What should an agent do?

MVR Sharing

FCRA

CRA

CLUE

Penalty

Compliance

Privacy

Rights

2015 / JanFeb

MVR Sharing

E-Signatures Part 3

Terrorism Insurance Bill & NARAB II

Agency E&O Coverage

Insurance Capital Standards Act of 2014

Update on Fraudulent COI's
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“Can’t live with them, or without them” can be stretched to describe the ongoing struggle between too much government regulation and too little. With the recent election results it appears that maybe small businesses may shed some burdensome taxes and needless regulations. The problem is every industry group has begun knocking at the new Governor’s door asking for time to plead their case. The Independent Insurance Agents of Maryland’s reputation for solid research, balanced requests may enable us to get in the door. What is good for the independent insurance agency is often good for other small businesses. The challenge is getting our story delivered and remembered by the many new legislators preparing for their first session in Annapolis. Our executive director and legislative committee have materials ready for the new members of the house and senate committees that are charged with oversight of insurance issues in Maryland. If “Change Maryland” can enhance the success of small businesses in Maryland, then the Independent Insurance Agents of Maryland will be there at the front advocating strongly for the insurance industry.

In the meantime, may everyone enjoy the Holiday season with family and friends and begin 2015 refreshed and energized.

**Chairman’s Message**

Jay Duke

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**Commercial Property and Casualty Insurance**

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Recently, the Association office has received multiple questions with respects to MVRs and whether an agent can share the information found on an MVR. The questions were related to both commercial and personal lines. I reached out to Mike Edwards, CPCU, AAI of Edwards & Associates in Atlanta, GA., and David Thompson, CPCU of the Florida Association of Insurance Agents. Both have written extensively on the subject. Both were gracious in sending me recent articles they had written on the subject and both gave me approval to blend the articles to provide our members with a pretty complete overview. Links to their articles, as well as additional helpful information will be at the conclusion of this article.

The federal Fair Credit Reporting Act (FCRA) sets strict guidelines governing the release of MVRs and other consumer information, with potentially serious penalties for violations. In addition to federal penalties, agencies can face lawsuits from people whose MVRs they furnished to a Commercial client. This means that agencies must be aware of requirements of the FCRA, and take appropriate precautions when handling requests for MVRs from Commercial clients. The FCRA was passed to protect the privacy and accuracy of certain defined “consumer reports1,” which includes MVRs, and a wide variety of other information, such as credit reports, credit scores, etc. To that end, the FCRA: (1) restricts access and use of consumer reports; (2) requires certain disclosures; (3) requires the written permission of the consumer under certain circumstances; (4) provides a process for the consumer to dispute inaccurate information; and (5) imposes both civil and criminal penalties for noncompliance.

When any consumer report, including an MVR, is used for employment, the FCRA requires that the consumer (the employee or prospective employee in this case) first grant written permission before a Consumer Reporting Agency (CRA)2, such as Equifax, Experian, or TransUnion can release the information. The FCRA also requires the CRA to provide the consumer (employee) with a “Summary of Consumer Rights” whenever a consumer report/MVR is used in connection with employment. If a consumer (employee) suffers any “adverse action” (not hired, not promoted, fired, etc.) as a result of information in any consumer report — including an MVR — the FCRA requires the employer to give the employee a “Notice of Adverse Action.”

The CRA must provide the employer with a “Summary of User Responsibilities.” Every employer who uses consumer reports/MVRs as a part of their employment screening process should read this document carefully. Records must be maintained for two years.

If an insurance agency provides

(Con’t on page 6)

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1 603. Definitions [15 U.S.C. § 1681a] (d) Consumer Report (1) In general. The term “consumer report” means any written, oral, or other communication of any information by a consumer reporting agency bearing on a consumer’s credit worthiness, credit standing, credit capacity, character, general reputation, personal characteristics, or mode of living which is used or expected to be used or collected in whole or in part for the purpose of serving as a factor in establishing the consumer’s eligibility for: (A) credit or insurance to be used primarily for personal, family, or household purposes; (B) employment purposes; or (C) any other purpose authorized under section 604 (§ 1681b)

2 603. Definitions [15 U.S.C. § 1681a] (l) The term “consumer reporting agency” means any person which, for monetary fees, dues, or on a cooperative nonprofit basis, regularly engages in whole or in part in the practice of assembling or evaluating consumer credit information or other information on consumers for the purpose of furnishing consumer reports to third parties, and which uses any means or facility of interstate commerce for the purpose of preparing or furnishing consumer reports.
consumer reports/MVRs to Commercial clients for employment purposes, most authorities agree that the agency is functioning as a Consumer Reporting Agency, and must follow all the steps required of a CRA. Thus, although it might be “legal” for an insurance agency to provide MVRs to Commercial clients, the agency must be aware that it’s acting as an employee screening service, not just “underwriting insurance.”

Violations of the FCRA fall into two categories: (1) negligent noncompliance, and (2) willful noncompliance.

The penalties for negligent noncompliance include actual damages, attorney’s fees, and court costs.

The penalties for willful noncompliance — the more serious violation — can include all of the above, as well as punitive damages, a fine from the Federal Trade Commission, and up to two years in prison.

In addition to the myriad requirements of the FCRA, an agency must also beware of other restraints and concerns.

First, most third-party providers of MVRs (such as ChoicePoint, etc.) expressly prohibit agents from furnishing MVRs to anyone other than the consumer. It’s essential to note that although an agency may legally furnish MVRs to Commercial clients as long as it follows all FCRA guidelines, most third-party providers from whom the agency routinely obtains MVRs prohibit such practices.

MVR Company A: “The Consumer Reports provided by Company A are for the sole and internal use of the Insurance Agency, and may not be resold, sub-licensed, delivered or displayed in any way or used by any third party. Insurance Agency certifies that it shall order, receive, disseminate and otherwise use the Consumer Reports in compliance with all applicable federal, state and local statutes, rules, codes and regulations. Insurance Agency agrees to indemnify and hold harmless Company A from any and all damages, costs, judgments and expenses.”

MVR Company B: “All reports, whether oral or written, will be kept strictly confidential; except as provided by law, no information from reports will be revealed to any person except the subject of the report. No information will be requested for the use of any other person, agency or organization except with the written permission of Company B. Reports may not be resold or transferred to any other person. The unlawful ordering or use of consumer reports can subject you to criminal and civil penalties in accordance with both federal and state laws.”

One of the largest MVR Companies in the nation sent this memo to all insurance agency customers:

“It has recently come to our attention that some insurance agencies may be furnishing MVRs obtained for commercial underwriting purposes to the commercial insurance buying customer. Please be aware that the consumer reports you obtain from us may not be used beyond the purpose for which they were ordered and cannot be sold or given to parties outside the ordering insurance company or insurance agency.

Allowing an employer to receive an MVR that was provided to you for commercial underwriting purposes would be a violation of law as well as a violation of your agreement with us.”

Thus, most MVR providers do not permit the practice of an insurance agency furnishing MVRs to commercial insureds on their current or prospective employees.

A second concern is that many insurers also prohibit disclosure of MVRs to anyone other than the subject of the MVR.

A third concern is that agencies can be — and have been — sued by consumers for allegedly furnishing protected, personal information to others without their permission or knowledge.

