health care capital to its most efficient and effective use.

- e. To reduce the redundancy of expensive capital equipment, the current Medicare hospital reimbursement system should be amended to avoid simply permitting the pass-through of capital investment costs. Hospitals must be at risk of overspending on capital equipment. Medicare should incorporate capital reimbursement as part of the DRG payment.
9. To improve the efficiency of all payers, and to reduce administrative costs, the national health program should mandate a uniform system for electronic filing of claims, which all providers and payers must use by a set date. This criteria would dramatically improve the efficiency in the reimbursement system, including its cost, as well as facilitate the construction of the national database discussed earlier.

These steps can be taken without major new tax programs and with only the quasi-government agency requiring funding. This funding would be a relatively nominal cost and could be provided from insurance "premiums." These first nine steps are really structural changes designed to rebalance or rationalize those elements of the health care economy that are causing fundamental problems for both the cost and quality of health care.

ACCOUNTING FOR THOSE OUTSIDE THE SYSTEM

The rebalancing and reform of the system cannot be complete until those who cannot afford to pay a reasonable cost, whether in whole or in part, can be brought into the system. As long as these people are outside the system, we are not meeting our social responsibilities. We are perpetuating an inefficient financial system as these people become subject to unreimbursed care only to be inefficiently cost-shifted. Or, they are treated only when their condition has deteriorated to extreme and expensive levels. As long as this goes on, we will have an irrational system.

To rationalize our entire population into a comprehensive system, the plan for including the working poor and subsidizing them (with tax revenue as outlined earlier in this paper) should be implemented into the system. We must face the reality that this will not happen in the short run under a "no new taxes" environment.

We should not delay implementing the nine structural and essentially "revenue-neutral" elements outlined. These elements must occur for the system to begin to rebalance.

The impact from these actions will not be short-term. It has literally taken decades for the system to become out of balance to the extent it has, and it will take years of reformed operation and fine tuning to remedy the situation.

Because the problem is so complex and will take so long to come back into balance may be one of the major catalysts for those who favor a socialized system of national health insurance. National health insurance is on the surface a quick remedy that is assumed will make all of these difficult problems go away. In fact, the socializing of our reimbursement system only changes who holds the pool of money and writes the checks.

But, socialization alone does not address why we spend 12% of our GNP on health care and get so little for it. Socialization does solve the access problem since everyone would be covered. But, covered by what? Without fundamental reform we will have only a national social system with costs escalating out of control. Let's not lose sight of the separate elements of the access issues as well as the cost and quality management issues. The problem of access can be solved with a private system. The bottom-line problem of inefficient management of health care spending will not be solved by creating a giant government bureaucracy and monopoly. If it could, then the Canadian system would not have had higher rates of health care inflation than the U.S. system over each of the last three decades.

The more fundamental issues must be solved through reform that goes well beyond who "cuts the check."

AMERICA'S HEALTH CARE PERSONALITY

Americans are different when it comes to issues such as health care.

I recently watched a television report featuring the Oregon Medicaid program. It centered on children who needed very expensive treatment with little hope for a positive outcome. It showed one boy who needed a bone marrow transplant. Medicaid would not pay for it under the Oregon plan, which has taken bold steps at rationing such high-cost, poor-outcome treatments. The mother's courageous actions to raise enough money were impressive to see. As much as I understand all of the financing issues in our health care system, the logic of limiting care to those with such little hope in order to use the money for those with a better chance of survival is a rationale I cannot accept. If that were my boy, and there was a 1% chance he could be saved, and it cost \$1,000,000 to do it, I would want it done. I wouldn't want my son's care rationed, and I'd be a hypocrite to want some other person's son to have their care rationed.

And, that's how any of us would react.

America is plagued by a terrible irony in that we would all want to save that boy. But there are literally tens of thousands of stories like his that go on every day — where boys, girls and adults are not getting the health care they deserve because they cannot afford it. The only obstacle that stops these people from obtaining medical attention is that our system of public policy excludes them. More than that, because our system is so out of control, its continually escalating costs exclude approximately 1,000,000 or more people each year.

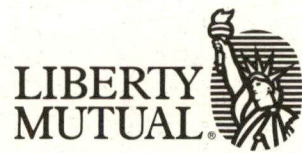
Some people simplistically think that one big government program will make everything work well. It won't. A lot of hard work, hard choices, sacrifices, new attitudes, and time are what will make the system right, and those choices need to be responsive to our citizens. In the final analysis, there are two major issues:

1. Access
2. Cost and Quality

Access is easy. Through a socialized or free market system we could mandate an open plan that would include every person, with government paying for those who can't pay for themselves. Those who can pay will seek the competitors who compete most favorably to satisfy their health care needs.

Cost and quality are more tricky. Here, the issue is who is better at managing for efficiency and results. Government is better at policy and sweeping reform. The private sector is better at achieving efficiency and results, although not all companies do this well. But, consumers aren't dumb. There is no reason for government to make purchasing decisions that people can make for themselves. Americans are smart enough to choose those entrepreneurs who satisfy their needs for cost and quality.

Today, we need the structural reform to make this possible, and we need to recognize a social responsibility to provide the funds to bring all Americans into a system of rational health care financing.

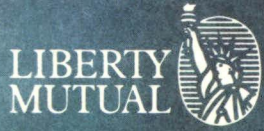


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HC-D



*The Customer's Advocate -
Because We Understand The Costs Involved*

INTRODUCTION

When it comes to putting the customer's interests first, no insurance carrier has a stronger — or more comprehensive — record than Liberty Mutual.

Our mission of “helping people live safer, more secure lives” comes directly from our corporate creed, articulated over half a century ago. It is, in fact, what we are in business to do.

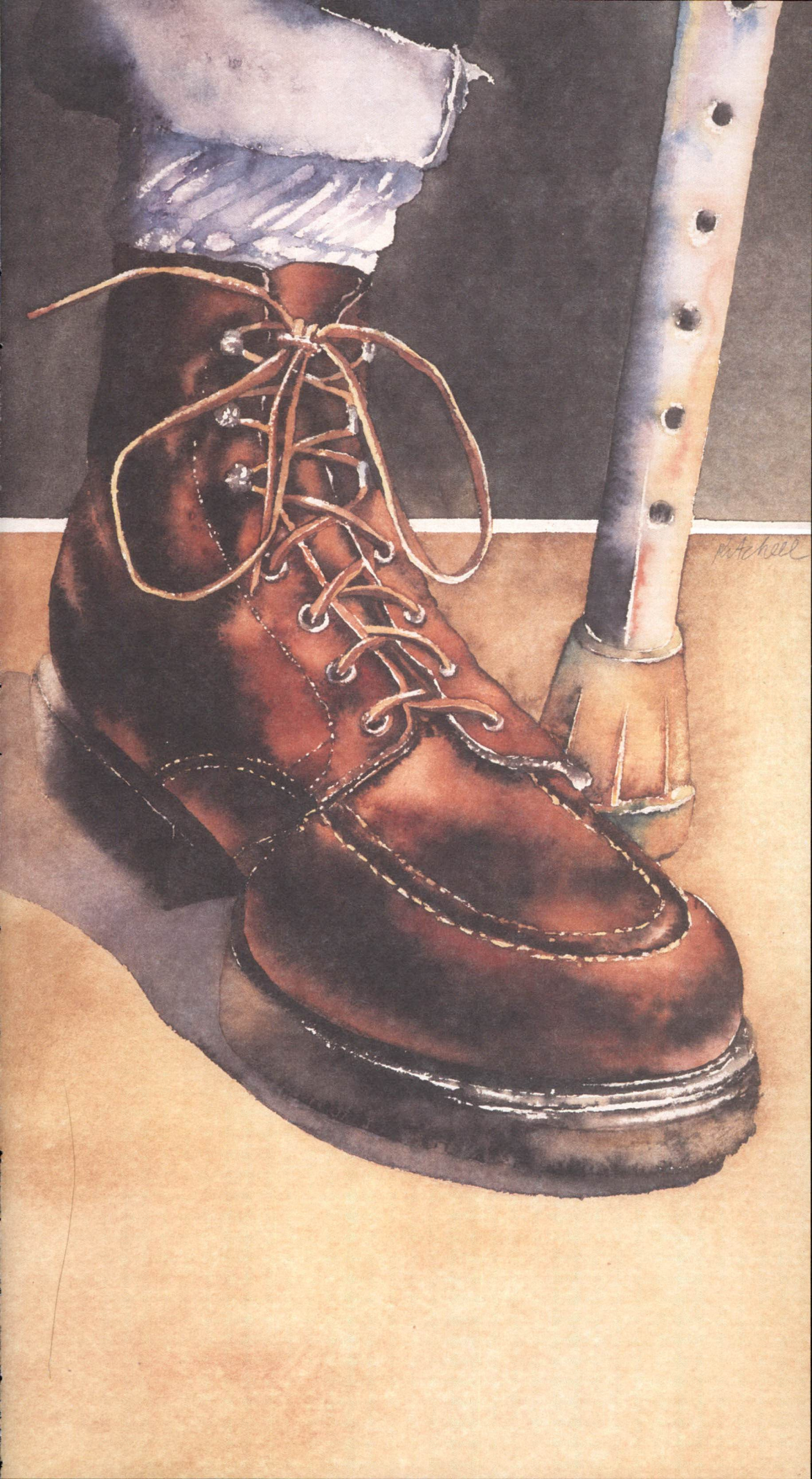
Liberty understands the costs involved — both human and financial — when accident, injury or illness strike. We work to address the roots of the problem, not just the consequences. This may mean changing the workplace so it is safer or changing the insurance systems so they are fairer and more efficient. We aim to be advocates for all who are protected by our coverage, whether individuals and their families or corporations insuring themselves and their employees.