Although FCRA requires a consumer to give written permission before a CRA can release any consumer report (including MVRs) that will be used for employment, there’s no requirement for written permission if the consumer report/MVR is for insurance underwriting. And therein lies a dangerous trap for agencies.

When a Commercial client calls an agency and asks that an MVR be run on an employee/prospective employee, especially those that will be driving, the agency can meet this request by computer in a matter of minutes. Agencies pull MVRs for underwriting many times each day.

However, in sending the MVR to the Commercial client, the agency probably goes beyond the bounds of “underwriting.” Most legal experts agree that the agency is acting as a Consumer Reporting Agency, by supplying a consumer report that will be used for employment. This can create an immediate legal problem for the agency because the chances are overwhelming that they don’t have the consumer’s written permission.

What’s more, the consumer’s written permission isn’t the only requirement...
(Con’t from page 6)

the agency must now meet if it provides MVRs to Commercial clients. Bear in mind that such practices are probably prohibited by the third-party provider of the MVR, as well as by many insurers (perhaps including the carrier who wrote the Commercial Auto policy for the agency’s client).

In an attempt to sidestep the FCRA requirements, some agencies might consider simply giving the manager or supervisor of the Commercial client verbal information on the MVR, without actually sending them a copy. Most authorities believe that this probably does not relieve the agency from meeting its responsibilities under the FCRA, and could make it a target for a violation of privacy lawsuit.

On the other hand, if the information on the MVR would cause the Commercial Auto insurer to exclude drivers from coverage, informing the Commercial client of that fact without revealing any specifics, probably still falls under “underwriting.” If the client insists on finding out the specifics of why a driver will be excluded, the safest practice for the agency is to suggest that the employer obtain the MVR, and any other background information legally available, on their own. This can easily be done by contacting any of the dozens of employee screening companies that provide this information for a fee.

It’s essential to inform all agency employees who handle MVRs about the distinction between using consumer reports/MVRs for insurance underwriting vs. employment.

Although these strict guidelines and complicated procedures might seem unduly burdensome at first, bear in mind that the overall purpose of the FCRA is to protect the privacy and accuracy of consumer reports. Research suggests that there’s a significant error rate in consumer reports and MVRs aren’t immune from mistakes. So if the agency sends the Commercial client/employer wrong information, and the consumer/employee gets fired, or not hired, the agency could easily face litigation, with little defense.

In fact, most third-party providers require that an agency hold them harmless as a condition of doing business with the agency — so the agency would probably not be able to blame the third-party provider for supplying incorrect information (most third-party providers don’t permit the practice in the first place).

But even if the information is accurate, the strict guidelines also protect consumer privacy. Access to a consumer’s private information is restricted to very specific situations, such as credit, insurance underwriting, employment, and a few other circumstances permitted under the FCRA.

Whether or not the agency’s E&O carrier will defend it varies with each situation. However, some E&O carriers have indicated that although the mishandling of a consumer report/MVR that takes place during insurance underwriting is within the scope of an agency’s operations, providing MVRs to others for employment or other uses is not a part of an agency’s normal operations, and thus might not be covered by the E&O policy.

Although this article focuses on Commercial Lines situations, an agency should exercise equal care in handling Personal Lines MVRs. Several recent cases illustrate the need for caution.

In one case, a client was having a custody fight with her ex-husband. He routinely showed up drunk when picking up their kids for the weekend. Fearing for her children’s safety, the woman mentioned her concerns to the CSR handling her Personal Auto insurance. The woman said that if she could show the court that her ex-husband was putting the kids at risk because of his drinking, she might be able to prevent him from taking them in his car unsupervised.

The CSR said she would see if the ex-husband had any drunk driving convictions on his MVR. The MVR did indeed have several DUI arrests and convictions, and the woman gave the court a copy of his MVR, which she had obtained from the CSR. The ex-husband was incensed, and successfully sued the agency for violations under the FCRA, winning a judgment of more than $200,000.

The bottom line: develop written procedures for the handling of all private information, add these procedures to the agency’s manual, and train all agency staff on guidelines for handling all forms of protected information.

What about CLUE Reports?

The same is true with respects to the FCRA and CLUE (Comprehensive Loss Underwriting Exchange) reports. It is not uncommon for agents to request to pull CLUE reports for homes that their insureds are purchasing. In many instances, the agents advise the potential buyers to check the CLUE report. This has become SOP since most carriers do check losses, including previous losses at a particular address. Realors have also informed their clients to have the client’s insurance agent pull the CLUE report. This practice is just as hazardous as pulling and sharing the MVR. Both are considered consumer reports by the FCRA.

Buyers have become cognizant of the need for the CLUE report for several reasons, including the need for insurance to purchase the home, that the insurance could potentially be contingent on previous losses, the recent turmoil in the Flood program and its’ pricing and the potential delay these factors may create in settlement on the home.

(Con’t on page 8)
Realtors often advise the seller to pull their CLUE report to make certain it has no errors, similar to errors found on credit reports.

**Summary:**
- The practice of sharing MVRs with third parties may be permitted under the FCRA when all of the proper procedures are followed.
- Most MVR vendor contracts expressly prohibit sharing MVRs with third parties.
- The agency E&O policy may not provide coverage for an agency that is sued or fined over the MVR sharing issue when it is or can be shown to be ‘employment’ related.
- The best course of action for an agency is to tell commercial insureds that they must obtain the employee’s MVR on their own; that keeps the agency completely out of the loop.
- Legal experts recommend that agencies include guidelines about this issue in their employee handbook, or agency operations manual.
- IIA Maryland does provide a form on their website for approval to pull MVRs for Commercial clients, however, IIA Maryland does not endorse the practice of supplying MVRs to third parties and recommends against it.

**Helpful Links:**
- Updated Overview of the FCRA, The Fair and Accurate Credit Transactions Act and the Drivers Privacy Protection Act (Updated 12-2012 and prepared by IIABA Office of General Counsel). (http://iiamd.org/technicalinfo) Go to Privacy Information. Access will require your email and logon password.
- Article by Mike Edwards: ‘Furnishing MVRs to Clients could be Hazardous to Your E&O Policy. (http://www2.imms.com/members/content/IMS10393.htm)
- Why is the C.L.U.E. information only available to the home seller? Why not the homebuyer? (LexisNexis) https://personalreports.custhelp.com/app/answers/detail/a_id/3161/related/1

**About the authors:**
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This article is not intended to provide legal advice and is presented for information only. The article contains copyrighted material from Edwards & Associates, the FAIA and the Independent Insurance Agents of Louisiana and is used with permission.
Dear Pat:

You seem to have a good handle on trends, at least most of the time. As we start the New Year, I was wondering what new trends that you expect to see in the near future in the sale of insurance?

Trending in Towson

Dear Trending:

I was recalling the other day that I have been in the insurance field for 30 years. Back when I started, I would have been seen as verging on the ridiculous if I had anticipated cell phones, the internet or even the unexplained popularity of Kim Kardashian. So I will not predict what we will be doing in 30 years. But I do have some thoughts as to some potential trends in the next few years.

First, I expect that the technology trend will continue. The demands of millennials, who will age and take over positions of authority, will expect insurance producers to speak with them using FaceTime, Skype, GoToMeeting.com or some newly invented Apple wrist watch. Insurers will continue to segment potential insureds using technology such as Snapshot and other monitoring devices. Insurance brokers need to be able to advise clients of monitoring risks, privacy concerns and the way that technology can save them money.