In today's complex insurance climate, this means mounting practical programs in:

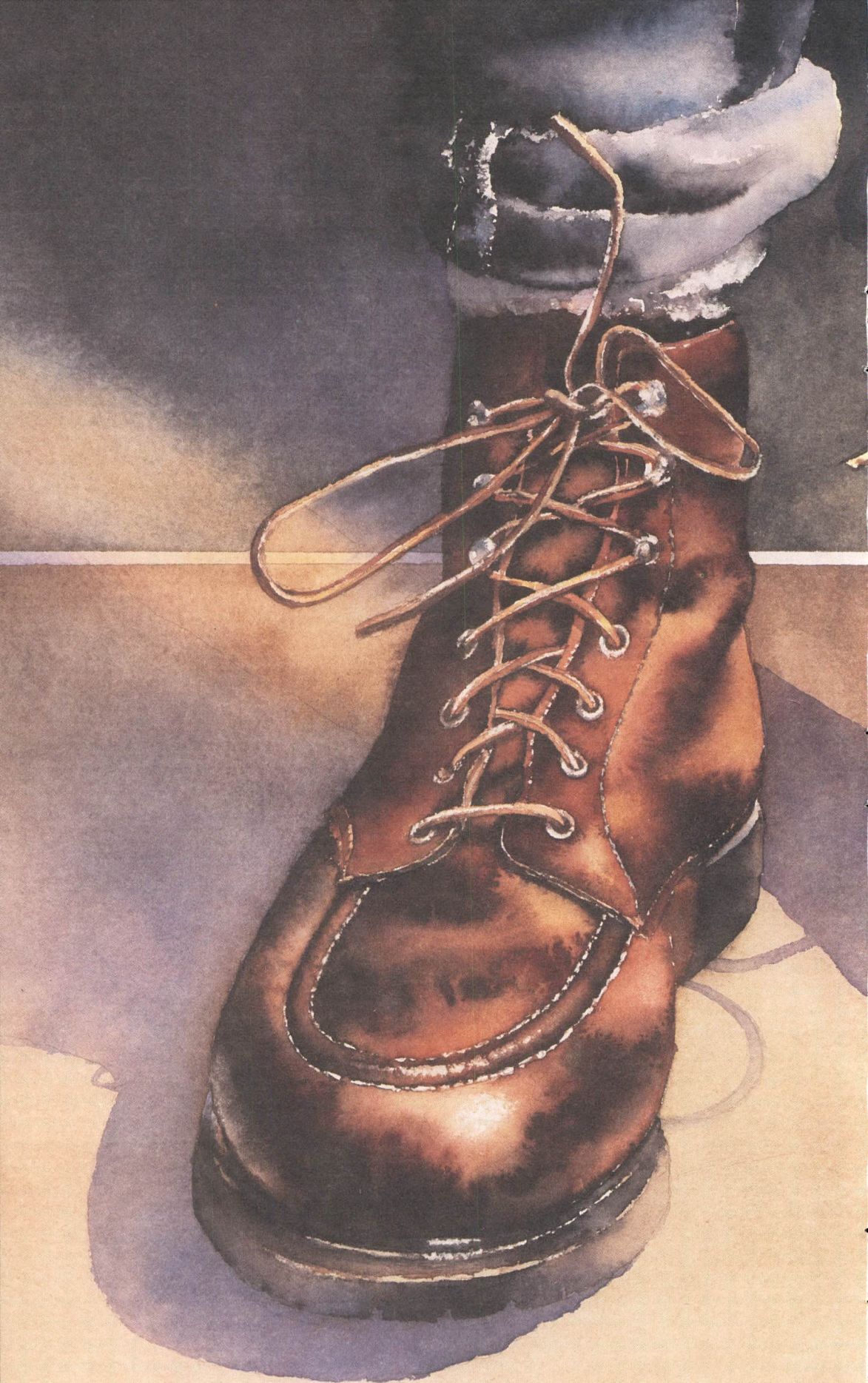
- *safety: researching the causes of accidents and working to eliminate them.*
- *affordability: striving to contain the underlying costs of insurance with programs that improve system efficiency and effectively manage the costs inherent in providing insurance.*
- *fairness: working to make insurance systems fairer for everyone — those who suffer accident, injury or illness and those who pay for the insurance which compensates them.*