Second, I anticipate the expanded role of the back room operations of insurance producers. Certainly, there will be increased compliance burdens placed on insurance producers. We have seen burdens placed upon producers by the Affordable Care Act, the Foreign Account Tax Compliance Act and a myriad of other new pieces of legislation requiring education and paperwork. In addition, I expect that the successful producers will, over time, require that they be supported by segmented and detailed data mining strategies that are monitored frequently to create learning opportunities. As stated by strategist Roger Martin: “Every model is wrong and every strategy is wrong. Strategy in a way helps you learn what is ‘righter’.” Sales persons, who lack the time, will need to look to their backroom partners to assist them to do what is ‘righter’ and smarter.

Third, the insurance industry, as a whole, will need to react more quickly to legal developments. For example, this year in Maryland there have been over 70 reported cases dealing with significant insurance issues (which averages one significant case a week), including at least five significant uninsured motorist coverage cases. In a simpler time, an insurance producer could wait until he or she took continuing education classes to learn of the new legal developments.

Not so in this fast pace world where clients and insurers expect more. So those are the trends that I am thinking about—at least today.

Pat

Dear Pat:

I have a question for you regarding MVA Reports.

If a husband and wife are on the same auto policy and the wife has activity on the MVR (speeding), would I legally be able to disclose to the husband the activity? Or, can I just say there is activity on the MVR...without telling him what it is?

Confused in Clinton

Dear Confused:

No wonder you are confused. This is not an easy question. And the answer to the question involves complicated questions of federal and state privacy laws.

So I am a practical type of lawyer. So here is what I advise. Look at the application forms that were signed and see if disclosure is permitted (some allow the disclosures). If that does not answer the question, tell the husband to have the wife call you to obtain permission to disclose information about her.

Pat
If you don’t offer prospects and customers e-signature functionality now, you probably will before long. And if you don’t, someone else will. Agents and brokers using e-signatures say it helps them sell more, communicate faster, satisfy efficiency-conscious customers, eliminate unneeded follow-ups, ensure documents are in good order, and reduce E&O problems.

Electronic signature solutions come in a variety of forms—everything from face-to-face stylus or finger-signing on tablets, to click-to-sign functionality where an agent sends a link and instructions to a customer or prospect, who then signs and returns the document.

There are a number of resources to help agents and brokers understand what electronic signatures are and what they offer. ACORD offers a summary of some of the legal issues surrounding e-signatures. ACT prepared an overview article and recently created papers addressing carrier- and vendor-related topics, which supply links to a number of providers. And a recent Agencies Online video offers insight from Steve Anderson. Each of these and others offer useful information that can help as you move forward.

**Making Your Decision:** Here are some things you may want to consider as you compare the various e-signature solutions for deployment in your own agency or brokerage:

- Does it offer you options (such as e-mail, secret questions/answers or SMS text code) to authenticate online customers?
- Is it flexible enough to support how you do business and not require employees to implement unwanted workflow or process changes?
- Will the solution let you promote your own brand?
- Does it protect you with electronic proof of everything the customer sees, signs and agrees to online?
- Will it support agency-specific forms and marketing materials?
- Can you choose a method of signing that suits your situation and addresses both in-person and remote signing?
- Does it support any web-enabled mobile device?
- Is it recommended by actual users, such as those in your agent association, management system user group, or individuals who comment on product review sites like www.g2crowd.com?

Additional Resources: You may also want to review the checklist Joyce Sigler shared in an e-signatures article in the November 2013 issue of Rough Notes magazine. Also, explore available integrations through your agency management system vendor listed in our previous ACT article and, if you’re a Big "I" member, learn about how its partnership with one vendor might benefit your agency.

One final piece of advice: It may sound obvious, but once you’ve vetted and selected an e-signature solution in your agency, test it internally before you launch it with customers and prospects.
IIA Maryland Board of Directors and Past Presidents enjoy a holiday luncheon following the Board meeting on December 18th. The luncheon was held at the Bavarian Brauhaus in Linthicum.

WASHINGTON, D.C.,-The Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) today released the following statement by Robert Rusbuldt, Big “I” president & CEO, regarding the U.S. Senate’s failure to pass S. 2244, the “Terrorism Risk Insurance Program Reauthorization Act of 2014” and the National Association of Registered Agents and Brokers (NARAB II) legislation.

“With more than a week before Christmas, we are profoundly disappointed in the Senate’s premature decision to leave town late last night without extending the Terrorism Risk Insurance Act which provides vital protection for the U.S. economy. The TRIA legislation had overwhelming bipartisan support in both chambers of Congress along with strong support from the White House. This inaction is particularly galling in light of the 417–7 vote in the House last week on this exact same legislation. As if this weren’t bad enough, thousands of small business owners and their customers are waking up this morning with coal in their stockings after somehow NARAB II, agent licensing reform that has already passed both chambers in different bills, was also left on the cutting room floor. We urge Congress to pass both common-sense, bipartisan pieces of legislation as soon as they convene for the 114th Congress early next year.”

Terrorism Insurance Bill & NARAB II Die in the Senate

Legislation would have extended TRIA program for six years and included agent licensing reform.
Walmart and Overstock.com in the Insurance Marketplace

By Bill Wilson

Recently NY agent and VU faculty member, Ed Higgins, and I were interviewed for an article about the entry of Walmart and Overstock.com into the insurance marketplace by MyNewMarkets.com. That full article is available on their website at http://www.mynewmarkets.com/articles/182220/agents-react-to-walmart-overstock-in-insurance-we-arent-dead-or-dying-we-are-evolving. At about the same time, I was interviewed by another reporter for a different publication on the same subject, with a particular focus on the alleged “commoditization” of personal lines. The following is the Q&A from that email exchange.

Question: “Retailers like Walmart and Overstock.com have recently announced that they are entering the insurance market, treating insurance as if it were a commodity. What are your thoughts on the subject? Do you think that that is how customers view insurance?”

Answer: Insurance is NOT a commodity. Anyone who has ever compared two or more auto insurance policies knows that. The “ISO standard” personal auto policy is 13 pages long. I recently reviewed an auto policy from Florida that was 76 pages long. The only distinction between true commodity products is price. I’d say a 63-page differential between two complex legal contracts suggests that they are not the same product. After filling up two printed pages of differences between them before getting to the third page of the 76-page product, it was pretty obvious I wasn’t examining commodity products.

However, given the price-focused insurance advertising that dominates the media, it is certainly how most consumers view auto insurance. One insurer advertises “SAME COVERAGE, Better Value.” Having examined their auto policies, I can tell you what they’re selling is NOT the same coverage as is available from other auto insurance products in the marketplace. Just because one product is cheaper than another doesn’t necessarily mean that the coverage provided is lesser, but it often is. To quote legendary salesman, Morty Seinfeld, “Cheap fabric and dim lighting, that’s how you move merchandise.”

Need examples?

• A Florida insured’s auto was in the shop so she rented a car and later loaned it to someone who loaned it to someone who had an at-fault accident that killed a child and seriously injured other children. The claim against the operator and named insured was denied by the insurance company on the premise that the vehicle was not a “temporary substitute” and the operator was not a “permissive” user, as defined in this insurer’s personal auto policy.