Whether covered by workers compensation, group health, general liability, auto, homeowners or life policies, being our customer's advocate means using our expertise and financial strength to do things for policyholders — and in partnership with them — that they cannot do on their own.





Mitchell



THROUGH MANAGED CARE, WE



GET PEOPLE BACK ON THEIR FEET.

What Liberty is Doing to Keep Insurance Affordable



"We have always worked directly with our policyholders. Liberty people are personally committed to helping our customers prevent loss, and to helping mitigate the impact of those losses which do occur. We see ourselves as advocates for our customers in this essential job, and in helping keep insurance costs reasonable and insurance systems efficient."

William E. Commack
Executive Vice President-
Business Markets

"Our more than 40 years of using case management techniques, hundreds of rehabilitation nurses and a national network of advising and treating physicians are key reasons for Liberty's continued workers compensation leadership."

Joseph G. Tangney
Senior Vice President
Claims

We understand the costs involved when an accident happens. The human costs and financial costs affect all of us... employers, employees and families.

Dealing Directly with our policyholders gives us a real advantage in getting costs under control, thus keeping our expenses significantly lower than those of our competitors. Equally important, we build close, long-term relationships with policyholders, enabling us to be true partners in risk analysis and cost containment.

Managed Care programs leverage this partnership to help injured workers and sick employees get back on the job. Liberty's Managed Care programs are built on years of workers compensation experience managing both medical costs and disability. Today, we're applying these risk management principles to group health — so our customers get the full benefit of our experience. Through years of leadership in workers compensation we've developed these cornerstones of Managed Care:

- **Pre-Accident Management:** helps avoid accidents or minimize their impact by planning ahead. In decades of loss prevention research, we've learned where and why many workplace accidents and injuries occur — and how to prevent them.
- **Disability Management:** has been Liberty's strong suit for decades. Years ago, we created a national network of consulting physicians, primarily orthopedic surgeons, to monitor complicated cases. Over 150 rehabilitation nurses also work directly with patients who have serious injuries, ensuring appropriate care and as prompt a recovery as possible.
- **Medical Cost Management:** includes the 38 registered nurses who audit the bills in our Medical Coordinator program, along with loss studies, vendor audits and other programs. Last year, our billing review programs alone saved our workers compensation policyholders over \$141 million.
- **Rehabilitation programs:** help contain costs by restoring productivity wherever possible. In 1943, we became the first and only insurer with a facility dedicated to the treatment of life-changing work injuries. Today, we're developing new ways to treat major sources of disability — like a protocol for back pain treatment that we're sharing with other medical leaders.

What Liberty Mutual is Doing About Safety on the Job

Loss Prevention Specialists: work together with policyholders to analyze workplaces, discovering and controlling sources of potential loss or injury. Last year, Liberty's 750 safety professionals made over 125,000 visits to customer sites, spending nearly 1 million work-hours addressing improved safety in policyholder workplaces.

Training Institutes: bring the latest safety research findings to our policyholders, helping them change task design or employee behavior to improve safety. Institute topics currently range from ergonomics to stress management to occupational health. Liberty Mutual also publishes research and many of our specialists teach at major universities to help share what we've discovered.