• The son of a friend of an agency owner was street racing when he crashed, seriously injuring himself and his passenger. The claim was denied by the insurance company based on their interpretation of their personal auto policy’s “racing” exclusion.

• A “boomerang” child lost his job and moved back home with his parents. While driving his mother’s auto, he negligently struck another vehicle, fortunately causing “only” several thousand dollars in property damage. The insurer denied the claim on the basis that his residency was not reported to the carrier within 30 days of his return home.

• A North Dakota church allowed a member to park his car in their heated ‘bus barn.’ While exiting, he wrecked and caused structural damage to the building. The claim was denied by the insurer, citing the “care, custody or control” exclusion in their personal auto policy.

What do these four claims have in common, other than being denied by each insurance company? Every one of them would have been covered if the policyholder had purchased an “ISO standard” personal auto policy rather than the policy in question. Has a family member lost a job and is temporarily delivering pizzas? Some auto policies cover this, some don’t. Do you ever run to the office supply store or post office for your employer? Some auto policies exclude ANY business use of a vehicle. The TV and internet advertisers don’t tell you this. In fact, if you get an online auto insurance quote, tell them you’d like to read their policy before you buy it. They won’t let you.

Question: “Do you think that customers are looking away from the traditional agency system and more toward the digital space?”

(Con’t on page 13)
4. Dirty Dozen: insurance policies, including this of differences found among auto Agent magazine. It includes a list in the July issue of Independent look at my “Price Check” article many other examples, take a above. For more information and auto policies. I gave some examples between catastrophic differences between auto policies. I gave some examples above. For more information and many other examples, take a look at my “Price Check” article in the July issue of Independent Agent magazine. It includes a list of differences found among auto insurance policies, including this Dirty Dozen:

1. Undisclosed household residents are excluded. How many of your insureds have “boomerang” kids living at home that you’re not aware of?

2. Business use of non-owned autos is excluded. Have you ever borrowed a neighbor’s car or had a dealer loaner auto and made a business stop?

3. Business use of ANY auto is excluded. Do any agency employees ever run to Staples of the post office on agency business? What if they have one of these policies?

4. Use of ANY non-owned auto is excluded. Better not drive anyone’s car but your own.

5. Vehicles over 10,000 GVW are excluded. Have you ever rented a U-Haul truck or an RV thinking your liability coverage extended to the rental?

6. Any type of delivery is excluded. Denied claims include pizza, newspapers, Mary Kay cosmetics, and, yes, even the delivery of insurance policies to customers by an agency producer.

7. Permissive users only get minimum limits. This can apply to those you loan your car to or even unlisted household drivers.

8. “Street racing” is excluded. Google “street racing” and see how often people are killed or critically injured while street racing.

9. Criminal acts are excluded or limits reduced. DUI or even speeding tickets may preclude coverage.

10. Medical payments only include licensed physician fees. One insured incurred a $25,000 “Life Flight” helicopter fee that would not be covered, even in part, by a policy with this exclusion.

11. Theft without evidence of forced entry is excluded. One insured had a four-figure vehicle theft loss denied because he left his keys in the car.

12. Sales tax is not covered under loss settlement. This cost one “same coverage” insured over $2,000 out of pocket for sales tax on a replacement auto.

Question: “What are the benefits of having a customer having a relationship w/a local insurance agent versus a retail giant?”

Answer: One online auto insurance company says they can save you 15% in 15 minutes. Competing now on price AND time, another online insurer says they can give you a quote in 7 ½ minutes. If you had an abscessed tooth, would you base your choice in dentists on who can get you in and out the quickest? There’s no way someone can quote your insurance premium in 7 ½ (or 15) minutes and exercise due diligence in matching your exposures to loss and the proper policy coverages. A good agent will help you identify your exposures to loss and make sure you have the opportunity to purchase the proper types of coverages to meet YOUR individual needs.

An independent agent represents multiple insurers. A good agent knows the products of each of these insurers and which ones best fit your individual needs. Your hometown agents can make sure you’re getting all the premium credits you can, but most importantly, he or she will do their best to make sure you have the best product.

Perhaps most importantly, a good independent agent will advocate for you at claim time. Not every insurance claim is black and white. Even where policy wording between insurers is identical, it can be interpreted differently. If a claim is denied in whole or in part, the agent can work on your behalf to get the claim paid.

I literally see this every day in our Virtual University “Ask an Expert” service. Last week an agent contacted us because he believed the adjuster was incorrectly interpreting a policy provision. We agreed and the adjuster reversed the denial, resulting in a payment of $27,000, a thrilled customer, and an appreciative agent. I can promise you that “Jake at State Farm in his khakis” can’t do that for you, nor can lizards or box store clerks.
**Big “I” Provides Congressional Testimony On Private Alternatives To NFIP**

Association submits testimony to insurance subcommittee regarding private flood policies.

WASHINGTON, D.C.,— The Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) today submitted testimony before the U.S. House of Representatives Committee on Financial Services Subcommittee on Housing and Insurance at a hearing entitled, “Opportunities for a Private and Competitive Sustainable Flood Insurance Market.”

The hearing is set to discuss H.R. 4558, the “Flood Insurance Market Parity and Modernization Act of 2014,” by Reps. Dennis Ross (R-Florida) and Patrick Murphy (D-Florida). This proposal would increase the availability of private market flood insurance alternatives to the National Flood Insurance Program (NFIP) by having state insurance regulators determine acceptable private market flood insurance policies. Limited private flood insurance has been envisioned as working hand in hand with the NFIP since its inception in 1968 and, in fact, the Biggert-Waters Flood Insurance Reform Act of 2012 (Biggert-Waters) legislation specifically reiterated this fact. Unfortunately, there is a lack of clarity regarding exactly what is an “acceptable” private market flood policy. Currently, mortgage lenders are unsure of whether private market alternatives satisfy the “mandatory purchase” requirement and so are either requiring the private policy to look nearly identical to an NFIP policy or in many cases simply not accepting private policies. Additionally, federal banking regulators have begun the process for making a rule determining what is considered an “acceptable” private policy. This legislation would, appropriately, let state insurance regulators determine acceptable flood insurance policies instead of federal banking regulators or the lenders themselves.

"The Big 'I' shares the view of Reps. Dennis Ross (R-Florida) and Patrick Murphy (D-Florida) that state insurance regulators, and not federal banking regulators, should be the ones determining what is acceptable flood insurance coverage for consumers,” says Charles Symington, Big “I” senior vice president for external and government affairs. “We do have one potential concern regarding whether a private policy will count as ‘continuous coverage’ under the terms of the NFIP and look forward to working with the bill sponsors to address this concern.”

As H.R. 4558 is currently written, if an NFIP policyholder who either had a subsidy or a grandfathered rate elected to leave the NFIP and obtained a private market policy they would lose that subsidy and/or grandfather rate should they be displeased with the private market and decide to return to the NFIP. This loss would be permanent and would discourage consumers from utilizing any new private market opportunities.


**Big “I” Pac Scores 93% Congressional Victory Rate**

InsurPac distributes more than $1.8 million to campaigns across the country in election 2014.

WASHINGTON, D.C.— The Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) today announced that its political action committee, InsurPac, distributed more than $1.8 million in the 2014 campaign cycle resulting in a 93% congressional victory rate.

“InsurPac supported more Senate and House campaigns than ever before and we are pleased with the overall numbers,” says Robert Rusbuldt, Big “I” president and CEO. “Big ‘I’ independent agents and brokers have spoken loud and clear through InsurPac dollars leading to a strong victory rate for the PAC.”