Improved Highway Safety: addresses the largest source of workers compensation death claims — auto and truck accidents. Liberty's Skid School, developed at the Research Center in 1964, teaches our Decision Driving techniques to help prevent skids. Today's anti-lock brake technology essentially uses the Decision Driving concept of "stabbing the brakes". At our Research Center in the Seventies, we evaluated the safety-effectiveness of anti-lock brakes and became an early proponent of their use in cars and trucks.

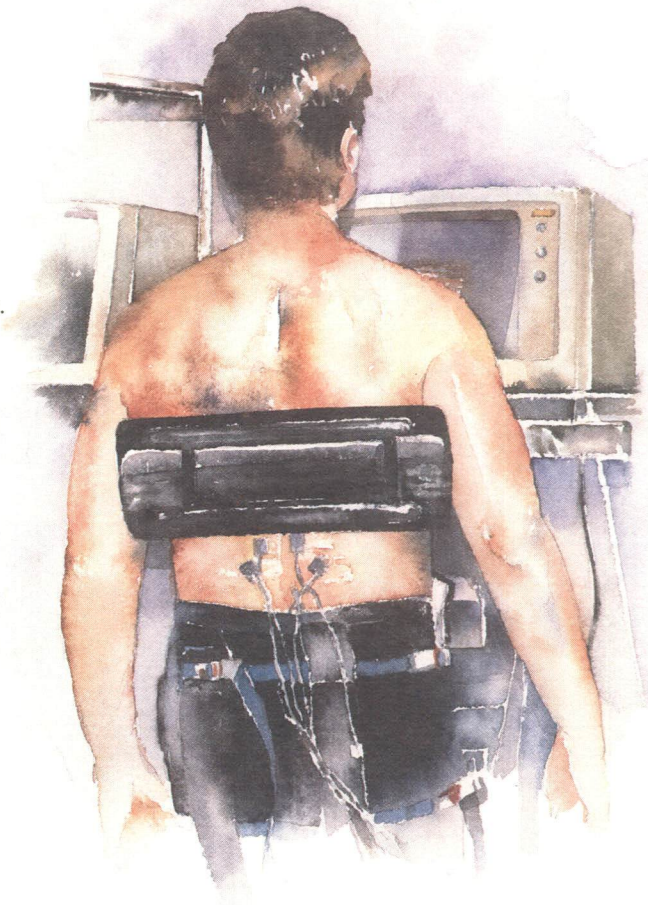
"The number one mission of our more than 750 safety and health specialists is to help our customers prevent loss and human suffering. They are Liberty's advocates for safety because we understand the costs involved with accidents or injuries."

Kenneth D. Brock
Vice President
Loss Prevention

What Liberty is Doing to Create Fairer Insurance Systems

Workers Compensation Reform: we initiated a national effort to bring together the major stakeholders and help restore stability to deteriorating workers compensation systems. Out-of-control medical costs, needless litigation and burdensome administrative procedures continue to threaten the future of workers compensation. As an advocate for a better insurance system, Liberty Mutual is helping build coalitions among business and labor leaders, legislators and regulators to address the problems challenging today's workers compensation systems.

Healthcare Reform concerns businesses of all sizes — because healthcare costs seem to defy any effort to moderate their escalation. Liberty Mutual has articulated a comprehensive plan to tackle healthcare costs — a revenue neutral approach which has been applauded by business leaders and government officials. The key to the effectiveness of Liberty's plan is in linking all players to a common goal: quality care for all at a reasonable cost.



With Boston University, Liberty Mutual helped develop the Back Analysis System, used today to help evaluate the potential for back pain and to help monitor treatment.

How Liberty has Made Life Safer and More Secure Through Research and Rehabilitation

Along with the financial loss when accidents and injuries happen, the cost in human terms can be crushing. Liberty Mutual is proud of its commitment to eliminate the cause and cost of accidents through safety research and to help accident victims recover through physical and occupational rehabilitation programs.

- This philosophy is so much a part of our heritage that one of our first employees was a **safety engineer**, hired at the company's founding in 1912.
- The next year we established our **Medical Clinic**, specializing in the treatment of workplace injuries.
- In 1943 came Liberty's **Rehabilitation Center**, the industry's first and only comprehensive accident treatment facility. Company research showed how much could be done to reduce disability resulting from workplace accidents — and we translated this into everyday success stories.
- Our **medical advisors network** was established that same year. These leading medical specialists review serious cases so both employers and employees are sure they're receiving the right care.
- Liberty initiated the industry's first **rehabilitation nurse program**. In the Forties, we hired nurses around the country to manage the medical care and services injured workers needed, in conjunction with local doctors and employers.
- In 1954 we consolidated our growing safety research programs in a **Research Center**. The only facility of its kind in the industry, it features 30,000 square feet of lab space. A three-acre driving range is used for auto safety studies and our deceleration sled was among the first to simulate crashes for research. The Center has always been closely linked with Liberty's medical facilities to share research advances.
- In 1982, at the expanded Medical Service Center in Boston, we added our **Back School**. Since low back pain is one of the most common work injuries, learning how to live a productive life with this injury is a big benefit. This program was expanded into the LIMBER program in 1989, an innovative treatment protocol for back pain.

Today, as we move from an industrial to a service economy, our scientists and medical specialists are tackling new problems, such as stress-related disability and cumulative trauma injuries. What we learn as new work-related illness and injury develop will be shared with policyholders and the public, just as it has been for eight decades.

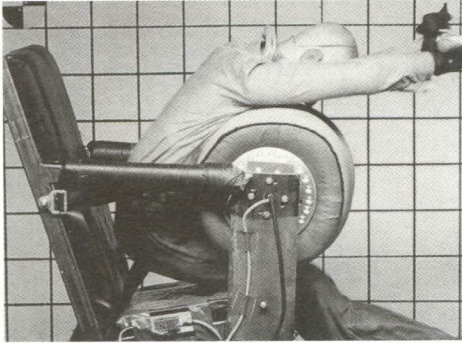


"Ever since I started as a claims adjuster nearly forty years ago, Liberty Mutual has approached the problem of accidents and loss in innovative ways. It's part of our heritage to do much more than just sell insurance...we really do help people live safer, more secure lives."

Robert J. Hytha
Executive Vice President-
Field Operations

A Sampling of Liberty's Eight Decades of Innovation in Research & Rehabilitation

Safety belts and Airbags: Long before there was much interest in designing safer cars, Liberty was developing and advocating auto safety features. In 1957 and 1961, we intro-



Over the years, Liberty's research has pioneered many safety devices now standard equipment on today's automobiles.

duced prototype "Survival Cars" with now-standard features such as a wrap-around dashboard, headrests to guard against whiplash, a collapsible steering wheel and most notably, safety belts. We began testing air bags in the early Seventies, then demonstrated their effectiveness to the public.

Boston Elbow: Many amputees can return to productive employment, thanks to a myoelectrically controlled artificial elbow, which restores their ability to lift and reach. With Harvard Medical

School and M.I.T., Liberty helped design the "Boston Elbow".

Muscle Fatigue Monitor: More than 75 million Americans suffer from low back pain, and 7 million more develop this problem each year. This innovative device, which uses a computer to locate and measure areas of back muscle fatigue, has been called "the EKG for the back" and is seen as a significant advance in targeting the source of back pain so treatment can be more effective.

Industrial Safety: From day one, workplace safety has been a critically important area of research and Liberty Mutual has stayed in the forefront as the workplace changed. Years ago, we developed devices such as the "Slipmeter" to measure the slip-resistance of floor surfaces at policyholder sites and "machine guards" to protect workers from moving parts in factories. Today, Liberty's research topics cover everything from ergonomics to toxic material exposure.

Ergonomics: We've been designing the job to fit the worker for more than a quarter of a century. Studies of lifting and carrying tasks show that over \$5 million per year in low back disability costs is saved thanks to proper job design. Today our ergonomic research is addressing the growing incidence of cumulative trauma injuries.



Our commitment to quality medical care for injured workers dates back to the second decade of this century.



With Cornell University, we developed the Survival Cars - prototype vehicles which showcased innovative features and construction designed to improve driver and passenger safety.

What Liberty is Doing to Keep Drivers Safer on the Road

Research continues at Liberty, building on our success in pioneering safety belts, airbags, and other advances. We advocated safety features years ago that now save lives every day.