In the 2014 election cycle, more than 5,000 independent agents and others have joined forces to support InsurPac with personal, (Con’t on page 15)
andbits

(Con’t from page 14)

voluntary contributions. InsurPac distributes 100% of its voluntary agent contributions to federal campaigns and, as a result, has an impressive bipartisan track record in Congress and on the campaign trail. “The political power of the Big ‘I’, fueled by an active membership, bipartisan government affairs team and InsurPac, is highly regarded on Capitol Hill,” says Charles Symington, Big “I” senior vice president of external and government affairs. “InsurPac supported more Senate and House campaigns than ever before, and distributed a significant amount of money as the largest political action committee representing the independent agent and broker community. InsurPac distributed $1,836,169 in support of 292 races, winning at least 272 of them for an overall 93% victory rate.”

In disbursing contributions, InsurPac does not look at party affiliation but supports candidates for federal office including members of the U.S. Senate and House of Representatives who have been advocates and supporters of the independent agency system and small business.

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Big “I” and Future One Release 2014 Agency Universe Findings

Anticipated biennial study reveals recovery and resiliency in the independent agency system.

ALEXANDRIA, VA.—The number of independent insurance agencies has remained stable, the system as a whole is dynamic and business conditions continue to improve, according to the 2014 Agency Universe Study (AUS). Future One, a collaboration of the Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) and leading independent agency companies, has released key findings from the recently completed, most comprehensive look at the independent agency system.

“The 2014 Agency Universe Study reveals good news for the independent agency system, including a stable business environment, improving business conditions and that the system as a whole is dynamic,” says Robert Rusbuldt, Big “I” president & CEO. “The independent agency system remains a growing distribution system that proved resilient during the recent economic challenges.”

The study looks at many statistics about independent agencies operating in the U.S. including their numbers, revenue base and sources, number of employees, ownership, mix of business, diversification of products, technology uses, non-insurance income sources and marketing methods.

“As the Big ‘I’ continues to increase its diversity awareness efforts, the 2014 Agency Universe Study found more progress toward efforts to focus on marketing to a more diverse clientele including efforts directed at specific generations,” says Madelyn Flannagan, Big “I” vice president of agent development, education and research. “Smaller agencies appear to be more focused on serving specific market populations, with nearly half indicating that they focus some of their marketing efforts on Gen X, Millennial and Hispanic markets.”

Other key findings of the 2014 Agency Universe Study include:

- **The number of independent agencies is stable.** After declining from 44,000 in 1996 to 37,500 in 2006 and remaining stable at 37,500 between 2006 and 2010, the number of independent agencies grew to 38,500 by 2012. In 2014, the estimated total number of agencies remains the same: 38,500.

- **Better business conditions.** Business conditions continued to improve between 2012 and 2014, as they had between the 2010 and 2012 studies. In 2014, 70% reported increased revenue (for 2013 compared to 2012), compared to 60% in the 2012 study.

- **Social media pros and cons.** Agencies are starting to incorporate social media strategies into their marketing,

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but encountering some challenges. In 2013, 43% of agencies included social media in their marketing activities, primarily to build brand equity among prospects and customers. At the same time, 21% of agencies indicate that marketing the agency effectively on the internet is their top technological challenge (and 46% rank it among their top three challenges).

The 2014 Agency Universe Study used a combination of sources to arrive at the distribution of agencies by size. The distribution represents a decrease in proportion of small agencies (28% in 2012 to 15% in 2014) and an increase in proportion of medium-small agencies (46% in 2012 to 57% in 2014). While the trend was notable prior to 2014, changes in the sources and approach used to estimate the agency universe this year may have also had some influence on the size distribution estimate as well.

The 2014 Agency Universe Study is the eleventh in a series that was first conducted in 1983. Subsequent studies were released in 1987, 1992, 1996 and 2000. Since 2002, the study has been completed biennially. Since 2004, the Agency Universe Study has relied on Internet data collection. Approximately 3,100 agencies were included in the 2014 analysis.

To order a copy of the 2014 Agency Universe Study Management Summary, which provides an overview of the highlights from the complete study, visit www.independentagent.com.


MSO Introduces New Home Business Endorsements for Bop

Glen Rock, NJ– MSO, Inc. (The Mutual Service Office, Inc.) is expanding the specialty Businessowners (BOP) programs they offer to include Home Care providers, Make Up Artists and Personal Fitness/Wellness Coaches. This is in addition to programs already available for such exposures as Bed and Breakfasts, Dry Cleaners, Funeral Directors, Pet Services, Restaurants, Self Storage, Landlords, Condominium Owners and Home Businesses.

The specialty BOP’s are designed to address exposures particular to each class of business.

The new programs are designed for businesses that do not have a commercial location and operate from various locations. Each program has its own endorsement, tailored to reflect the exposures of the business, as well as a custom Declarations Supplement. For example, coverage is included for clean up of fluids used, loss of employees equipment or client’s property, and professional liability.

The Home Care Program is designed for nonmedical services, such as cleaning, doing errands, and other jobs around the house.

Make Up Artists coverage is designed for the professional application of make up that is done at varying locations, rather than at a salon. The Personal Fitness/Wellness Coaching program is designed for an individual, including a spouse, but not an entity that has more than two employees.

MSO is a property/casualty rating service bureau, providing product development and rating services to the insurance industry since 1944. MSO has long been an industry leader, offering programs that are comprehensive and easy to

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use. MSO’s plain language programs save companies money by clearly excluding coverage for claims that were never intended to be paid. Consistency of policy language between the programs also makes claims handling easier. MSO will work with companies to customize the program to meet a company’s marketing and underwriting requirements. MSO will continue to expand by making additional programs available in a growing number of states.

For information on all of the programs and services offered by MSO, call Sue C. Quimby, CPCU at (800) 935-6900 ext. 111. Email: MSO Press@msonet.com. MSO, Inc. 139 Harristown Road Suite 100, Glen Rock, NJ 07452. Visit us on the internet at www.msonet.com.

(Con’t from page 16)
How to help your client plan for a loved one with special needs.

by Scott Zilber

The case for Special Needs Trusts

According to data from the National Institute of Health one in every five people in the United States suffer from some form of disability. Of the roughly 55 million disabled people in this country about 30 million are considered severely disabled. Not all of these people are born with a disability; some may be stricken by illness or be involved in an accident that leaves them disabled.

Parents and families of individuals with special needs face incredible challenges on a daily basis. During the life of the special needs individual crucial decisions must be made that will have a long term implications. Typically, parents and families spend a great deal of time worried about what will happen to their loved one when they are no longer living or able to support their personal and financial needs.

Why do I need to use a Special Needs Trust?

A spouse, parent or grandparent of a special needs individual will have unique planning needs. While each family’s situation is different, many financial plans center around three primary objectives:

1. Protect the Assets left to a special needs beneficiary.
2. Provide additional income to facilitate a better quality of life.
3. Prevent the loss of government benefits, including Supplemental Social Security (SSI) and Medicaid.

When a disabled person receives an inheritance, the government will require that the inheritance be depleted before it will pay for food, shelter and medical care. This can quickly exhaust even a large inheritance based on today’s costs and standards of care. Currently, an individual owning assets in excess of $2,000 disqualifies an individual from most federal assistance programs such as SSI and Medicaid.