Reducing Drunk Driving: Liberty took a leadership role years ago. With the Insurance Institute for Highway Safety, we helped develop the passive alcohol detection monitors used by police to get drunk drivers off the road. In the legislative arena, we've supported administrative licensing programs and other ways to discourage drunk driving. We filed a brief supporting the constitutionality of random road blocks, and believe the recent Supreme Court decision was a victory for all drivers.

Teenage Driving Dialogue: Teenage drivers are the least experienced drivers on the road. To help parents discuss the realities of safety on the road, Liberty Mutual has published "How to Survive the Teenage Driving Years". The importance of a dialogue between parents and their children about the dangers of late night driving, speeding and driving under the influence has also been taken to the media. Major radio and television programs, as well as national newspapers, are carrying our message about this important family discussion.

Other Highway Safety Initiatives: Liberty advocates reasonable enforcement of speed limits, motorcycle helmet laws and banning radar detectors, all proven approaches to safer roads. Recently we helped organize Advocates for Highway Safety, a coalition of consumer groups, the medical community, safety organizations and insurers who are working together to reduce highway death and injury.

What Liberty is Doing to Hold Down Auto Insurance Costs

Anti-Fraud Action: Liberty's 12 Special Investigative Units in our Claims department work to uncover and eliminate fraudulent claims. We have also been instrumental in helping pass anti-fraud legislation in states plagued by excessive auto insurance fraud.

Anti-Theft Action: Liberty offers discounts for policyholders around the country who install anti-theft devices. Also, we've donated 50 tracking units to Massachusetts police to help recover stolen vehicles — and catch the thieves. Plans are underway to expand this program to other cities with high auto theft rates. We also work with the industry in promoting anti-theft legislation and in funding rewards for information leading to the arrest of car thieves.

Quality Replacement Parts: For more than a decade, Liberty has supported the development of standards for these cost-saving alternatives to auto manufacturers' parts. Today, Quality Replacement Parts are bringing competitive prices — and lower repair costs.



"In the current system, many groups have a vested interest in maintaining the status quo. Lawyers, body shops and auto manufacturers all derive substantial income from today's auto insurance system. Our customers need someone who works for them — as their advocate."

John B. Conners
Executive Vice President-
Personal Market

Safety Feature Discounts: In 45 states, we give 10% discounts on cars with factory-installed anti-lock braking systems. We also offer discounts for safety features, such as air bags and automatic safety belts. Our philosophy is that premiums should be lower for policyholders who take action to make their vehicles safer.

What Liberty is Doing to Make Auto Insurance Fairer for Everyone

No-Fault: the Best Option for Reducing Rates in Urban Areas

Liberty Mutual is advocating sound No-Fault laws in states experiencing excessive numbers of claims with attorney involvement. Some advantages of a good No-Fault auto insurance system are:

- costs are lower because litigation is reduced
- lawsuits are allowed for severe injuries, but lawsuits for minor injuries — which force premiums upward — are eliminated or reduced
- accident victims are quickly compensated, because fault does not have to be determined
- more compensation dollars go to the injured victim, rather than to attorneys

The benefit of a good No-Fault law is a fairer system for everyone:
those who suffer injury or accident
and those who pay for
the insurance which
compensates them.



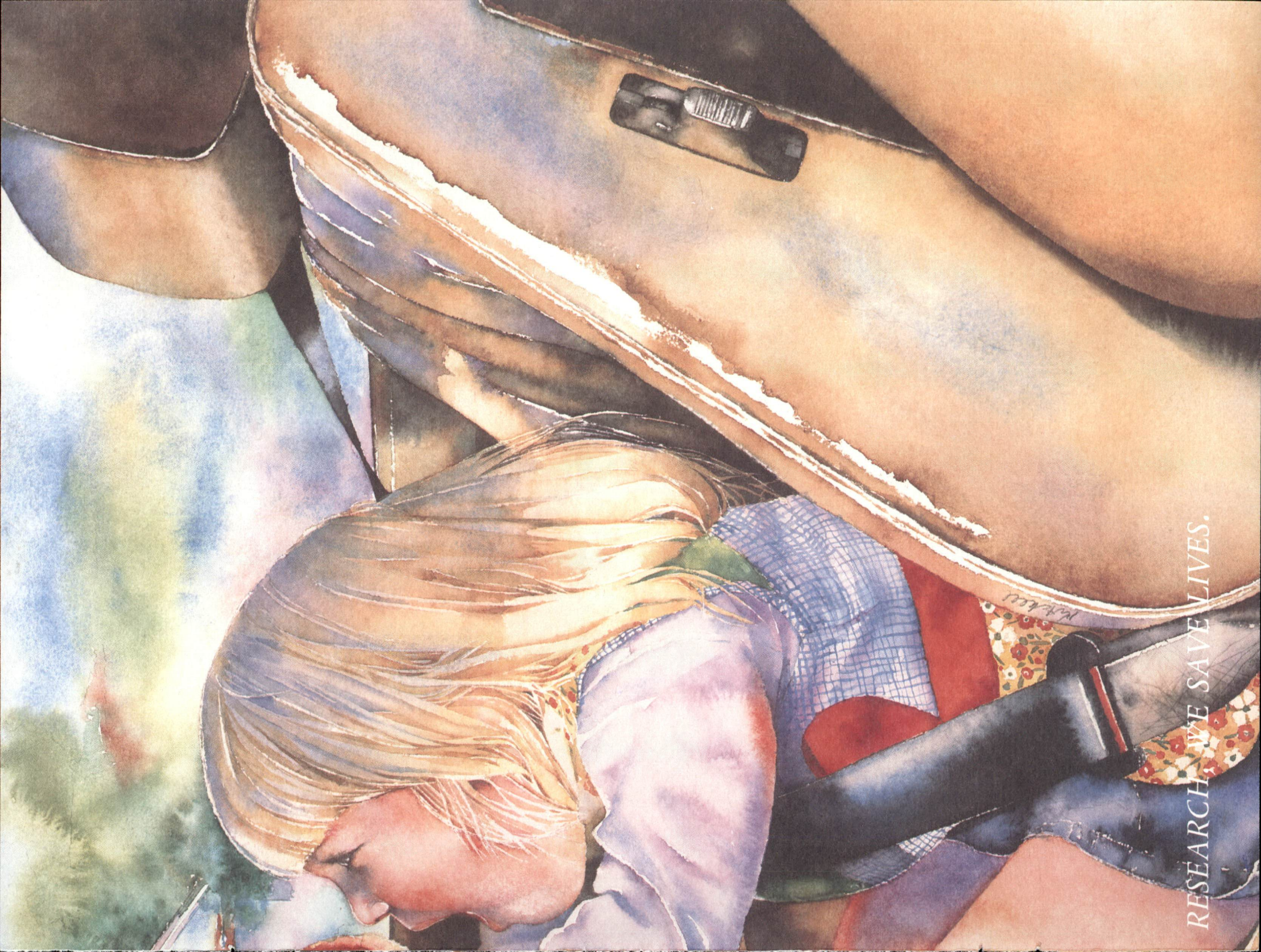
Auto theft is one of the major factors driving up auto insurance rates- and Liberty has donated tracking units to police which help recover cars and catch thieves.







THROUGH OUR AUTO SAFETY



RESEARCH. WE SAVE LIVES.

CONCLUSION

For eight decades, Liberty Mutual has been a pioneer in helping both corporate and individual policyholders to be safer and more secure — at home, at work and on the highway.

Today, we continue this leadership through ongoing safety research, effective partnerships with our policyholders to reduce cost and loss, and involvement in the political process to bring about fair, efficient insurance reform. These efforts to act on behalf of our policyholders as “the customer’s advocate” are matched every day by the service delivered by our 21,000 employees.

The goal is customer satisfaction. To us at Liberty, customer satisfaction means even more than delivering a good product at a fair price.

It also means effectively influencing the environment in which we operate... to assure policyholders that, as Liberty Mutual customers, they will be safer and can feel more secure.

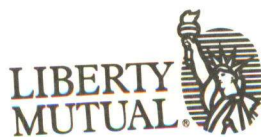


Liberty understands the costs involved — both human and financial — when accident or injury occur. We work to address the roots of the problem, not just the consequences.

This may mean changing the workplace so it is safer, or changing the insurance systems so they are fairer and more efficient. We aim to be advocates for all who are protected by our coverage.

"We firmly believe that in nearly 80 years of service to our policyholders, no one has matched our efforts to support safety, cost containment and fair insurance systems. Being our customers' advocate means using our expertise and financial strength to do things for policyholders that they cannot do on their own."

*Gary L. Countryman
Chairman, President and Chief Executive Officer*



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