A trust can not only be used to protect assets passed from generation to generation, but with proper funding can be used to ensure that liquidity and funds are available to supplement a special needs beneficiary’s government benefits and allow them to participate in activities and programs that they may not otherwise be able to afford.

Special needs trusts can pay for almost any cost not met by public or private agencies such as:

- Medical, dental and rehabilitation expenses not otherwise proved for
- Education and Training
- Vacations, Recreation and transportation (including the purchase of a vehicle)
- Life Insurance Premiums
- Legal Expenses

Proper planning avoids the risk of an inheritance disqualifying a special needs heir from receiving all or most of their government benefits. The correct techniques can protect inheritance for the lifetime of the special needs individual.

Funding a special needs trust

Life insurance can be the most cost effective and efficient method for providing the funding to help achieve family goals. Life Insurance provides immediate funding of the trust, regardless of the timing of the deaths of parents or other insured. The type of life insurance policy that may be the best fit will depend upon a number of other factors including premium structure and the tolerance for risk.

Donor(s) The Beneficiaries

Special Needs Trust

Trustee Purchases Life Insurance Policy Death Benefit

How do I get started?

Our mission is to help Property & Casualty agencies seamlessly integrate life, long-term care and linked benefit products into their standard offerings. Our commitment is to help firms identify emerging opportunities and provide the knowledge and point-of-sale assistance that will allow P&C firms to maximize their strengths in developing and broadening client relationships.

Belman Klein Associates and the IIAAMD

As a Associate member of the IIAAMD we look forward to working with other members to help them round out their business by partnering to bring our services to their clients. In 2015 we will continue our Life Insurance Made Easy series in the Maryland Messenger.

For more information contact Scott Zilber at szilber@belmanklein.com or 1-800-729-6007
For thirty years, Builders Mutual has been working hard to make your job easier. Agent tools like BOB 2.0 allow you to issue and service policies online with ease. When you’re quoting residential, commercial and trade contractors, the insurance choice is simple.

Stay connected. buildersmutual.com
Weigh carefully the long-term implications of purchasing this critical coverage from the same carrier you place retail business with?

By David Hulcher, AVP of Agency Professional Liability Risk Management, Big “I” Advantage, Inc.

Where to place your E&O coverage is one of the most important decisions an agency makes. The protection offered by an E&O policy can be the difference between the agency’s long-term prosperity or financial ruin. In today’s marketplace, agents have many options of where to purchase their E&O coverage. For some agencies, one of those options may include purchasing E&O coverage directly from one of their appointed carriers. These carriers constantly solicit their appointed agents, enticing them with exclusive perks for placing their E&O coverage such as points towards carrier incentive plans, reductions in deductibles for E&O claims involving placements with the appointed carrier and E&O premiums credited towards overall production. At face value it seems like a good deal since you’ve had a great, long-term relationship and have placed hundreds of customers with the appointed carrier. You trust them for your customers, they are highly rated and they have a great reputation for paying claims. 

But serving your customers and defending your agency from E&O claims are two very separate and distinct things. The line of what is best for the agency and best for the customer becomes blurred and the two aren’t always the same. And what is best for the carrier and best for you may not be same either. It’s seldom spoken of when this happens, but it’s always lurking in the background and it’s called “conflict of interest”.

Here are some things to consider when evaluating placing your E&O coverage with a carrier you are directly appointed with and place retail business:

Agent vs. Direct: On a daily basis the Big “I” promotes the value insurance agents bring to their customers and helps position agents to compete against the direct writers of the world. You know the value you add to customers, so don’t you want the benefit of an agent working on your behalf? Professional liability can be tricky and just because you know the coverage needs of your customers doesn’t necessarily translate to knowing the marketplace for agents E&O. Big “I” state associations work closely with you to service your E&O needs.

Damaging Carrier Relationships: The intrinsic value of agencies is their book of business and carrier appointments. You would hate for a disagreement on the handling of an E&O claim to strain the relationship with an important carrier and hamper the long-term accessibility of the market to serve customers.

Sharing Application Data: E&O applications contain a large amount of sensitive information used to underwrite agencies including: premiums written by line of business, revenue, staff count, appointed carriers, and descriptions of office procedures. Some may even ask for a business plan. Will the E&O department of your appointed carrier keep this confidential or is it shared with other retail lines of business? I would hope that the information in the E&O application is guaranteed confidential and not shared with other units of the carrier. Do you really want to chance it? Can you image the carrier’s field marketing representative hounding you for more business because of inside information? A ‘separation of church and state’ is important in this case.

Rising Carrier Claims Against Agents: E&O claims data revealing where claims are coming from and who is causing them generally doesn’t change a whole lot from year-to-year. There are micro-trends that are identified from time to time that help in developing targeted risk management materials. But the one VERY clear trend revealed in claims data over the past ten years is an increase in carriers suing agents for mistakes that result in damages to the carrier.

Conflict of Interest: The claims by carrier’s against agents also reveals something else: once the carrier believes the agent is responsible for the E&O claim, all those years of a pleasant and profitable business relationship are quickly forgotten.

(Con’t on page 21)
carrier only has one purpose in mind, making the agent pay the claim. So, if your E&O is with that same carrier, there is an immediate conflict of interest because under the E&O contract, their sole duty is to defend the agency. But if they are also trying to lay blame on you, how can they in good conscience also defend you? It’s kind of mind-bending to think about, but what kind of defense are you going to get if the carrier is defending you from itself?

**Protecting Your Agency’s E&O Claims History:** So many potential E&O incidents involve “he said, she said” accounts of the event involving an uncovered customer claim. What happens when the potential E&O incident occurs on a customer written with the appointed carrier? You know that you didn’t make a mistake and the customer may be misrepresenting facts seeking to secure payment from your E&O policy. The appointed E&O carrier must make the decision to defend the agent or pay the retail customer’s underlying claim to appease them. Maybe they just decide to pay the loss as an E&O claim under your account because it is less expensive than defending it, taking advantage of your deductible and justifying potential future increases in your premiums. This will show up on the agent’s loss history and have a negative impact on your ability to shop your E&O coverage in the future.

You have a choice on where you place your E&O coverage and these are just a few things to consider when making this very important decision. It seems safe and convenient to place coverage with an appointed carrier that you place retail business with, but at the end of the day is the potential risk really worth it? There are long-term, stable programs focusing strictly on the agents E&O class of business with an agency force specializing in serving agents, so why not minimize potential conflicts of interest before they may develop?

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A Big ‘I’ Thanks to all of our PAC supporters/contributors

Our InsurPac Contributors: Your federal political action committee (InsurPac) plays a key role in the Big I’s legislative success. InsurPac raises money to contribute to candidates running for federal office, while increasing agent visibility on Capitol Hill and empowering members to participate in the political process. InsurPac’s interaction with our representatives on Capitol Hill is crucial to the interests of independent agents. Because of the bond established through these events, elected officials regularly turn to IIABA’s lobbyists when they are seeking information about the independent agency system. Our Congressmen and women use that information to frame insurance issues on Capitol Hill and in doing so, promote what is important to IIABA’s membership. Donations to the InsurPac must be from an individual and the agency must sign a Corporate Approval form, which may be found on our website. The IIA Maryland, thanks to the efforts of our InsurPac Chair, Angela Ripley, has met their contribution goals for the last three years. We thank our InsurPac contributors:
- Daniel Burris
- Eric Dana
- Clinton ‘Jay’ Duke
- Charles Grant
- Patrick Kokosko
- Thomas Lowe
- Kimberly Matney
- Michael McCartin
- Louis Novice
- Angela Ripley
- Tricia Kokosko Wolters
- James Wood
- John Yingling

Our MAPAC contributors: The Maryland Big ‘I’ was instrumental in the organization and development of the Maryland Agents Political Action Committee (MAPAC). This is a separate, non-profit, non-partisan, political action committee. It functions to aid those candidates for legislative or statewide office who understand the problems and needs of independent agents in Maryland. Contributions to the MAPAC may be from the agency and/or an individual. Many agents contribute to MAPAC as part of the annual dues renewal. We thank our MAPAC Contributors:
- A & W Insurance Services, Inc.
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IIAM’s Education Foundation Contributors: The IIAM Maryland Education Foundation was founded over 10 years ago to assist college bound seniors taking insurance courses at local universities and colleges. The Foundation expanded during the tough fiscal times in 2008-09 to enable the funds to be used for those agents’ unemployed but wishing to maintain their insurance producer license. We continue to service the unemployed. We thank our Education Foundation contributors:
- A & W Insurance Services, Inc.
- Earll Insurance Agency, Inc.
- Elmer J. Rhody, CPCU
- HMS Insurance Associates, Inc
- Joseph W. MCartin Insurance
- The Novick Group, Inc.
- Tidewater Insurance Associates, Inc.

Thank You!
A Commodity vs. a Relationship
By Al Diamond

While most agencies have great slogans and logos about personal service, the reality is that the pressure of time and volume of work causes us to treat most of our clients just like the “commodity” that they feared they would become if they just signed up on line or over the phone. We treat them like numbers. We don’t get to know them. At best they may know the agent who sold them the insurance but are not likely to establish relationships with the agency or with other staff members.

Yet few intelligent agents deny that their best clients are ones with whom they have a long and lasting relationship, personally and professionally. Some may have been friends before becoming clients, but most agents create a relationship with clients who are important to them and friendship often follows and stems from a strong business relationship. So where’s the DISCONNECT? Why do we only see many of our clients once a year (if that often) to confirm renewals? Are these the same clients that you wooed and enticed when you initially sold them on using your service because they lost contact and trust with their prior insurance provider?

Too Much To Do, Too Little Time to Do It, Too Many Clients to Visit---
When it boils down, the reasons we hear in response to the questions above is
a) We have so much to do that we’re lucky if we see any clients at all.

b) Our agency operations take up so much time that we are hardly in the insurance business at all any more – we’re managers, administrators and “firefighters”.

c) We promise on-going communications and relationships but, in reality, we have hundreds of commercial clients and thousands of personal clients – we simply can’t see them all.

Before we can even address the issues raised above, we must actually gauge our commitment to the concept of Personal Relationships as the primary point of differentiation between our agency and your competitors.

Commitment is the way you operate your life. That to which you are committed (marriage, children, church, sport, hobby, your business) gets attention and gets accomplished. That to which you aspire but are not committed are the things that you TRY TO DO. And, in the words of the immortal Yoda, “Do or do not. There is no try.”

I know folks who are COMMITTED to golf. They are agents and some are successful, but they play golf three to four times each week – they certainly maximize their success at that which they are committed. Similarly, I know agents who have hundreds of commercial clients and thousands of personal clients and are so committed to the concept of personal relationships that every client thinks that the agent (or agency) considers them a VIP and treats them accordingly.

If you commit to personal relationships, you understand that there are others in the industry who

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can outspend you – there are always better prices than yours if the client looks hard enough – but as long as your clients know that you give them a grade of service that they cannot achieve elsewhere, they will not only remain your clients, but they will tout you to their friends as their ‘go to’ insurance expert.

If you’ve reconciled your feelings and find that the Personal Relationship point of differentiation is the one that will best serve your and your clients’ needs, you are ready to attack that will best serve your and your point of differentiation is the one you find that the Personal Relationship expert.

If you’ve reconciled your feelings and find that the Personal Relationship point of differentiation is the one that will best serve your and your clients’ needs, you are ready to attack that will best serve your and your point of differentiation is the one you find that the Personal Relationship expert.

1. We All Have Too Much To Do – Lack of Prioritization – We have a small staff and a very busy consultancy. We have to remind each other of lunchtimes and at the end of the day or we will work through them. But there are a few things that we remember because they are our priorities. Our health and alertness is a priority so we remind ourselves and each other of break and lunch times in order to be most effective in our business and personal lives. Our families are priorities so no matter how much work we have, we force ourselves to become husbands, wives, parents and grandparents.

For agents and their staffs who have become converts to Personal Relationships, seeing and talking to clients must become the primary function of your working lives. Many of us have been shocked by long-term clients who we visit at renewal who tell us that they have found less expensive insurance elsewhere. We are hurt and feel that we think of the clients first, but we fail to keep the clients in the loop. The worst case scenario is when our agency DOES spend a great deal of time working on behalf of customers but we never bother to include the customer in the communications loop. They never assume that you are working on their behalf unless you actually tell them of your efforts.

2. We are pushed and pulled into management of people, process, underwriting, marketing, administration and anything else instead of being able to work with our clients – Lack of Delegation and/ or Lack of the right managers. As our agencies grow we tend to take on more and more work instead of identifying lead workers who could become supervisors and eventually managers who should take on these needed roles IN OUR SUPPORT as the key producer/insurance professional. Once you have more than three or four employees you must breed your own managers. If you have ten or more employees and are still the only manager, you are automatically doing your clients a disservice by spending your time on administration instead of with them.

3. We have TOO MANY CLIENTS to communicate with regularly – Lack of Process. Classify every client (we spreadsheet ours) by the appropriate number of times that client should be seen or communicated with in a year. Then by virtue of the revenue size and/or personal relationships, define who should be seeing or speaking to the customer and start tracking and managing that communications line every week and every month. When we establish a relationship, it doesn’t always have to be with the agency owner or producer. Most clients find themselves dealing with service staff much more than with a salesman anyway. If a client is large enough, the owner/producer should be the lead (but not necessarily the only) point of contact. But size DOES matter. You must differentiate in treatment between a $10,000 commission account and a $100 commission account. Both should feel they have a special and personal relationship with someone in the agency, but not every personal relationship has to be with the owner.

PRIORITIZATION – DELEGATION – PROCESS MANAGEMENT are the tools that allow the agents truly committed to PERSONAL RELATIONSHIPS AS THE POINTS OF DIFFERENTIATION between them and their competitors to accomplish their goals and to have the vast majority of their clients feeling “special” all of the time. Call us and we’d be happy to advise you how to teach Personal Relationships to your agency and to establish all of the tools needed to make you successful as an independent agent competing against the Commodity Agencies and against the direct writers who thrive on making insurance a commodity business.

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The Best Practices line of tools and seminars was developed out of the need to help Big "I" members maintain and improve the value of their most important asset – their agencies. Since the first products were released in 1993, a continuously growing library of high quality materials has helped thousands of agencies contrast, evaluate, and enhance their performance in areas critical to their continued success. At the heart of the program is the annual Best Practices Study and the Updates, which are based on 224 top performing agencies. When reviewing the interviews and results are looked at as a whole, there are certain characteristics that are seen across the board with all the Best Practices agencies. How many do you recognize within your agency?

**CHARACTERISTICS OF A BEST PRACTICES AGENCY:**

1. Focus on customer service and satisfaction through both formal and informal surveys and informal inquiries about customers’ perceptions of how the agency is meeting their expectations and how it might improve service.

2. Frequent customer contact for the purposes of educating the client, building the account, explaining new products and prices, serving as consultant and problem solver and making each contact pleasant and productive.

3. Valued staff. Employees are given the education, training and tools they need to do their jobs. They are expected to perform at high levels and to grow personally and professionally, and their accomplishments are rewarded, recognized and celebrated. Finding & keeping valued staff is now incredibly important as baby boomers retire by the droves.

4. Participatory management. Top managers are involved in day-to-day operations. They share financial information and make sure that employees understand profit expectations. Employees have the authority to exercise their responsibilities and have input in planning and budgeting.

5. Vision. The agency has a clear mission statement that focuses on the customer. The mission statement is shared with and understood by every member of the staff.

6. Win/win supplier relationships. Agencies seek partnerships with insurers that share their vision and values. They take part in joint planning and the principles that govern agency-company relationships are trust and respect.

7. Efficient processes. Technology is no longer an option, it is a necessity for growth, continuous improvement, and customer contact & satisfaction. Agencies must streamline workflows for the benefit of both employees and customers and strive “to do things right the first time.”

8. Continuous improvement. Always seeking ways to be better, agencies continually measure their performance against past performance as well as against that of competitors and successful non-insurance enterprises.

9. Focus on revenue growth. This remains critical to long-term survival and agency value. Growth comes from a focus on Account Development and leveraging relationships but the new or renewed focus on growth encompasses new ways of finding customers and keeping them such as social media and other technologies.

If you are looking to improve your agency customer service check out Customer Service Made Simple, recruit new producers or need sample producer contracts, check out Top Producers: Discover, Train, Reward, or if you want to compare your agency results to high-performing agencies, be sure to check out the latest version of the Best Practices Study along with the other available resources. The Best Practices information, order forms and e-book purchase links can be found by visiting the Big "I" Website at www.independentagent.com and then selecting “Resources” then “Best Practices” or send an email to BestPractices@iiaba.net for more information.
Big “I” Comments on House Passage of Insurance Capital Standards Act of 2014

WASHINGTON, D.C., - The Independent Insurance Agents & Brokers of America (IIABA or the Big “I”) applauds the U.S. House of Representatives for passing S. 2270, the “Insurance Capital Standards Clarification Act of 2014.” The legislation was passed by the full House on December 10th by unanimous consent.

The Big “I” supports this legislation which recognizes the unique nature of insurers as financial services providers and the inherent distinction between the banking and insurance markets. It clarifies that insurance companies subject to Federal Reserve oversight are not forced to comply with bank-centric capital standards.

“The House vote is a common-sense solution to a technical issue within Dodd-Frank,” says Charles Symington, Big “I” senior vice president of external and government affairs. “The Big ’I’ has long supported the principle that banking and insurance are different and require distinct regulatory standards. We thank the House for this bipartisan vote.”

The Senate passed identical legislation by unanimous consent in June. The bill now heads to President Barack Obama’s desk to be signed into law.

Update on Fraudulent COI’s

By Shelley Arnold

I had the pleasure of attending the Baltimore Roundtable in October. This annual meeting is always well attended and well represented by very informative speakers and very timely topics. This year was no exception. One speaker, however, sparked my interest when presenting a topic near and dear to the hearts of all agents, fraudulent certificates of insurance. Carolyn Henneman, Associate Commissioner-Insurance Fraud Division, the Maryland Insurance Administration, spoke about industry fraud, but spent a few very well spent moments reviewing recent changes in enforcement with respects to COIs.

As agents, we are aware of the recent legislative changes affecting certificates in Maryland and attempts by the Maryland legislature to curb their misuse, but many are not aware of the penalties that may be imposed. Specifically the recent addition of civil fraud enforcement authority has given the Maryland Insurance Administration a very useful tool in their efforts to combat fraudulent COIs. Without this, false COIs are merely a misdemeanor and would not prove useful from a time perspective to prosecutors. The law Ms. Henneman referred to, §27-408 (c)(1) specifically states:

(c) Administrative penalty. --

(1) In addition to any criminal penalties that may be imposed under this section, on a showing by clear and convincing evidence that a violation of this subtitle has occurred, the Commissioner may:

(i) impose an administrative penalty not exceeding $25,000 for each act of insurance fraud; and

(ii) order restitution to an insurer or self-insured employer of any insurance proceeds paid relating to a fraudulent insurance claim.

(2) In determining the amount of an administrative penalty, the Commissioner shall consider:

(i) the nature, circumstances, extent, gravity, and number of violations;

(ii) the degree of culpability of the violator;

(iii) prior offenses and repeated violations of the violator; and

(iv) any other matter that the Commissioner considers appropriate and relevant.

One of the recent cases resolved by the MIA was that of a false certificate of insurance involving a Master Electrician.

The facts and outcome:

• Master Electrician’s Workers Compensation and Liability insurance policies had lapsed due to non-payment of premiums.

• To obtain subcontract work on a construction project, he submitted a phony COI to the General Contractor.

• To renew his Master Electrician license, he submitted the same phony COI to the licensing board.

He was reported and after an investigation, the MIA issued a Civil Fraud Order

1. $2,500 penalty
2. Notified the Licensing board

If you suspect someone of using fraudulent certificates, notify the Insurance Administration. Visit their website, http://www.mdinsurance.state.md.us/sa/consumer/insurance-fraud-consumer.html, for additional information on filing.
January 7, 2015
ISO CGL Changes
Don Dudey, CPCU
8:30 AM - 10:30 AM

January 12-16, 2015
Property/Casualty
Pre-Licensing Course - 5 days
Joe Conroy, ACSR
8:30 AM - 4:30 PM

January 20, 2015
Specialized Insurance & Bonds - AAI 82C
Shelley Arnold, CPCU
9:00 AM - 4:30 PM

January 22, 2015
E&O Risk Management: Meeting the Challenges of Change
Stanley Lipshultz, CPCU
9:00 AM - 4:00 PM

February 4, 2015
Personal Umbrella
Joe Conroy, ACSR
8:30 AM - 10:30 AM

February 9, 2015
Homeowners Insurance
Joe Conroy, ACSR
9:00 AM - 3:30 PM

February 18, 2015
Property Insurance for Contractors
Don Dudey, CPCU
9:00 AM - 4:30 PM

February 24, 2015
Insurance Ethics
Stanley Lipshultz, CPCU
9:00 AM – 12:00 PM

February 24, 2015
Insurance Ethics
Stanley Lipshultz, CPCU
1:00 PM – 4:00 PM

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Agents can attend one or all twelve.

Price: Single Seminar
Member: $30.00
Non-Member: $60.00

Price: Program (All twelve seminars)
Member: $300.00
Program price is for Members ONLY!
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Time: All programs begin at 8:30 and end at 10:30.

NO CANCELLATIONS
NO REFUNDS

To Register, visit IIAM’s website at http://iiamd.org/breakfastclub

Register with this form or online

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